ANTOFAGASTA PLC

Preliminary Results Announcement for the year ended 31 December 2012

12 March 2013

		2012	2011	% Change
Group revenue	US$'m	**6,740.1**	6,076.0	10.9%
EBITDA	US$'m	**3,829.3**	3,660.5	4.6%
Earnings per share (excluding exceptional items) (1)	cents	**140.2**	139.7	0.4%
Earnings per share	cents	**104.7**	125.4	(16.5%)
Net cash at year end (2)	US$'m	**2,407.3**	1,139.7	111.2%
Total dividend per share for the year	cents	**98.5**	44.0	123.9%
(Ordinary: 2012 – 21.0 cents; 2011 – 20.0 cents) (Special: 2012 – 77.5 cents; 2011 – 24.0 cents)				
Average LME copper price (per pound)	cents	**360.6**	399.7	(9.8%)
Group copper production volumes	'000 tonnes	**709.6**	640.5	10.8%
Group copper sales volumes	'000 tonnes	**703.2**	640.0	9.9%
Group weighted average cash costs (3) (net of by-product credits)	cents	**103.0**	101.9	1.1%
Group weighted average cash costs (3) (excluding by-product credits)	cents	**162.8**	155.2	4.9%
Group gold production volumes	'000 ounces	**299.9**	196.8	52.4%
Group molybdenum production volumes	'000 tonnes	**12.2**	9.9	23.2%

(See footnotes on page 2)

- **Record copper production of just under 710,000 tonnes,** ahead of the original forecast for the year and 11% higher than 2011, mainly reflecting the further increase in production at Esperanza. Gold and molybdenum production were also at record levels.

- **Significant production growth at Esperanza**, reflecting the on-going optimisation of the operation. Plant throughput levels reached over 89,000 tonnes per day in Q4 2012, compared with 70,000 tonnes per day in the first quarter of the year. Work is continuing to achieve the original design capacity of 97,000 tonnes per day.

- **Record revenues, up 10.9% year on year to US$6,740.1 million despite lower market commodity prices,** as a result of the increased production volumes. EBITDA increased to US$3,829.3 million, a 4.6% increase on the $3,660.5 million generated in 2011.

- **Significant final dividend, including special dividend, of 90 cents per share.** This results in a total dividend for the year of 98.5 cents per share, more than double the 2011 level, and reflecting a payout ratio of 70% of net earnings (before exceptional items). The total dividend comprises a special dividend of 77.5 cents per share and ordinary dividend of 21.0 cents per share (final – 12.5 cents, interim – 8.5 cents). The combined interim and final dividend equates to a total distribution to shareholders of US$971.1 million. The 2012 dividend represents a one-off distribution, reflecting a periodic review of the Group's balance sheet position performed this year. Future distributions are considered by the Board on a year-by-year basis, but at present the Board anticipates a return to a 35% payout level from 2013 onwards.

- **Balance sheet position remains strong.** The Group had cash (including liquid investments) of US$4.3 billion and net cash of US$2.4 billion at 31 December 2012. This has enabled us to continue with our track record of significant capital returns to our shareholders, while maintaining a robust balance sheet to support our growth opportunities.

- **Review of the Antucoya project continues.** A decision as to whether to resume development of the project will be taken when the review is complete. Given the inherent uncertainties while a review such as this is being undertaken, the Group has performed what it considers to be a conservative assessment of the project's assets and accordingly has recognised an impairment of US$500 million in respect of those assets, of which the Group's attributable share based on its 70% economic interest in the project is US$350 million.

- **Continued progress with evaluation of organic growth pipeline in Chile.** The Esperanza Sur deposit could enhance the existing Esperanza mine plan, as well as having the potential to support an incremental expansion of the

Esperanza plant. There is also potential for a further incremental plant expansion at Los Pelambres. The Encuentro oxides deposit provides the opportunity to continue to maximise the use of the existing SX-EW plant at El Tesoro. There is therefore potential for incremental expansions to generate additional production. In the longer-term, there are several very large scale growth opportunities, including potential for stand-alone plants at the Esperanza Sur and Encuentro sulphides deposits, and major expansion of Los Pelambres.

- **Twin Metals project pre-feasibility study continues to progress well,** with completion of a geological model and a mineral resource estimate for this large, poly-metallic deposit.

Diego Hernandez, CEO of Antofagasta Minerals, commented:

"2012 was an important year for the Group, in which we consolidated the performance of our existing operations, and strengthened our organisation for the future opportunities we face.

The Group produced just under 710,000 tonnes of copper, which was ahead of our original forecast for the year of approximately 700,000 tonnes. This level of production was a record for the Group, and 10% higher than 2011, mainly reflecting the further increase in production at Esperanza. We also produced record amounts of gold and molybdenum. This translated into another strong financial performance, with earnings per share (before exceptional items) of 140.2 cents, compared with 139.7 cents in the prior year. After taking account of exceptional items, underlying earnings per share was 104.7 cents (2011 – 125.4 cents).

I have now been with Antofagasta for just over seven months, and during that time I have been able to get a clear view of the Group's key strengths and opportunities. Firstly the quality of the Group's existing assets and its people provides an extremely strong base for our future development. Secondly, we have very significant and high quality growth opportunities - both in terms of optimising and expanding our existing operations, and also our potential for further green field development.

My first few months with the Group have also confirmed my initial view that many of my own areas of focus correspond closely with the Group's existing strengths and culture. For example - a concentration on day to day operational excellence as the bedrock which underpins everything else we want to achieve; and a focus on efficiency and value in everything we do.

I am looking forward to playing a part in the next stage of the Group's development, and I am sure that the next few years will be an exciting and significant period for the Group."

(1) Earnings in 2012 include a provision against the carrying value of property, plant and equipment relating to the Antucoya project, resulting in a charge to operating profit of US$500.0 million and a charge to earnings per share of 35.5 cents. Earnings in 2011 included a provision against the carrying value of assets relating to the Group's joint venture Tethyan Copper Company Pty. Ltd, resulting in a charge to operating profit of US$140.5 million and a charge to earnings per share of 14.3 cents. Further details of these exceptional items are set out in Note 3 to the preliminary results announcement.

(2) Cash refers to the total of cash, cash equivalents and liquid investments, as analysed in Note 23 to the preliminary results announcement.

(3) Cash cost is a method used by the mining industry to express the cost of production in cents per pound of copper, and is further explained in Note 30(b)(iii) to the preliminary results announcement.

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DIRECTORS' COMMENTS FOR THE YEAR TO 31 DECEMBER 2012

Overview

We achieved a record year of production, with copper volumes of 709,600 tonnes, a 10.8% increase compared with the 640,500 tonnes produced in 2011. This increase was due to higher production at Esperanza, which produced 163,200 tonnes of copper, an 81.1% increase compared with 2011. This principally reflected an increase in plant throughput levels compared with the prior year when the operation was ramping-up. Gold production was 299,900 ounces in 2012 compared with 196,800 ounces in the 2011 full year reflecting the higher throughput at Esperanza. Molybdenum production at Los Pelambres was 12,200 tonnes in the 2012 full year compared with 9,900 tonnes in 2011 reflecting the particularly high molybdenum grades in this year.

The increase in copper, gold and molybdenum production resulted in a 10.9% increase in revenue to US$6,740.1 million (2011 – US$6,076.0 million), despite lower commodity prices. EBITDA increased to US$3,829.3 million, a 4.6% increase on the $3,660.5 million generated in 2011. The increase in revenue was partly offset by higher on-site costs at the operations and increased exploration and evaluation expenditure. After taking into account slight increases in depreciation, finance costs and taxation, this resulted in modest earnings per share growth (before exceptional items) to 140.2 cents, compared with 139.7 cents in the prior year. After taking account of exceptional items, earnings per share were 104.7 cents (2011 – 125.4 cents).

Group cash costs (net of by-product credits) for the full year 2012 were 103.0 cents per pound, in line with the previous year of 101.9 cents per pound. Cash costs before by-product credits were 162.8 cents per pound, an increase on the 155.2 cents in 2011 in line with forecasts. This increase reflected higher on-site costs at Los Pelambres, partly offset by reduced costs at Esperanza and El Tesoro.

The LME copper price averaged just over 360 cents per pound during 2012, compared with 400 cents during 2011, which had been an all-time record. The Group's average realised copper price was marginally above the average market price, at 366 cents. In 2011 the realised price had been significantly below the average market price, with a realised price of 373 cents, reflecting negative provisional pricing adjustments due to the declining price in the second half of that year. Therefore, despite the 10% decrease in average market prices from 400 cents in 2011 to 360 cents this year, the Group's average realised copper price decreased by just 2%, from 373 cents last year to 366 cents in 2012. Gold averaged $1,669 per ounce over the course of 2012, 6% higher than the 2011 average of $1,572. The molybdenum price has weakened considerably over the past two years, with the average price during 2012 of US$12.7 per pound representing an 18% decrease on the 2011 average price of US$15.5. The price traded within a range of between US$11 to US$12 per pound during the final months of 2012.

We have achieved significant production growth at Esperanza this year, reflecting the on-going optimisation of the operation, with throughput levels reaching over 89,000 tonnes per day in Q4 2012. Work is continuing to achieve the original design capacity of 97,000 tonnes per day. The two main areas of focus are the capacity of the grinding line and the performance of the tailings thickeners. Based on test work performed in the year Esperanza concluded that additional tailings thickening capacity is required to reach design parameters for thickened tailing deposition and move beyond current processing levels. The installation of the two high torque thickeners is expected to be completed during 2013. Esperanza is currently preparing the detailed engineering and work programme for the modifications to the current grinding set-up to enable the original design throughput of 97,000 tonnes per day to be reached, along with modifications to the flotation system. These modifications are currently expected to be conducted through 2013 and into 2014. Total capital expenditure of approximately US$265 million is expected over 2013 and 2014 in relation to these improvements to the operation.

The review of the Antucoya project which was announced on 21 December 2012 is continuing. The review is intended to provide greater certainty over the cost position and other relevant parameters for the project. An updated resource model for the project is currently being generated, incorporating additional drill results, which will be used to update the detailed mine plan. A decision as to whether to resume development of the project will be taken when the review is complete. Given the inherent uncertainties while a review such as this is being undertaken, we have performed what we consider to be a conservative assessment of the project's assets and accordingly have recognised an impairment of US$500 million in respect of those assets, of which the Group's attributable share based on its 70% economic interest in the project is US$350 million.

Strategy

The Group's strategy is based around three pillars. Firstly, to optimise and enhance our existing operations. Secondly, continuing to grow this core business by further developing the districts around our existing asset base – in the Centinela

Mining District and at Los Pelambres; and finally, continuing to develop and search for additional opportunities including early-stage growth in copper both in Chile and abroad.

Our immediate focus is on ensuring that we optimise production from our existing assets, through debottlenecking or incremental plant expansions. In a capital intensive industry, especially during periods of particular pressure on capital costs, this provides the best opportunities for relatively rapid, lower cost and lower risk growth.

Our growth opportunities

The Group has achieved significant growth over recent years, driven firstly by incremental plant expansions at Los Pelambres, and then the construction of Esperanza. This has resulted in the increase in copper production to the 700,000 tonne level. Production from the Group's existing operations is expected to remain relatively stable at around this level over the next two to three years. The Group has a number of opportunities in its current growth pipeline which are expected to increase production beyond this level. As explained above, the focus of the Group's growth opportunities is firstly to ensure that the potential production from existing operations is maximised through debottlenecking or incremental plant expansions. The Esperanza Sur deposit could enhance the existing Esperanza mine plan, as well as having the potential to support an incremental expansion of the Esperanza plant. There is also potential for a further incremental plant expansion at Los Pelambres. The Encuentro oxides deposit provides the opportunity to continue to maximise the use of the existing SX-EW plant at El Tesoro. In the longer-term, there are several very large scale growth opportunities, including potential for stand-alone plants at the Esperanza Sur and Encuentro sulphides deposits, and major expansion of Los Pelambres.

We are also continuing to develop our portfolio of growth prospects outside Chile. At our Twin Metals project in the United States we are continuing to make good progress on the pre-feasibility study. During 2012 a significant drilling programme was completed which allowed the development of a geological model and a mineral resource estimate. One of the main focus areas is on the development of the most appropriate metallurgical process for this large, poly-metallic deposit. With the Reko Diq project in Pakistan international arbitration proceedings are continuing in order to protect our legal rights over the project.

We have further expanded our portfolio of early-stage exploration agreements with juniors, with new agreements over the past year signed relating to projects in Finland, Zambia, Australia and Canada. We will continue to review a wide range of M&A opportunities in the copper sector, but we will retain our focus on high-quality opportunities which can deliver value, and which compare favourably with our extensive internal portfolio of high-quality growth opportunities.

Capital allocation

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

	US dollars			
	2012 cents	2011 cents	2010 cents	2009 cents
Ordinary				
Interim	**8.5**	8.0	4.0	3.4
Final	**12.5**	12.0	12.0	6.0
	21.0	20.0	16.0	9.4
Special				
Final	**77.5**	24.0	100.0	14.0
		24.0	100.0	14.0
Total dividends to ordinary shareholders	**98.5**	44.0	116.0	23.4
	Percentage			
Dividends as a percentage of profit attributable to equity shareholders (pre-exceptionals in 2012)	70%	35%	109%	35%

The Group has maintained its strong cash generation, and has further improved its robust balance sheet position. Our net cash position has increased to US$2.4 billion at the end of 2012, from US$1.1 billion at the end of 2011. The Group is focused on ensuring an appropriate balance between significant capital returns to its shareholders, while maintaining a strong balance sheet position and not compromising our growth opportunities.

Accordingly, the Board has declared a final dividend of 90.0 cents per ordinary share, which comprises an ordinary dividend of 12.5 cents and an exceptional dividend of 77.5 cents. This represents a total amount of US$887.3 million. This gives total dividends for the year of 98.5 cents, including the interim dividend of 8.5 cents, amounting to US$971.1 million and representing a distribution of 70% of 2012 net earnings (before exceptional items).

The Board's dividend policy is to establish an ordinary dividend which can be maintained or progressively increased at conservative long-term copper prices and through the economic cycle. In addition, the Board recommends special dividends when it considers these appropriate after taking into account the level of profits earned in the year under review, the existing cash position of the Group and significant known or expected funding commitments.

The 2012 dividend represents a one-off distribution, reflecting a periodic review of the Group's balance sheet position performed this year. Future distributions are considered by the Board on a year-by-year basis, but at present the Board anticipates a return to a 35% payout level from 2013 onwards.

Outlook

Group copper production in 2013 is expected to be approximately 700,000 tonnes, broadly in line with the level achieved in 2012. A slight increase in production at Esperanza due to higher average plant throughput levels is expected to be offset by a slight decrease in grades at Los Pelambres. In terms of the Group's key by-products, gold production is forecast to be 260,000 ounces, and we expect to produce 8,000 tonnes of molybdenum. The reduction in our by-product production compared with 2012 reflects an expected decrease in average gold and molybdenum grades.

Copper has traded within a range of between 350 to 370 cents per pound since the year-end, compared with the price at 31 December 2012 of 359 cents. There continues to be a tight market with relatively low levels of visible stocks. Although additional production is expected to come on-stream in 2013 we remain positive on the longer-term fundamentals of the copper industry and expect an increase in demand growth in both China and the United States. While it is anticipated that there could be a shift from a market deficit to a marginal surplus during 2013, the market is expected to remain tight, which is reflected in current analyst forecasts, with an average consensus forecast of approximately 365 cents per pound for 2013. Gold has weakened slightly subsequent to the year-end, dipping below $1,600 per ounce in late February, compared with the price at 31 December 2012 of over US$1,670. The molybdenum price has continued to trade within a range of between US$11 to US$12 per pound subsequent to the year-end.

In summary, the Group's operations are performing well, and the commodity markets remain positive. These provide an excellent base to continue to realise fully the Group's significant potential for further growth.

Review of operations

Mining division

The existing core business

The first aspect of the Group's strategy is to optimise and enhance the existing core business – the Los Pelambres, Esperanza, El Tesoro and Michilla mines.

Los Pelambres (60% owned)

Los Pelambres exceeded the original production forecast for the year, producing 403,700 tonnes of copper in 2012, compared with production of 411,800 tonnes in 2011. Decreasing ore grades were partly offset by an increase in average plant throughput.

403,700	**12,200**	**51,500**	**85.9**
Payable copper produced (tonnes)	**Payable molybdenum produced (tonnes)**	**Payable gold produced (ounces)**	**Cash costs (US cents per pound)**

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.

2012 Performance

Operating profit at Los Pelambres was US$2,289.9 million in 2012 compared with US$2,457.4 million in 2011, reflecting a lower volume of copper sold and an increase in on-site and shipping costs. The realised copper price was 367.0 cents per pound compared with 371.1 cents per pound in 2011.

In 2012 Los Pelambres produced 403,700 tonnes of payable copper which exceeded the original forecast for the year, although 2.0% below 2011 production of 411,800 tonnes This was due to an expected decrease in ore grades from 0.74% in 2011 to 0.70% in 2012, partly offset by an increase in plant throughput from 176,600 tonnes per day in 2011 to 180,300 tonnes per day in 2012. The increased throughput was due to the approval in April 2012 of the Environmental Impact Declaration to lift the previous annual average processing capacity limit of 175,000 tonnes per day which was based on the average throughput between May and April.

Molybdenum production increased by 23.2% to a record level of 12,200 tonnes in 2012 compared with 2011, mainly reflecting the increase in grades from 0.019% in 2011 to 0.023% in 2012. The molybdenum ore grade in 2012 was significantly higher than the ore reserve grade of 0.013%. Gold production was 29.4% higher with 51,500 ounces produced in 2012 compared with 39,800 ounces in 2011.

Cash costs for 2012 were in line with forecast at 85.9 cents per pound, compared with 78.3 cents per pound in 2011. This was a result of a 13.4 cent increase in on-site and shipping costs partially offset by a 2.2 cent decrease in tolling charges and a 3.5 cent increase in by-product credits. The increase in on-site costs reflects higher maintenance and labour costs as well as lower grades in 2012 compared with 2011. The increase in by-product credits was due to higher gold and molybdenum production, and a higher average gold price partly offset by lower average molybdenum prices. There was a decrease in tolling charges to 15.8 cents per pound (2011 – 18.0 cents), resulting in total cash costs before by-product credits of 139.1 cents per pound (2011 – 128.0 cents).

Total capital expenditure in 2012 was US$178.8 million which includes work at the Punta Chungo port and the purchase of a new shovel. Capital expenditure is expected to increase to approximately US$330 million for 2013 mainly due to expenditure relating to a new truck workshop and other auxiliary facilities to allow continued development of Los Pelambres in line with the mine plan.

Two claims were filed with the Court of Appeals in La Serena in 2012 in respect of the Mauro tailings dam. These follow several previous unsuccessful related claims made by the same claimants in different courts in the past four years. The first claim alleged that the tailings dam was affecting the quality of the water of the Caimanes community located near the Mauro valley. The Court of Appeal of La Serena rejected this claim and in January 2013 the decision was upheld by the Supreme Court of Chile on appeal, thereby confirming the Group's view that the operation of the Mauro dam complies with applicable Chilean and international environmental standards without affecting water quality of the Pupio river. The second claim alleged that the Mauro tailings dam posed a danger to the population of Caimanes because it would not resist an earthquake of certain magnitudes, and that indications of leaks could threatened the dam's stability. The Court of Appeal of La Serena also rejected this claim. The claimants have appealed this decision to the Supreme Court of Chile where a decision is pending.

Outlook

As announced in the Q4 production report, the initial forecast for 2013 production is for approximately 390,000 tonnes of payable copper, compared with production of 403,700 tonnes in 2012. This is mainly due to a minor decrease in the expected average ore grade to 0.69% under the current phase of the mine plan compared with 0.70% in 2012. This production forecast is based on an average plant throughput of 179,000 tonnes per day. The plant will on average run at a lower throughput level during the first quarter of 2013 due to a major maintenance of the plant during March. The initial forecast for 2013 molybdenum production is for approximately 8,000 tonnes, a decrease of 4,200 tonnes compared with 2012 volumes, due to a decrease in the molybdenum grade to approximately 0.015% in 2013 compared to 0.023% in 2012. The initial gold production forecast is approximately 30,000 ounces.

Cash costs before by-products for 2013 are forecast to be approximately 165 cents per pound, compared to the 139.1 cents achieved in 2012 reflecting various factors including an increase in energy costs compared with 2012. For indicative purposes only, cash costs (net of by-product credits) would be approximately 130 cents per pound (based on a molybdenum price of US$12 per pound and a gold price of US$1,700 per ounce).

The main energy contract at Los Pelambres was fixed for a two-year period which came to an end in December 2012 under the existing energy supply agreement. In January 2013 Los Pelambres started a new energy contract based on the spot price of the central grid which is higher than the price paid under the previous contract and is therefore expected to increase the energy costs over the course of 2013. Los Pelambres is continuing to review options to secure its future energy requirements.

Parque Eolico El Arrayan SPA ("El Arrayan"), in which the Group has a 30% interest and with whom Los Pelambres has signed a 20 year agreement for the supply of up to 40MW of power, has begun construction of its 115MW wind power plant. The plant has an estimated total cost of approximately US$300 million of which it is expected that a significant proportion will be debt financed, and with the Group responsible for its 30% of the equity funding. The plant is expected to begin operating in the second half of 2014.

Los Pelambres is continuing to review opportunities for further expansion. As explained in further detail in the following section, the Group is currently working on a pre-feasibility study to analyse the potential for a longer term expansion of the Los Pelambres operation.

Esperanza (70% owned)

Copper production at Esperanza increased 81.1% to 163,200 tonnes in 2012 compared with 2011. During 2012 significant progress has been made in optimising the operation of Esperanza, with average plant throughput levels increasing to 89,200 tonnes per day by Q4 2012.

163,200	**248,400**	**65.9**
Payable copper produced (tonnes)	**Payable gold produced (ounces)**	**Net cash costs (US cents per pound)**

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.

2012 Performance

Operating profit at Esperanza was US$880.1 million in 2012, compared with US$384.1 million in 2011. This mainly reflected the higher production volumes as a result of increased throughput levels following the start of operations in 2011 as well as the impact of lower on-site costs as well as a higher realised copper price. The realised copper price increased from 354.7 cents per pound in 2011 (when production was weighted to the second half of the year) to 364.8 cents per pound in 2012 and the realised gold price increased from US$1,643 per ounce in 2011 to US$1,677 per ounce in 2012.

Esperanza produced 163,200 tonnes of payable copper in 2012, an 81.1% increase compared with 2011, reflecting both a 45.6% increase in plant throughput levels compared with the prior year when Esperanza was ramping-up, as well as a

19.6% increase in copper grades from 0.56% in 2011 to 0.67% in 2012. Gold production in 2012 was 248,400 ounces compared with 157,100 ounces in 2011 as a result of the higher plant throughput.

Net cash costs in 2012 were 65.9 cents per pound, compared with 83.2 cents per pound in 2011 due to a 43.0 cent decrease in on-site costs which was partially offset by a 23.4 cent decrease in by-product credits. The decrease in on-site and shipping costs reflects the high level of costs in 2011 associated with the ramp-up process, and the impact on unit costs of the plant operating at significantly below capacity during that process. The decrease in by-product credits mainly reflects the lower ratio of gold to copper production in 2012 compared with 2011.

During 2012 significant progress has been made in optimising the operation of Esperanza, with an average plant throughput level of 81,100 tonnes per day reached in 2012. During the year the two main areas of focus were the capacity of the grinding line and the evaluation of the performance of the tailings thickeners. Based on test work performed in the year Esperanza concluded that additional tailings thickening capacity is required to reach design parameters for thickened tailing deposition and move beyond current processing levels. The installation of the two high torque thickeners is expected to be completed during 2013 at a total capital cost of approximately US$95 million. Esperanza is also making modifications to the tailings area to allow the continued processing of these tailings with lower than expected solids content. This work will continue over 2013 and 2014 at a total cost of approximately US$50 million which will be reflected in the on-site cash costs at Esperanza.

During the year a temporary pre-crushing facility was installed to provide greater reliability of the milling process which enabled Esperanza to increase the throughout to 89,200 tonnes per day in Q4 2012. Testing work on the ore body was completed during the first half of 2012, and this has shown that the overall ore body has greater variability and on average is harder than was initially expected. Esperanza is currently preparing the detailed engineering and work programme for the modifications to the current grinding set-up to enable the original design throughput of 97,000 tonnes per day to be reached. To allow the processing of ore with varying characteristics (including higher pyrite levels) Esperanza is reviewing options for modifying the flotation system. These modifications to the grinding and flotation system are currently expected to be conducted through 2013 and into 2014, and the initial estimate is for additional capital expenditure in the range of approximately US$170 million.

Capital expenditure in 2012 was US$130.3 million including US$39.9 million relating to Esperanza's share of the Centinela Mining District Feasibility Study as well as investments across a range of smaller operational projects including the purchase of ancillary mine equipment. As outlined above additional capital expenditure of approximately US$265 million is expected over 2013 and 2014 in relation to improvements to the plant. Capital expenditure is expected to be approximately US$300 million in total for 2013 which includes US$55m relating to the Centinela feasibility study as well as expenditure related to the work outlined above and the purchase of three new trucks.

Outlook

As announced in the Q4 production report, the initial forecast for 2013 production is for approximately 170,000 tonnes of payable copper and 230,000 ounces of gold. This production forecast is based on an average plant throughput of 86,000 tonnes per day and expected average copper and gold grades of 0.66% and 0.32g/tonne respectively. As outlined above the optimisation process continues with the aim of reaching the original design capacity of 97,000 tonnes per day by the end of 2014.

Cash costs before by-products for 2013 are forecast to be approximately 225 cents per pound, compared to the 194.2 cents achieved in 2012. This increase is due to the impact of inventory changes and increased mine ore movement compared with 2012. For indicative purposes only, cash costs (net of by-product credits) would be approximately 110 cents per pound (based on a gold price of US$1,700 per ounce).

Esperanza is currently evaluating the potential for construction of a separate molybdenum plant for approximately 2,000 tonnes per year of molybdenum production over the remaining life of the mine with first potential production from 2015. During June 2012 the Environmental Impact Declaration for this project was approved by the authorities and the feasibility study is expected to be completed by the end of 2013.

El Tesoro (70% owned)

El Tesoro achieved a record production of 105,000 tonnes in 2012 reflecting a full year of production from the high grade Mirador pit.

105,000	**149.3**
Copper cathode produced (tonnes)	**Cash costs (US cents per pound)**

El Tesoro is a deposit 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 currently comprises three open pits – Tesoro Central, Mirador and Tesoro North-East – which, along with oxide ore from Esperanza, feed a heap-leach operation and a Run-of-Mine ("ROM") leaching operation.

2012 Performance

Operating profit at El Tesoro was US$442.7 million, compared to the 2011 operating profit of $379.4 million. The increase reflects the higher production and lower cash costs partly offset by the reduction in realised prices from 391.2 cents per pound to 364.5 cents per pound.

Copper cathode production was a record 105,000 tonnes in 2012 compared with the 97,100 tonnes produced in 2011 due to the processing of higher grade ore from the Mirador pit which entered into production during Q3 of 2011. The average ore grade increased to 1.72% in 2012, compared with 1.26% in 2011. This increase in ore grade has had an impact of further lowering plant throughput as the operation remains limited by the processing capacity of the SX-EW plant. Throughput at the plant from the heap-leach operation averaged 19,900 tonnes per day in 2012, compared with the 2011 throughput of 23,800 tonnes per day. The solar thermal plant started operating in November 2012 and has reduced the diesel requirements in the plant's electro-winning boilers by 55% as well as cutting the carbon emissions of the operation.

Cash costs decreased from 171.6 cents per pound in 2011 to 149.3 cents per pound in 2012 due to the processing of higher grade Mirador ore as well as lower acid and energy costs.

Capital expenditure in the year was US$130.9 million including approximately US$57 million relating to stripping costs at the Tesoro North East and Tesoro Central pits. Capital expenditure is expected to be approximately US$90 million in 2013 due to the replacement of the leaching pads.

Outlook

For 2013, the forecast for cathode production is approximately 100,000 tonnes. Production from the heap-leach operation is expected to be approximately 93,000 tonnes which will comprise ore from the Mirador pit as well as Tesoro Central and Tesoro North East pits. The ROM operation is expected to produce approximately 7,000 tonnes. Ore grades for the heap-leach operation are expected to decrease to an average grade of 1.38% in 2013 (2012 – 1.72%) due to a reduction in the ore feed from the higher grade Mirador pit. During the first half of 2013 the feed to the plant will primarily come from the Mirador pit.

As previously announced, during the three year period from 2012 to 2014 El Tesoro's production is expected to come primarily from the Mirador pit with the balance of the production coming from the Tesoro North-East and Tesoro Central pits. Once the ore from the Mirador deposit has been utilised by the end of 2014, production is forecast to reduce as lower grade material will then be processed from the Tesoro Central and North-East pits. As detailed in the Centinela Mining District section below, further exploration and evaluation work is being conducted to identify additional oxide resources, including the Encuentro oxide deposit which could provide 50,000 tonnes of copper per annum production for the El Tesoro plant from 2016 through to the end of its mine life in 2023, potentially allowing the plant to continue operating at close to full capacity for several years.

Cash costs at El Tesoro are forecast to be approximately 165 cents per pound in 2013, compared with the annual average of 149.3 cents per pound during 2012. This increase is due to the particularly low level of costs in 2012 as a result of processing the high grade phases of the Mirador pit. The level of cash costs are expected to increase throughout the year reflecting the transition to lower grade ore from the Tesoro Central pit in the second half of the year.

Michilla (74.2% owned)

Michilla is maintaining stable, profitable production of around 40,000 tonnes a year and studies are continuing in respect of a possible extension of the mine life which currently ends in 2015.

37,700	**318.3**
Copper cathodes produced (tonnes)	**Cash costs (US cents per pound)**

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 which is processed by the Michilla plant comes from a variety of sources – from underground and open pit mines which are operated by Michilla itself, from other underground operations which are owned by Michilla and leased to third-party operators, and also from ENAMI, the Chilean state organisation which represents small and medium-sized mining companies. The price paid for material purchased from ENAMI is in some cases linked to the market copper price.

2012 Performance

Operating profit at Michilla was US$31.1 million in 2012, compared to the 2011 operating profit of $147.4 million. This reflects significant cash cost increases from 213.3 cents per pound in 2011 to 318.3 cents per pound in 2012 caused by processing lower grade ore and costs associated with processing ore from the spent ore piles. There was also a reduction in realised prices from 381.6 cents per pound in 2011 to 372.8 cents per pound in 2012. As a high cost operation, Michilla has over recent years often hedged a significant proportion of its production, in order to ensure a reasonable level of return even in the event that market prices weakened considerably. Further details of the effects of commodity hedging instruments in place are given in the Financial Review.

Total annual production in 2012 was 37,700 tonnes of copper cathodes, a reduction on the 2011 production of 41,600 tonnes reflecting a reduction in ore feed from the higher grade Estefanía underground mine, as well as lower plant throughput due to lower ore feed from third parties, partly offset by increased production from the secondary leaching process. Average ore grades were 1.05% compared with 1.18% in 2011. Average throughput decreased to 11,500 tonnes per day in 2012, compared with 12,500 tonnes per day in the prior year. During 2012 the ore feed came from a variety of sources including the Lince open pit, Estefanía mine and the Aurora deposit as well as from third party operators and ENAMI. Production from the secondary leaching of ore that has already been through the heap-leach process significantly increased during the year, yielding approximately 4,500 tonnes of copper production in 2012. We expect the process to remain an important source of material for the Michilla plant.

Cash costs averaged 318.3 cents per pound in 2012, compared with 213.3 cents per pound in 2011. The increase in cash costs reflects processing of lower grade ore and costs associated with processing ore from the spent ore piles.

Capital expenditure in the year was US$58.4 million in 2012 compared to US$52.7 million in the 2011.

Outlook

The initial forecast for cathode production in 2013 is for approximately 38,000 tonnes of production. The majority of this production is expected to continue to come from Estefanía as well as third parties and other pits, and also from the secondary heap leaching process.

Initial forecast cash costs for 2013 are approximately 305 cents per pound a marginal decrease compared with cash costs of 318.3 cents per pound in 2012. Approximately 60% of the Michilla's operating costs are denominated in Chilean pesos and a portion of these costs are hedged with cross currency swaps to swap US dollars for Chilean pesos to reduce its exposure to fluctuations in the Chilean peso/US dollar exchange rate. Further details of the effects of commodity hedging instruments in place are given in the Financial Review.

Growth projects and opportunities

The Group is focused on developing its projects and growth opportunities, both around its existing mining districts in Chile (the second pillar of its strategy), and also beyond those areas, in Chile and internationally (the third pillar of its strategy). The Group's primary focus is in all of these cases is on opportunities with the potential for large-scale development.

The Group has a portfolio of growth projects, which could prove significant over the coming years. Given the early-stage nature of these projects, their potential and timing is inherently uncertain, and so the following is only intended to provide a high-level indication of potential opportunities. The Group's exploration and evaluation expenditure in 2012 was US$300.8 million compared with US$215.4 million in 2011. This increase was principally due to increased spend in respect of the pre-feasibility study into an expansion of Los Pelambres and a higher level of spending at the Twin Metals project. In addition to US$66.7 million of exploration and evaluation expenditure incurred in relation to the Centinela Mining District included in the overall Group amount which was expensed, a further US$63.1 million in total in relation to the feasibility study was capitalised.

The Group is also conducting a wide range of early-stage exploration activities, both through its in-house exploration team and also through partnerships with third-parties, to build a portfolio of longer-term growth opportunities across an increasingly diversified geographical area.

The Group's commitment to exploration has been rewarded through the major increase in the resource base over a number of years. The total resource tonnage of the Group at 31 December 2012, on a consolidated basis, was 15.1 billion tonnes, which compares with proved and probable ore reserves of 3.1 billion tonnes. The Group's resource tonnage at 31 December 2012 includes 2.2 billion tonnes from Twin Metals, which has incorporated for the first time but excludes Reko Diq, which has been excluded from the Group's resource table given the status of that project as explained below.

The Group intends to continue to invest strongly to continue to enhance growth opportunities. During 2013 the total forecast expenditure in relation to exploration and evaluation activities is approximately US$280 million.

Organic and sustainable growth of the Core Business

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

Centinela Mining District

The Centinela Mining District is the main area of focus for the Group's medium and longer term growth opportunities. As explained above, the immediate focus is on the work currently being performed at Esperanza to reach the original design capacity, which is expected to be completed during 2014. The feasibility study evaluating how best to utilise the Esperanza Sur and the Encuentro oxides deposits progressed during 2012, and is expected to be completed by early 2014. Metallurgical testing performed as part of the feasibility study has indicated that untreated sea water can be used to process both the sulphide and oxide ores. During 2012 US$63.1 million has been capitalised in relation to the feasibility study, out of a total expected cost for the study of US$140 million. At 31 December 2012, the total resources controlled by the Group in the Centinela Mining District amounted to 6.2 billion tonnes.

The Esperanza Sur deposit could firstly enhance the existing Esperanza mine plan, as well as having the potential to support an incremental expansion of the existing Esperanza plant.

The Encuentro oxides deposit provides the opportunity to continue to maximise the use of the existing SX-EW plant at El Tesoro. It is currently envisaged that a new crushing unit and heap leach facilities would be located at the Encuentro mine site, with a pipeline to take the leach solution to the existing El Tesoro plant for processing. Construction could potentially commence in 2014 for a two year period, followed by first production in 2016. The project could 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 its capacity of 100,000 tonnes per annum for a number of years from 2015, thereby helping to offset a decline in production that would otherwise occur when the high-grade Mirador deposit is fully mined. Preliminary indications of the potential capital cost of the Encuentro oxide project are that it could be approximately US$600 million at today's prices. In December 2012 the Environmental Impact Assessment in respect of the Encuentro oxide project was submitted to the relevant authorities for review.

In the slightly longer-term, the Esperanza Sur deposit could support a new concentrator plant, potentially producing an average level of 140,000 tonnes of copper and 160,000 ounces of gold in the first 10 years of operation. Analysis of the options for a new concentrator plant at Esperanza Sur forms part of the on-going feasibility study for the Centinela Mining District. This could then be followed by a further processing and infrastructure facilities for the Encuentro sulphides deposit. The current plan is for development of the Encuentro sulphide project to follow after the development of the oxide resource. Accordingly, a separate feasibility study will be undertaken in due course in respect of the Encuentro sulphide project. Based on the results of the pre-feasibility current estimates are that the Encuentro sulphides deposit could support a plant with a production of approximately 140,000-160,000 tonnes of copper and 160,000-180,000 ounces of gold. Preliminary indications of the potential capital costs of the Esperanza Sur and Encuentro sulphides stand-along plants are that they could each be in the region of US$3.5 billion at today's prices.

The Group is also continuing to evaluate the earlier-stage opportunities in the Centinela Mining District. A scoping study has been initiated in respect of the Polo Sur deposit, where a resource of 704 million tonnes at 0.37% copper grade with gold and molybdenum by-products has been identified. Exploration work is continuing on a number of other deposits in the District, in particular the Penacho Blanco deposit.

Los Pelambres

The Group is continuing to work on a pre-feasibility study examining the options for a significant expansion of the Los Pelambres mine. During 2012 good progress has been made on the drilling campaign to re-categorise mineral resources. Expenditure of US$58.6 million was incurred during 2012 in relation to the pre-feasibility study. The pre-feasibility study is expected to be completed during 2013, potentially then to be followed by a feasibility study.

Given the size of the resource base, which at 5.6 billion tonnes is more than three times the existing mine plan, there is significant scope to increase the existing plant capacity. One of the key areas of focus of the pre-feasibility study is for a potential incremental plant expansion which will allow the processing of harder ore which are expected in later stages of the mine plan. In the longer term it is possible that a more than doubling of existing plant capacity could be the optimal choice for the final plant design. It is possible that any project could be a phased process with first production from this potential large-scale expansion possibly starting at some point from 2019 onwards. Los Pelambres is also reviewing the option of a potential incremental expansion of the existing Los Pelambres plant.

Antucoya

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

The review of the Antucoya project which was announced on 21 December 2012 is continuing. The review is intended to provide greater certainty over the cost position and other relevant parameters for the project. An updated resource model for the project is currently being generated, incorporating additional drill results, which will be used to update the detailed mine plan. A decision as to whether to resume development of the project will be taken when the review is complete.

The project would produce an average of 80,000 tonnes of copper cathodes per annum through a standard heap-leach process, and is expected to have a mine life of approximately 20 years. The original mine plan includes proved and probable Ore Reserves of 642 million tonnes of 0.35% copper (using a cut-off grade of 0.21%) during the 20 year mine life.

Given the inherent uncertainties while a review such as this is being undertaken, the Group has performed what it considers to be a conservative assessment of the project's assets and accordingly has recognised an impairment of US$500 million in respect of those assets, of which the Group's attributable share is US$350 million.

United States – Twin Metals

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

Twin Metals is continuing to make good progress on the pre-feasibility study. During 2012 a significant drilling programme was completed which allowed the development of a geological model and a mineral resource estimate. Twin Metals has a total resource of 2.2 billion tonnes with an average copper grade of 0.53% and 0.174% nickel. The pre-feasibility study is based on a large scale phased underground mine plan. One of the main focus areas is on the development of the most appropriate metallurgical process for this large, poly-metallic deposit.

The US$130 million of initial funding was completed during 2012 and the Group will be responsible for 65% of the development costs towards the ongoing pre-feasibility study whilst maintaining a 40% interest. The pre-feasibility study is expected to be completed during 2014 and if approved, Twin Metals will commence a feasibility study.

During 2012 a total of US$71.0 million of expenditure was incurred by the Group in respect of the project.

Reko Diq

The Group holds a 50% interest in Tethyan Copper Company Pty. Limited ("Tethyan"), its joint venture with Barrick Gold Corporation ("Barrick"). Tethyan is seeking to develop the Reko Diq copper-gold deposit in the Chagai Hills District of the province of Balochistan in south-west Pakistan. Tethyan held a 75% interest in an exploration licence encompassing the Reko Diq deposit, with the Government of Balochistan (the provincial authority) holding the remaining 25% interest, resulting in an effective interest for the Antofagasta group of 37.5%. The relationship between Tethyan and the Government of Balochistan in respect of their interests in the project is governed by the Chagai Hills Exploration Joint Venture Agreement ("CHEJVA"). On 7 January 2013, the Supreme Court in Pakistan announced a short order declaring the CHEJVA null and void.

Tethyan is pursuing two international arbitrations in order to protect its legal rights: one against the Government of Pakistan with the International Centre for Settlement of Investment Disputes ("ICSID") asserting breaches of the Bilateral Investment Treaty between Australia (where Tethyan is incorporated) and Pakistan, and another against the Government of Balochistan with the International Chamber of Commerce ("ICC"), asserting breaches of the CHEJVA. Tethyan strongly believes that it has complied with the requirements of the Balochistan Mineral Rules and the CHEJVA and is entitled to the grant of the mining lease.

In 2011, a provision of US$140.5 million was recognised in respect of the Group's investment in Tethyan Copper Company Pty. Ltd.

Other exploration and evaluation activities

Chile

The Group's internal exploration team continued to perform exploration work in Chile, in areas beyond the existing core locations of the Centinela Mining District and Los Pelambres. The Group is continuing generative activities in Chile focusing on Northern Chile which includes studies on copper porphyries under post mineral cover. Drilling work has also started in the Conchi-Brujulina deposits in which the Group has a controlling interest, at the Copucha-Antares deep primary ore targets, at the Astillas Project and at Primavera de Cuncumén, a porphyry target south of Los Pelambres. In addition, the drilling exploration of the primary ore (sulphides) potential mineralisation at Antucoya was carried out. The exploration programme in Sierra Jardín (a joint venture with Codelco) is in progress. During the year evaluation of a new coal deposit in the Magallanes area in Southern Chile commenced. The combined expenditure on these exploration and evaluation activities in Chile during 2012 was US$31.8 million.

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. During 2012 the Group incurred US$33.5 million of exploration and evaluation expenditure in relation to its international early-stage exploration activities. During 2012 the Group entered into new agreements in Finland, Zambia, Australia, Canada, Peru and Brazil.

Energy Opportunities

During 2012, the Group has continued its programme of exploration and development of energy prospects and has made additional investment in renewable energy source power generation.

Energía Andina

Energía Andina S.A, a geothermal energy joint venture with Origin Energy Limited in which Antofagasta Minerals holds a 60% stake, continued its exploration programme of slim hole drilling during the year. Energía Andina now manages a total of 19 concessions grouped into 12 projects. In 2011, exploration slim hole drilling was completed at the Tinguiririca project, situated close to Santiago, which demonstrated the existence of an active geothermal system.

During 2012 one slim hole drilling was completed at the Pampa Lirima project in northern Chile. During 2013 it is expected that slim hole drilling will be undertaken at four other locations.

El Arrayan

Antofagasta has a 30% interest in Parque Eolico El Arrayan SPA ("El Arrayan"), which is engaged in the construction of a wind power plant located close to the Group's Los Pelambres operation. The plant is designed to supply up to 40MW of power to Los Pelambres under a 20-year supply contract.

The Group is responsible for its 30% share of the development costs. El Arrayan started construction of the 115MW plant in early 2012 and has an estimated total cost of approximately US$300 million, of which it is expected that approximately US$210 million will be funded through project financing. The plant is currently 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.

Mulpun

The Group had been working on a potential underground coal gasification ("UCG") project at the Mulpun coalfield, situated near Valdivia in southern Chile. Work on the project has been temporarily put on hold to allow a review to be undertaken including the nature of the technology to be utilised. During 2012 total costs of US$33.4 million were expensed in respect of the project including costs relating to the associated feasibility study.

Transport Division

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 Antofagasta Railway Company's ("FCAB") main business in 2012 continued to be the transport of copper cathodes from, and sulphuric acid to, mines in the Antofagasta Region. In Bolivia, FCAB has a 50% controlling interest in the Ferrocarril Andino, which transports zinc and lead concentrates from Bolivia via the border town of Ollagüe.

The transport division performed well in 2012, although total volumes were lower at 7.7m tonnes compared with 8.3 million tonnes in 2011. The decrease was due to a 19% reduction in the road transportation volumes as well as a marginal decrease in rail volumes to 6.1 million tonnes.

Combined turnover at the transport division was US$190.4 million, a 6.5% increase compared to turnover of US$178.8 million in 2011. The increase in turnover largely reflected a change in the mix of the sales volumes as well as tariff adjustments. This increase in revenues was also reflected in higher operating profits, which increased by 3.0% to US$64.7 million. Capital expenditure in 2012 was US$22.7 million compared to US$20.5 million in 2011.

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

FCAB 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 2012, Forestal continued with its ongoing forestation, fertilisation and thinning programme to maintain these assets.

Water Division

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 kilometre pipe network.

In 2012, the division sold 50.8 million cubic metres of water to domestic and commercial customers, compared with volumes of 48.3 million cubic metres in 2011, driven largely by an increase in demand from domestic clients.

Turnover in 2012 was US$133.4 million, 16.1% higher than 2011. This improvement reflecting improved tariffs and the increase in volumes. Operating costs were stable during the year, enabling the business to achieve a corresponding 16.0% increase in operating profits to US$65.1 million.

The environmental impact assessment for a second desalination plant in the city of Antofagasta was approved in September 2012. This plant will provide water to ADASA and will be operated under the existing concession to provide additional capacity for future growth in domestic and industrial demand. The plant, will have an estimated capacity of 1,000 litres per second, has an estimated cost of US$120 million and would come into operation by 2015.

The Company's revenues and profits are predominantly in Chilean pesos, and will be impacted by the relative strength or weakness of that currency against the US dollar, the currency in which the Group reports its results.

FINANCIAL REVIEW FOR THE YEAR ENDED 31 DECEMBER 2012

Results

	Year ended 31.12.12 US$m	Year ended 31.12.11 US$m	Movement US$m	Movement %
Turnover	**6,740.1**	6,076.0	664.1	10.9
EBITDA	**3,829.3**	3,660.5	168.8	4.6
Depreciation and amortisation	**(494.2)**	(431.7)	(62.5)	14.5
Impairments	**(500.0)**	(140.5)	(359.5)	255.9
Net finance expense	**(90.9)**	(21.2)	(69.7)	328.8
Profit before tax	**2,754.2**	3,076.2	(322.0)	(10.5)
Income tax expense	**(1,020.6)**	(946.2)	(74.4)	7.9
Earnings per share (US cents)	**104.7**	125.4	(20.7)	(16.5)
Net cash	**2,407.3**	1,139.7	1,267.6	111.2

A detailed segmental analysis of the components of the income statement is contained in Note 4 to the preliminary results announcement.

The following table reconciles between the 2011 and 2012 EBITDA:

		US$m
EBITDA in 2011		**3,660.5**
Turnover		
Increase in volume sold	510.5	
Decrease in realised price	(87.3)	
Increase in tolling charges	(9.6)	
Turnover from copper concentrate and cathodes	**413.6**	
Increase in gold revenues	186.0	
Increase in molybdenum revenues	20.9	
Increase in silver revenues	13.5	
Turnover from by-products	**220.4**	
Increase in transport division turnover	11.6	
Increase in water division turnover	18.5	
Turnover from transport and water divisions	**30.1**	
Increase in Group turnover	**664.1**	
Operating costs		
Increase in volume sold	(208.7)	
Increase in cost per unit sold	(150.6)	
Increase in exploration and evaluation costs	(85.4)	
Increase in corporate costs	(27.8)	
Increase in other mining division cost	(13.5)	
Decrease in charge for closure provisions	15.9	
Operating costs for mining division	**(470.1)**	
Increase in transport division operating costs	(13.9)	
Increase in water division costs	(11.3)	
Operating costs for transport and water divisions	**(25.2)**	
Increase in EBITDA		**168.8**
EBITDA in 2012		**3,829.3**

Turnover

Group turnover in 2012 was US$6,740.1 million, 10.9% above the US$6,076.0 million achieved in 2011. The increase of US$664.1 million mainly reflected increased copper and gold sales volumes.

Turnover from the mining division

Turnover from copper concentrate and copper cathodes

Turnover from copper concentrate and copper cathode sales increased by US$413.6 million, or 8.1%, to US$5,498.7 million, compared with US$5,085.1 million in 2011. The increase reflected the impact of higher copper volumes partly offset by lower realised prices and increased tolling charges.

(i) Copper volumes

Copper sales volumes increased by 9.9% from 640,000 tonnes in 2011 to 703,200 tonnes this year. The uplift in volumes accounted for US$510.5 million of the total increase in turnover from copper concentrate and cathode sales.

The increased production volumes in the year were mainly due to higher production at Esperanza as a result of increased throughput levels.

(ii) Realised copper prices

The Group's average realised copper price decreased by 1.7% to 366.4 cents per pound (2011 – 372.6 cents), largely reflecting the lower average LME copper price, which decreased by 9.8% to 360.6 cents per pound (2011 – 399.7 cents), largely offset by positive provisional pricing adjustments which were positive in 2012 and negative in 2011. The decrease in average realised prices led to a decrease of US$87.3 million in turnover from copper concentrate and cathode sales, partly offsetting the increase in turnover due to higher copper volumes detailed above.

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 losses or gains of commodity derivative instruments hedge accounted for in accordance with IAS 39 "Financial Instruments: Recognition and Measurements".

The significant increase in the copper price in the first half of 2012 resulted in positive mark-to-market adjustments from the settlement of invoices for sales initially invoiced in the final months of the prior year, partially offset by negative mark-to-market adjustments for sales in the third quarter of 2012 when the copper price decreased from the higher levels of September 2012. Pricing adjustments increased initially invoiced sales (before adjusting for tolling charges) by US$81.3 million in 2012, compared with a decrease of US$286.2 million in 2011. Further details of provisional pricing adjustments are given in Note 5(a) to the preliminary results announcement.

Realised prices, in particular at Esperanza, were also affected by the timing and distribution of sales during the year. A higher proportion of the Group's sales of 703,200 tonnes were achieved in the second half of the year in line with production. LME copper prices in the second half were 354.1 cents per pound compared with 367.3 cents per pound in the first half of the year, and hence realised copper prices were affected by the greater weighing of sales to the second half of the year.

In 2012 turnover also includes a net gain of US$0.4 million (2011 – net loss of US$15.1 million). This relates to commodity derivatives at Los Pelambres which were entered into in the first half of 2012 in order that finally priced sales volumes were more evenly spread through the period, largely offset by gains on commodity derivatives at Michilla and to a lesser extent El Tesoro which matured during the year. Further details of hedging activity in the year are given in Note 5(b) to the preliminary results announcement.

(iii) Tolling charges

Tolling charges for copper concentrate increased by US$9.6 million to US$181.8 million in 2012. This reflected increased tolling charges at Esperanza, mainly due to increased production volumes as well as an increase in average tolling charges. This impact was partly offset by a decrease in tolling charges at Los Pelambres. 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 increased by US$220.4 million or 31.6% to US$917.6 million in 2012, compared with US$697.2 million in 2011.

Turnover from gold in concentrate (net of tolling charges) was US$501.2 million (2011 – US$315.2 million), an increase of US$186.0 million. The significant increase was mainly due to an increase in gold sales volumes from 193,200 ounces in 2011 to 300,100 ounces in 2012, mainly due to Esperanza which sold 248,600 ounces. Gold revenues also benefited to a lesser extent from the increase in realised gold prices which were US$1,675 per ounce in 2012 compared with US$1,637 per ounce in 2011. Realised gold prices mainly reflected higher market prices, partly offset by negative pricing adjustments.

Turnover from molybdenum (net of roasting charges) was US$314.7 million (2011 – US$293.8 million), an increase of US$20.9 million. Higher molybdenum sales of 12,600 tonnes (2011 – 9,400 tonnes) were offset by the decline in realised prices to US$11.9 per pound (2011 - US$15.1 per pound).

Turnover from silver increased by US$13.5 million to US$101.7 million in 2012 (2011 - US$88.2 million). The increase was mainly due to increased sales volumes of 3,300 ounces (2011 – 2,500 ounces), offset by a decrease in the realised silver price from US$35.7 per ounce in 2011 to US$31.1 per ounce in 2012.

Turnover from the transport and water divisions

Turnover from the transport division (FCAB) increased by US$11.6 million or 6.5% to US$190.4 million. This mainly reflected an increase in tariffs, partly offset by a decrease in rail tonnages. The transport business also benefited from increased revenues from sales of water in the year.

Turnover at Aguas de Antofagasta, which operates the Group’s water business, increased by US$18.5 million or 16.1% to US$133.4 million in 2012. The increase was due to a number of factors including increased demand from both regulated and unregulated customers and tariff adjustments.

Operating costs (excluding depreciation, amortisation and impairments)

Operating costs (excluding depreciation, amortisation and impairments) amounted to US$2,910.8 million (2011 – US$2,415.5 million), an increase of US$495.3 million. This was mainly due to the increased costs at Esperanza due to significantly increased volumes, as well as increased cost levels at Michilla.

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

Operating costs at the mining division increased by US$470.1 million to US$2,742.0 million in 2012, an increase of 20.7%.

Of this increase, US$208.7 million is attributable to the higher mining 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 US$798.6 million.

US$150.6 million is attributable to unit costs, principally due to the increase in onsite and shipping costs during the year. 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 Los Pelambres and Esperanza and cash costs in the case of the other two operations) increased from 141.5 cents per pound in 2011 to 149.8 cents per pound. This increase is mainly due to increased on-site costs at Los Pelambres reflecting higher maintenance and labour costs in 2012 compared with 2011 and the greater contribution of Esperanza to weighted average cash costs for the Group in 2012 compared with 2011.

Exploration and evaluation costs increased by US$85.4 million to US$300.8 million in 2012 (2011 – US$215.4 million). This mainly reflected increased expenditures on the pre-feasibility studies at Los Pelambres and Twin Metals.

Net costs in respect of corporate costs increased by US$27.8 million to US$82.4 million (2011 – US$54.6 million), supporting the Group’s longer term growth plans at the corporate centre.

Charges to the income statement for mine closure rehabilitation costs decreased by US$15.9 million in 2012. In 2011, operating costs at Los Pelambres included a one off charge of US$11.1 million relating to the increase in the closure provision following an updated assessment during 2011 by external consultants.

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

Operating costs at the transport division increased by US$13.9 million to US$116.7 million, was mainly due to increased rail volumes under the mix of contracts compared with the previous year.

Operating costs at Aguas de Antofagasta increased by US$11.3 million to US$52.1 million. The increase mainly related to the increased costs associated with the higher volume of water sold.

EBITDA and operating profit from subsidiaries and joint ventures

EBITDA

EBITDA (earnings before interest, tax, depreciation, and amortisation) from subsidiaries and joint ventures increased by US$168.8 million or 4.6% to US$3,829.3 million in 2012 (2011 – US$3,660.5 million).

EBITDA at the mining division increased by 4.7% from US$3,510.4 million in 2011 to US$3,674.3 million in 2012. As explained above, this was mainly due to increased volumes of metal sold, partly offset by higher unit costs and increased exploration and evaluation spend.

EBITDA at the transport division decreased by US$2.3 million to US$73.7 million in 2012, with the increased revenue as explained above more than offset by associated increased operating costs. Aguas de Antofagasta contributed US$81.3 million in 2012 compared to US$74.1 million last year, mainly reflecting the increased volumes and revenue as explained above which were partly offset by increased operating costs.

Depreciation and amortisation

Depreciation and amortisation increased by US$62.5 million to US$494.2 million in 2012, mainly due to the increased production at Esperanza during the year, where depreciation amounted to US$193.9 million. In 2012 there is a gain on disposal of property, plant and equipment of US$3.3 million, compared with a loss on disposal of US$14.9 million in the prior year.

Provision against carrying values of intangibles and property, plant and equipment (exceptional items)

In December 2012 development of the Antucoya project was temporarily suspended while a review of the project was undertaken, given existing and potential levels of cost escalation. The review of the project is now substantially complete. The review currently indicates that the project provides an overall reasonable economic return for the Group from this point forward. The Group is therefore determining the most efficient process for resuming development of the project. An impairment review has been performed in respect of the project as at 31 December 2012, and as a consequence the Group has recognised an impairment in respect of the assets capitalised up to 31 December 2012, which totalled US$500.0 million.

In 2011, a provision of US$140.5 million was recognised in respect of the Group's investment in Tethyan Copper Company Pty. Ltd.

Operating profit from subsidiaries and joint ventures

As a result of the above factors, operating profit from subsidiaries and joint ventures (excluding exceptional items) increased by 3.3% to US$3,345.1 million. Including exceptional items, operating profit from subsidiaries and joint ventures decreased by 7.6% to US$2,838.4 million.

Share of net profit from associates

The Group's share of net profit from its associates was US$6.7 million (2011 – US$24.0 million), a decrease of US$17.3 million. Inversiones Hornitos, in which the Group has a 40% interest, experienced operational problems between 20 September and 28 December 2012. Recorded in the Group's share of net profit from associates in 2012 is US$3.4 million of insurance compensation for lost profits during this period. In 2011 share of net profit from associates included the Group's US$18.8 million share of compensation received by the Inversiones Hornitos for lost profits received due to delays to construction.

Net finance expense

Net finance expense in 2012 was US$90.9 million, compared with a net finance expense of US$21.2 million in 2011.

	Year ended 31.12.12	Year ended 31.12.11
	US$'m	US$'m
Investment income	**24.6**	23.3
Interest expense	**(85.9)**	(93.2)
Other finance items	**(29.6)**	48.7
Net finance expense	**(90.9)**	(21.2)

Interest receivable increased from US$23.3 million in 2011 to US$24.6 million in 2012, reflecting higher average cash balances and rates achieved.

Interest expense decreased from US$93.2 million in 2011 to US$85.9 million in 2012, mainly due to the decrease of interest payable at Esperanza.

Other finance items comprised a loss of US$29.6 million (2011 – gain of US$48.7 million). A loss of US$12.4 million (2011 – gain of US$49.1 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 losses included in finance items were US$4.8 million in 2012, compared with a gain of US$14.2 million in the previous year. In 2012 no loss on foreign exchange derivatives was incurred (2011 – loss of US$3.3 million was included in other finance items). An expense of US$12.4 million (2011 - US$11.3 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 US$322.0 million or 10.5% to US$2,754.2 million in 2012 compared with US$3,076.2 million in 2011. Excluding exceptional items, profit before tax increased marginally by US$37.5 million or 1.2% to US$3,254.2 million in 2012 compared with US$3,216.7 million in 2011.

Income tax expense

The tax charge for the year was US$1,020.6 million (2011 – US$946.2 million) and the effective tax rate was 37.1% (2011 – 30.8%).

	Year ended 31.12.2012		Year ended 31.12.2011	
	US$'m	%	US$'m	%
Profit before tax	**2,754.2**		3,076.2	
Taxes (Current and deferred)				
Corporate tax	**(701.6)**	**25.6**	(617.6)	20.1
Royalty	**(177.6)**	**6.4**	(199.6)	6.5
Withholding tax	**(141.7)**	**5.1**	(126.9)	4.1
Exchange rate	**0.3**	**0.0**	(2.1)	0.1
Effective tax rate	**(1,020.6)**	**37.1**	(946.2)	30.8
Effective tax rate excluding exceptional items		**31.4**		29.4

The effective tax rate for 2012 varies from the standard rate of 20% in Chile principally due to the effect of the provision against the carrying value of the property, plant and equipment relating to Antucoya of US$500.0 million for which a tax credit has not been recorded, the effect of the mining tax which resulted in a charge of US$177.6 million (representing an effective tax rate of 6.4%) the provision of withholding tax of US$141.7 million (representing an effective tax rate of 5.1%) as well as the one-off impact of US$67.8 million for adjusting the opening deferred tax balance for the increase in the rate of first category tax from 17% to 20% (representing an effective tax rate of 2.5%) explained below.

First category tax

The rate of first category (i.e. corporation) tax in Chile remained at 20% in 2012. The rate was initially decreased to 18.5% according to amendments to the Chilean tax regime introduced in 2010. However, in the second half of 2012 the Chilean Government passed a bill to increase the rate back to 20% and to apply this increase retrospectively with effect from 1 January 2012. The rate is expected to remain at 20% for the foreseeable future.

The effective corporate tax rate of 25.6% exceeds the statutory rate mainly because a tax credit has not been recognised on the exceptional impairment provision. Excluding this, the effective corporate tax rate in 2012 was 21.6% (2011 – 19.2%).

Mining tax

Los Pelambres, El Tesoro, Michilla and Esperanza are also subject to a mining tax (royalty) which is tax deductible (i.e. an allowable expense in determining liability to first category tax). In 2011 the Group voluntarily elected to accept amendments to the mining tax as permitted pursuant to a law enacted in Chile in October 2010. Between 2010 to 2012 production from the Los Pelambres, Esperanza, El Tesoro and Michilla mines is subject to a mining tax at a rate of between 4-9% of tax-adjusted operating profit, based on a sliding scale with the minimum rate of 4% applying to operations with a tax-adjusted operating profit margin of below 40% and a maximum rate of 9% applying to operations with a tax-adjusted operating profit margin of above 75%. Production from the Tesoro North East deposit and the run-of-mine processing at El Tesoro is subject to a mining tax at a rate of between 5-14% of tax-adjusted operating profit, based on a sliding scale with the minimum rate of 5% applying to operations with a tax-adjusted operating profit margin of below 35% and a maximum rate of 14% applying to operations with a tax-adjusted operating profit margin of above 85%.

Withholding taxes

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 tax already paid in respect of the profits to which the remittances relate. Accordingly, withholding tax will be levied at a rate of 18% in respect of remittances of profits earned in recent years when the first category (i.e. corporation) tax rate was 17%. Withholding tax will be levied at a rate of 15% in respect of remittances of profits earned when the current rate of first category (i.e. corporation) tax of 20% has applied.

Non-controlling interests

Profit for the financial year attributable to non-controlling interests was US$701.6 million, compared with US$893.4 million in 2011, mainly reflecting the portion of the impairment loss attributable to the non-controlling interest at Antucoya and decreased earnings attributable to non-controlling interests at all operations other than Esperanza in 2012 compared with 2011.

Earnings per share

	Year ended 31.12.12	Year ended 31.12.11
	US cents	US cents
Earnings per share including exceptional items	**104.7**	125.4
Earnings per share excluding exceptional items	**140.2**	139.7

Earnings per share calculations are based on 985,856,695 ordinary shares. As a result of the factors set out above, profit for the 2012 financial year attributable to equity shareholders of the Company was US$1,032.0 million compared with US$1,236.6 million in 2011. Accordingly, earnings per share were 104.7 cents in 2012 compared with 125.4 cents in 2011, a decrease of 16.5%.

Profit for the 2012 financial year attributable to equity holders of the Company excluding exceptional items was US$1,382.0 compared with US$1,377.1 million in 2011. Basic earnings per share excluding exceptional items (detailed in Note 3 to the preliminary results announcement) were 140.2 cents in 2012 compared with 139.7 cents in 2011, an increase of 0.3%.

Dividends

Details of dividends proposed in relation to 2012, and the Board's policy regarding dividends, are set out in the Directors' comments on page 4.

Capital Expenditure

Capital expenditure increased by US$230.6 million from US$772.9 million in 2011 to US$1,003.5 million in 2012. This was mainly due to the commencement of construction at Antucoya.

Details of capital expenditure by mine are provided in the Operational Review. The capital expenditure of US$1,003.5 million differs to purchases of property, plant and equipment in the cash flow statement of US$873.5 million, mainly due to credit purchases of property, plant and equipment at Antucoya, where construction commenced during 2012.

Derivative Financial Instruments

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

At 31 December 2012 the Group had min/max instruments for 57,000 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 2013 was 14.3 months. The instruments had a weighted average floor of 353.0 cents per pound and a weighted average cap of 470.8 cents per pound. The portion maturing in 2013 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 2012 the Group had futures contracts for 9,300 tonnes of copper production at El Tesoro covering a total period up to 31 January 2014. The weighted average remaining period covered by the arbitrage hedges calculated with effect from 1 January 2013 was 6.9 months. The instruments had a weighted average price of 372.3 US cents per pound.

Details of the mark-to-market position of these instruments at 31 December 2012, together with details of any interest and exchange derivatives held by the Group, are given in Note 5(b) to the preliminary results announcement.

The Group periodically uses foreign exchange derivatives to cover expected operational cash flow needs. At 31 December 2012 the Group had cross currency swaps with a principal value of US$63.0 million relating to Michilla to swap Chilean pesos for US dollars, at an average rate of Ch$542.3/US$1, covering a total period up to 16 September 2013. The weighted average remaining period covered by these hedges calculated with effect from 1 January 2013 is 5.0 months. Between 31 December 2012 and 31 January 2013 US$7.0 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 2012 the Group had entered into contracts in relation to the Esperanza financing for a maximum notional amount of US$395.2 million at a weighted average fixed rate of 3.372% maturing in August 2018.

On occasion the Group enters into derivative contracts to hedge its exposure to energy spot prices by locking in the price for the supply of an agreed quantity of energy in the short term. At 31 December 2012 a gain of US$10.3 million was recorded in reserves at Los Pelambres related to a derivative contract for the supply of energy in the first quarter of 2013, with no effect on profit and loss for the year ended 31 December 2012.

Commodity Price Sensitivities

Based on 2012 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 before Tax	Increase in Earnings Per Share
		US$m	US cents/share
Copper	US$c10/Lb	156.4	7.6
Molybdenum	US$1/Lb	26.9	1.2
Gold	US$100/ounce	30.0	1.6

Cash Flows

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

	Year ended 31.12.12	Year ended 31.12.11
	US$'m	US$'m
Cash flows from operations	**3,890.0**	3,552.5
Income tax paid	**(901.2)**	(1,018.1)
Net interest paid	**(63.3)**	(47.6)
Acquisition of associates	**-**	(4.5)
Contributions to associates	**(19.6)**	-
Sale of non-controlling interest in subsidiary	**351.8**	-
Capital increase from non-controlling interest	**26.8**	-
Acquisition of available for sale investments	**(1.5)**	(27.3)

Disposal of available for sale investment	**1.4**	-
Purchase of property, plant and equipment	**(873.5)**	(666.6)
Disposal of property, plant and equipment	**9.3**	-
Purchase of intangible assets	**(3.9)**	-
Dividends paid to equity holders of the Company	**(438.7)**	(1,183.0)
Dividends paid to non-controlling interests	**(702.5)**	(741.0)
Other items	**0.9**	1.0
Changes in net cash relating to cash flows	**1,276.0**	(134.6)
Exchange and other non-cash movements	**(8.4)**	(70.8)
Movement in net cash in the year	**1,267.6**	(205.4)
Net cash at the beginning of the year	**1,139.7**	1,345.1
Net cash at the end of the year	**2,407.3**	1,139.7

Cash flows from operations were US$3,890.0 million in 2012 compared with US$3,552.5 million last year, an increase of 9.5%. This reflected EBITDA for the year of US$3,829.3 million (2011 – US$3,660.5 million) adjusted for a net working capital decrease of US$60.7 million (2011 – increase of US$108.0 million). The working capital movements relate mainly to a decrease in debtors at Los Pelambres, offset by an increase in working capital investment related to the construction at Antucoya which commenced in 2012.

Cash tax payments in the year were US$901.2 million (2011 – US$1,018.1 million), comprising corporation tax of US$527.5 million (2011 – US$586.5 million), mining tax of US$226.5 million (2011 – US$213.1 million) and withholding tax of US$147.2 million (2011 – US$218.5 million). These amounts differ from the current tax charge in the consolidated income statement of US$871.6 million (2011 – US$965.3 million) mainly because cash tax payments for corporation tax and the mining tax partly comprise lower monthly payments on account in respect of current year profits and partly comprise the settlement of the outstanding balance for the previous year.

Contributions to associates of US$19.6 million in 2012 relate to the Group's portion of funding of development at El Arrayan, in which the Group acquired its 40% interest for US$4.5 million in 2011.

Cash disbursements relating to capital expenditure in 2012 were US$873.5 million compared with US$666.6 million in 2011. This included expenditure of US$313.6 million at Antucoya (2011 – US$18.1 million), US$164.0 million (2011 – US$151.3 million) relating to Los Pelambres, US$132.3 million (2011 – US$115.1 million) relating to El Tesoro and US$131.0 million relating to Esperanza (2011 – US$243.0 million).

Dividends (including special dividends) paid to ordinary shareholders of the Company this year were US$438.7 million (2011 – US$1,183.0 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 US$702.5 million (2011 – US$741.0 million), consisting mainly of distributions by Los Pelambres and El Tesoro.

Details of other cash inflows and outflows in the year are contained in the Consolidated Cash Flow Statement.

Financial Position

	At 31.12.12	At 31.12.11
	US$'m	US$'m
Cash, cash equivalents and liquid investments	**4,296.5**	3,280.0
Total borrowings	**(1,889.2)**	(2,140.3)
Net cash at the end of the year	**2,407.3**	1,139.7

At 31 December 2012 the Group had combined cash, cash equivalents and liquid investments of US$4,296.5 million (2011 – US$3,280.0 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 US$3,864.8 million (2011 – US$3,041.1 million).

New borrowings in the year amounted to US$109.0 million (2011 – US$241.3 million), mainly due to new short-term borrowings at Antucoya of US$102.0 million. Repayments of borrowings and finance leasing obligations in the year were US$377.9 million, relating mainly to regular repayments on existing loans at Los Pelambres of US$134.7 million (2011 – US$134.1 million) and the repayment of senior debt at Esperanza and El Tesoro of US$114.9 million and US$81.6 million respectively.

Total Group borrowings at 31 December 2012 were US$1,889.2 million (2011 – US$2,140.3 million). Of this, US$1,295.6 million (2011 – US$1,456.3 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 US$321.1 million at 31 December 2011 to US$384.6 million at 31 December 2012, mainly due to the capitalisation of US$49.9 million relating to the decommissioning provision at Esperanza following an updated review of the provision at the operation.

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 28 to the preliminary results announcement.

In 2012 the currency translation gain recognised in net equity of US$14.4 million resulted mainly from the strengthening in the Chilean peso during the year from Ch$519.2 = US$1 at the start of 2012 to Ch$479.9 = US$1 at the end of 2012. In 2011 the currency translation loss recognised in net equity of US$25.1 million resulted mainly from the weakening in the Chilean peso during the year from Ch$468.0 = US$1 at the start of 2011 to Ch$519.2 = US$1 at the end of 2011.

Going Concern

The Group's business activities, together with those factors likely to affect its future performance, are set out in the Directors' Comments. Details of the cash flows of the Group during the year, along with its financial position at the year-end are set out in this Financial Review. The preliminary results announcement includes details of the Group's cash, cash equivalent and liquid investment balances in Note 23 to the preliminary results release, and details of borrowings are set out in Note 17 to the preliminary results announcement.

In assessing the Group's going concern status the Directors 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 the 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 preliminary results announcement.

Cautionary Statement about forward looking statements

This preliminary results announcement 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 preliminary results announcement. 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.

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.

Consolidated Income Statement

	Notes	Year ended 31.12.12 US$'m	Year ended 31.12.11 US$'m
Group revenue	2,4	**6,740.1**	6,076.0
Total operating costs (including exceptional items *)		**(3,901.7)**	(3,002.6)
Operating profit from subsidiaries and joint ventures	2,4	**2,838.4**	3,073.4
Share of income from associates	2,13	**6.7**	24.0
Total profit from operations and associates	2	**2,845.1**	3,097.4
Investment income		**24.6**	23.3
Interest expense		**(85.9)**	(93.2)
Other finance items		**(29.6)**	48.7
Net finance expense	6	**(90.9)**	(21.2)
Profit before tax		**2,754.2**	3,076.2
Income tax expense	7	**(1,020.6)**	(946.2)
Profit for the financial year		**1,733.6**	2,130.0
Attributable to:			
Non-controlling interests		**701.6**	893.4
Equity holders of the Company (net earnings)		**1,032.0**	1,236.6
		US cents	US cents
Basic earnings per share	8	**104.7**	125.4

	Notes		
Dividends to ordinary shareholders of the Company			
Per share		**US cents**	US cents
Dividends per share proposed in relation to the year	9		
- ordinary dividend (interim)		**8.5**	8.0
- ordinary dividend (final)		**12.5**	12.0
- special dividend (final)		**77.5**	24.0
		98.5	44.0
Dividends per share paid in the year and deducted from net equity			
- ordinary dividend (interim)		**8.5**	8.0
- ordinary dividend (final)		**12.0**	12.0
- special dividend (final)		**24.0**	100.0
		44.5	120.0
In aggregate		**US$'m**	US$'m
Dividends proposed in relation to the year	9	**971.1**	433.8
Dividends paid in the year and deducted from net equity		**438.7**	1,183.0

Revenue and operating profit are derived from continuing operations.

* The exceptional item included within "Total operating costs" in respect of the year ended 31 December 2012 is a US$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 and joint ventures was US$3,338.4 million, profit before tax was US$3,254.2 million and earnings per share was US140.2 cents.

The exceptional item included within "Total operating costs" in respect of the year ended 31 December 2011 is a US$140.5 million provision against the carrying value of intangible assets and property, plant and equipment relating to the Group's joint venture Tethyan Copper Company Pty. Ltd. Excluding this exceptional item, operating profit from subsidiaries and joint ventures was US$3,213.9 million, profit before tax was US$3,216.7 million and earnings per share was US139.7 cents.

Further details of exceptional item for both years are set out in Note 3.

Consolidated Statement of Comprehensive Income

	Notes	Year ended 31.12.12 US$'m	Year ended 31.12.11 US$'m
Profit for the financial year		**1,733.6**	2,130.0
Items that may be reclassified subsequently to profit or loss*			
Net (loss)/gains in fair value of cash flow hedges	5	**(0.3)**	50.6
Net loss on cash flow hedges - associates		**(1.8)**	-
Net gain/(loss) in fair value of available for sale investments	15	**5.4**	(12.3)
Net gain/(loss) gain currency translation adjustment		**14.4**	(25.1)
Deferred tax effects arising on cash flow hedges	5	**0.1**	(9.6)
Total gain recognised in equity		**17.8**	3.6
Losses in fair value of cash flow hedges transferred to the income statement	5	**12.6**	36.4
Deferred tax effects arising on cash flow hedges transferred to the income statement	5	**(2.5)**	(7.3)
Total loss transferred to the income statement or balance sheet		**10.1**	29.1
Total comprehensive income for the year		**1,761.5**	2,162.7
Attributable to:			
Non-controlling interests		**709.4**	912.1
Equity holders of the Company		**1,052.1**	1,250.6

* For the years ended 31 December 2012 and 2011 there were no items of comprehensive income that will not be reclassified subsequently to profit or loss.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2012

	Share capital US$'m	Share premium US$'m	Hedging reserves US$'m	Fair value reserves US$'m	Translation reserves US$'m	Retained earnings US$'m	**Net equity US$'m**	Non-controlling interests US$'m	**Total US$'m**
Balance 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 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)**
Balance at 31 December 2012	89.8	199.2	(3.6)	(2.7)	46.5	6,781.4	**7,110.6**	1,694.2	**8,804.8**

For the year ended 31 December 2011

	Share capital US$'m	Share premium US$'m	Hedging reserves US$'m	Fair value reserves US$'m	Translation reserves US$'m	Retained earnings US$'m	**Net equity US$'m**	Non-controlling interests US$'m	**Total US$'m**
Balance at 1 January 2011	89.8	199.2	(55.3)	4.2	57.2	5,875.5	**6,170.6**	1,355.2	**7,525.8**
Total comprehensive income/(loss) for the year	-	-	51.4	(12.3)	(25.1)	1,236.6	**1,250.6**	912.1	**2,162.7**
Capital increase of non-controlling interest	-	-	-	-	-	(42.0)	**(42.0)**	42.0	**-**
Capital contribution from non-controlling interest	-	-	-	-	-	-	**-**	42.9	**42.9**
Dividends	-	-	-	-	-	(1,183.0)	**(1,183.0)**	(741.0)	**(1,924.0)**
Balance at 31 December 2011	89.8	199.2	(3.9)	(8.1)	32.1	5,887.1	**6,196.2**	1,611.2	**7,807.4**

Consolidated Balance Sheet

	Notes	At 31.12.12 US$'m	At 31.12.11 US$'m
Non-current assets			
Intangible assets	10	**157.6**	155.3
Property, plant and equipment	11	**6,513.2**	6,443.0
Investment property	12	**3.5**	3.1
Inventories	16	**162.5**	104.7
Investment in associates	13	**107.6**	84.8
Trade and other receivables		**108.3**	67.7
Derivative financial instruments	5	**8.0**	47.6
Available-for-sale investments	15	**44.5**	36.5
Deferred tax assets	20	**103.8**	83.2
		7,209.0	7,025.9
Current assets			
Inventories	16	**494.9**	435.8
Trade and other receivables		**801.9**	924.9
Current tax assets		**32.3**	27.2
Derivative financial instruments	5	**35.3**	11.4
Liquid investments	23	**2,480.6**	1,944.9
Cash and cash equivalents	23	**1,815.9**	1,335.1
		5,660.9	4,679. 3
Total assets		**12,869.9**	11,705.2
Current liabilities			
Short-term borrowings	17	**(447.0)**	(301.9)
Derivative financial instruments	5	**(6.2)**	(16.9)
Trade and other payables		**(710.2)**	(503.9)
Current tax liabilities		**(137.4)**	(162.6)
		(1,300.8)	(985.3)
Non-current liabilities			
Medium and long-term borrowings	17	**(1,442.2)**	(1,838.4)
Derivative financial instruments	5	**(13.1)**	(18.0)
Trade and other payables		**(7.4)**	(9.3)
Post-employment benefit obligations	18	**(81.9)**	(61.2)
Long-term provisions	19	**(384.6)**	(321.1)
Deferred tax liabilities	20	**(835.1)**	(664.5)
		(2,764.3)	(2,912.5)
Total liabilities		**(4,065.1)**	(3,897.8)
Net assets		**8,804.8**	7,807.4
Equity			
Share capital	21	**89.8**	89.8
Share premium	21	**199.2**	199.2
Hedging, translation and fair value reserves		**40.2**	20.1
Retained earnings		**6,781.4**	5,887.1
Equity attributable to equity holders of the Company		**7,110.6**	6,196.2
Non-controlling interests		**1,694.2**	1,611.2
Total equity		**8,804.8**	7,807.4

The preliminary information was approved by the Board of Directors on 11 March 2013.

Consolidated Cash Flow Statement

	Notes	**Year ended 31.12.12** US$'m	Year ended 31.12.11 US$'m
Cash flows from operations	22	**3,806.2**	3,552.5
Interest paid		**(88.1)**	(69.3)
Dividends from associates	13	**1.1**	1.2
Income tax paid		**(901.2)**	(1,018.1)
Net cash from operating activities		**2,818.0**	2,466.3
Investing activities			
Capital contribution to associates		**(19.6)**	-
Acquisition of interest in associates		**-**	(4.5)
Acquisition of available-for-sale investments	15	**(1.5)**	(27.3)
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		**9.3**	3.9
Purchases of property, plant and equipment		**(873.5)**	(670.5)
Purchases of intangible assets		**(3.9)**	-
Net increase in liquid investments		**(535.7)**	(1,138.0)
Interest received		**24.8**	21.7
Net cash used in investing activities		**(1,314.9)**	(1,814.7)
Financing activities			
Dividends paid to equity holders of the Company		**(438.7)**	(1,183.0)
Dividends paid to preference shareholders of the Company		**(0.2)**	(0.2)
Dividends paid to non-controlling interests		**(702.5)**	(741.0)
Change in ownership interest in subsidiaries	24	**351.8**	-
Capital increase from non-controlling interest		**26.8**	-
Net proceeds from issue of new borrowings	23	**104.9**	200.0
Repayments of borrowings	23	**(365.2)**	(304.3)
Repayments of obligations under finance leases		**(12.7)**	(10.2)
Net cash used in financing activities		**(1,035.8)**	(2,038.7)
Net increase/(decrease) in cash and cash equivalents		**467.3**	(1,387.1)
Cash and cash equivalents at beginning of the year		**1,335.1**	2,734.7
Net increase/(decrease) in cash and cash equivalents	23	**467.3**	(1,387.1)
Effect of foreign exchange rate changes	23	**13.5**	(12.5)
Cash and cash equivalents at end of the year	23	**1,815.9**	1,335.1

Notes

1. General information and accounting policies

a) General information

This preliminary results announcement is for the year ended 31 December 2012. While the financial information contained in this preliminary results announcement has been computed in accordance with International Financial Reporting Standards ("IFRS"), this announcement does not itself contain sufficient information to comply with 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. The Group will send its full financial statements that comply with IFRS to shareholders in April 2013.

The financial information contained in this preliminary results announcement has 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 Financial Review.

This preliminary results announcement does not constitute the Group's statutory accounts as defined in section 434 of the Companies Act 2006 (the "Act") but is derived from those accounts. The statutory accounts for the year ended 31 December 2012 have been approved by the Board and will be delivered to the Registrar of Companies following the Company's Annual General Meeting which will be held on 12 June 2013. The auditors have reported on those accounts and their report was unqualified, with no matters by way of emphasis, and did not contain statements under section 498(2) of the Act (regarding adequacy of accounting records and returns) or under section 498(3) (regarding provision of necessary information and explanations).

The information contained in this announcement for the year ended 31 December 2011 also does not constitute statutory accounts. A copy of the statutory accounts for that year has been delivered to the Registrar of Companies. The auditors' report on those accounts was unqualified, with no matters by way of emphasis, and did not contain statements under sections 498(2) or (3) of the Companies Act 2006.

The information contained in Note 30 of this preliminary results announcement is not derived from the statutory accounts for the years ended 31 December 2011 and 2012 and is accordingly not covered by the auditor's reports.

The prior year balance sheet reflects a reclassification of certain balances between current and non-current inventories to better reflect balances which are expected to be processed more than 12 months after the balance sheet date. At 31 December 2011 this results in a current inventory balance of US$435.8 million and non-current inventory balance of US$104.7 million.

b) Accounting policies and adoption of new accounting standards

This preliminary results announcement is derived from the statutory accounts for the year ended 31 December 2012, which have been prepared on the basis of accounting policies consistent with those applied in the financial statements for the year ended 31 December 2011, except as set out below.

In the current financial year the Group adopted amendments to IAS 1 Presentation of financial statements (amended June 2011). The amendments increase the required level of disclosure within the statement of comprehensive income. The amendment requires items within the statement of comprehensive income to be analysed between items that will not be reclassified subsequently to profit or loss and items that will be reclassified to profit or loss in accordance with the respective IFRS to which the item relates. The amendments did not have a material impact on the statement of comprehensive income for the year ended 31 December 2012.

There are no other Standards or Interpretations which apply or are expected to apply for the first time for the year ended 31 December 2013 which are expected to have a material impact on the Group.

2. Total profit from operations and associates

	Year ended 31.12.12	Year ended 31.12.11
	US$'m	US$'m
Revenue	**6,740.1**	6,076.0
Cost of sales	**(2,464.5)**	(2,139.9)
Gross profit	**4,275.6**	3,936.1
Administrative and distribution expenses	**(606.1)**	(469.7)
Closure provision	**0.3**	(16.5)
Severance charges	**(21.8)**	(4.3)
Provision against carrying value of assets	**(500.0)**	(140.5)
Exploration and evaluation costs	**(300.8)**	(215.4)
Other operating income	**14.3**	10.7
Other operating expenses	**(23.1)**	(27.0)
Operating profit from subsidiaries and joint ventures	**2,838.4**	3,073.4
Share of income from associates	**6.7**	24.0
Total profit from operations and associates	**2,845.1**	3,097.4

3. Exceptional items

The exceptional items in the years ended 31 December 2012 and 31 December 2011 and their impact on the results are set out below.

	Operating Profit		Profit before tax		Earnings per share	
	Year ended 31.12.12	Year ended 31.12.11	**Year ended 31.12.12**	Year ended 31.12.11	**Year ended 31.12.12**	Year ended 31.12.11
	US$'m	US$'m	**US$'m**	US$'m	**US cents**	**US cents**
Before exceptional item	**3,338.4**	3,213.9	**3,254.2**	3,216.7	**140.2**	139.7
Provision against the carrying value of assets	**(500.0)**	(140.5)	**(500.0)**	(140.5)	**(35.5)**	(14.3)
After exceptional items	**2,838.4**	3,073.4	**2,754.2**	3,076.2	**104.7**	125.4

In December 2012 development of the Antucoya project was temporarily suspended while a review of the project was undertaken, given existing and potential levels of cost escalation. The review, which is intended to provide greater certainty over the cost position and other relevant parameters for the project, is continuing. A decision as to whether to resume development of the project will be taken when the review is complete. Given the inherent uncertainties while a review such as this is being undertaken, an impairment review has been performed in respect of the project as at 31 December 2012, and as a consequence an impairment of US$500 million has been recognised in respect of the project's assets. The Group's attributable share of the impairment is US$350 million. No tax credit has been recorded relating to the impairment. The recoverable amount in the impairment review was determined by a value in use calculation prepared using management's current 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%.

In the year ended 31 December 2011 a provision of US$140.5 million consisting of US$120.7 million of intangible assets and US$19.8 million of property, plant and equipment was made relating to the Group's joint venture Tethyan Copper Company Pty. Ltd. Further details are set out in Note 26.

Key assumptions used in the impairment review process

The estimation of the value in use of an asset, through determining the present value of the forecast future cash flows, is inherently uncertain and subject to a number of forecasts and assumptions which could change over time. The key assumptions are discussed below.

Antucoya project

In the specific case of the Antucoya project, as explained above the project is currently under a temporary suspension while a review is undertaken. Therefore, currently the most significant factors in respect of the project are the outcome of the review process, whether a decision is then taken to resume development of the project, and if so the timing of the resumption of development.

The following general assumptions are relevant to assessments of the Group's mining projects or operations:

Commodity prices

Commodity price assumptions are based on internal forecasts. The forecasting process includes an assessment of the likely development of the supply / demand balance of the industry over the coming years, incorporating estimates of future demand levels and analysis of likely new mining projects, including the incentive price for those new projects. External consensus commodity price forecasts are used as part of this forecasting process, partly as a benchmarking process.

Ore reserves

Production volumes incorporated into mine plans will be based primarily on ore reserve estimates. The ore reserve estimates are subject to a number of assumptions and estimations, including geological, metallurgical and technical factors, future commodity prices and production costs.

Capital expenditure, operating costs and production levels

Capital expenditure, operating costs and production levels for projects under development will be based firstly on the detailed project feasibility study, updated where relevant for specific negotiations or contractual agreements with suppliers, and actual cost levels being experienced. Production levels will depend upon the duration of the construction period, and the ramp-up period required to reach full production capacity.

Operating costs and production levels for operating assets will be based on internal budgets and mine plans. Detailed operational and financial budgets for the following year are produced on an annual basis. Longer term production and cost forecasts will be based on long-term mine plans, which are also updated on an annual basis.

The cost forecasts incorporate estimates of future pricing levels for key inputs such as steel, energy, oil and sulphuric acid, as well as exchange rates.

Actual production levels will be impacted by the actual grade and characteristics of the ore which is mined, the recovery levels achieved when that ore is processed, and the general efficiency and reliability of the operation's plant and equipment.

4. Segmental analysis

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. Exploration costs relating to Tethyan Copper Company Limited ("Tethyan") are included within the Exploration and evaluation segment, and all other Tethyan related costs are included within "Corporate and other items". "Corporate and other items" also comprise costs incurred by the Company and Antofagasta Minerals S.A., 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 2012

	Los Pelambres	Esperanza	El Tesoro	Michilla	Antucoya	Exploration and evaluation	Corporate and other items	**Mining**	**Railway and other transport services**	**Water concession**	**Total**
	US$'m	US$'m	US$'m	US$'m	US$'m	US$'m	US$'m	**US$'m**	**US$'m**	**US$'m**	**US$'m**
Revenue	**3,553.7**	**1,704.2**	**851.0**	**307.4**	**-**	**-**	**-**	**6,416.3**	**190.4**	**133.4**	**6,740.1**
EBITDA	**2,457.0**	**1,074.0**	**492.8**	**47.9**	**-**	**(300.8)**	**(96.6)**	**3,674.3**	**73.7**	**81.3**	**3,829.3**
Depreciation and Amortisation	(167.1)	(193.9)	(48.6)	(16.8)	-	-	(37.8)	(464.2)	(14.6)	(15.4)	**(494.2)**
(Loss)/profit on disposals	-	-	(1.5)	-	-	-	-	(1.5)	5.6	(0.8)	**3.3**
Provision against the carrying value of assets	-	-	-	-	(500.0)	-	-	(500.0)	-	-	**(500.0)**
Operating profit/(loss)	**2,289.9**	**880.1**	**442.7**	**31.1**	**(500.0)**	**(300.8)**	**(134.4)**	**2,708.6**	**64.7**	**65.1**	**2,838.4**
Share of income from associates	-	-	-	-	-	-	-	-	6.7	-	**6.7**
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	**2,268.8**	**814.3**	**438.4**	**17.9**	**(500.0)**	**(300.8)**	**(124.7)**	**2,613.9**	**74.1**	**66.2**	**2,754.2**
Tax	(594.7)	(188.8)	(105.5)	(4.2)	-	-	45.4	(847.8)	(155.7)	(17.1)	**(1,020.6)**
Non-controlling interests	(645.9)	(175.3)	(70.8)	(2.5)	150.0	-	43.4	(701.1)	(0.5)	-	**(701.6)**
Net earnings/(losses)	**1,028.2**	**450.2**	**262.1**	**11.2**	**(350.0)**	**(300.8)**	**(35.9)**	**1,065.0**	**(82.1)**	**49.1**	**1,032.0**
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	-	3,291.8	12,093.8	512.5	263.6	**12,869.9**
Segment liabilities	(1,251.6)	(1,657.4)	(393.2)	(83.3)	(251.1)	-	(317.5)	(3,954.1)	(52.6)	(58.4)	**(4,065.1)**

For the year ended 31 December 2011

	Los Pelambres	Esperanza	El Tesoro	Michilla	Antucoya	Exploration and evaluation	Corporate and other items	**Mining**	**Railway and other transport services**	**Water concession**	**Total**
	US$'m	US$'m	US$'m	US$'m	US$'m	US$'m	US$'m	**US$'m**	**US$'m**	**US$'m**	**US$'m**
Revenue	**3,676.6**	**922.9**	**827.8**	**355.0**	**-**	**-**	**-**	**5,782.3**	**178.8**	**114.9**	**6,076.0**
EBITDA	**2,641.9**	**518.9**	**463.6**	**156.7**	**-**	**(215.4)**	**(55.3)**	**3,510.4**	**76.0**	**74.1**	**3,660.5**
Depreciation and amortisation	(172.5)	(134.8)	(78.9)	(9.2)	-	-	(2.6)	(398.0)	(16.1)	(17.6)	**(431.7)**
(Loss)/profit on disposals	(12.0)	-	(5.3)	(0.1)			-	(17.4)	2.9	(0.4)	**(14.9)**
Provision against the carrying value of assets	-	-	-	-	-	-	(140.5)	(140.5)	-	-	**(140.5)**
Operating profit/(loss)	**2,457.4**	**384.1**	**379.4**	**147.4**	**-**	**(215.4)**	**(198.4)**	**2,954.5**	**62.8**	**56.1**	**3,073.4**
Share of income from associates	-	-	-	-	-	-	-	-	24.0	-	**24.0**
Investment income	2.3	0.8	1.9	1.3	-	-	11.5	17.8	4.9	0.6	**23.3**
Interest expense	(16.8)	(68.7)	(6.9)	-	-	-	(0.6)	(93.0)	(0.2)	-	**(93.2)**
Other finance items	(4.1)	6.4	(0.1)	49.0	-	-	(2.1)	49.1	(0.3)	(0.1)	**48.7**
Profit/(loss) before tax	**2,438.8**	**322.6**	**374.3**	**197.7**	**-**	**(215.4)**	**(189.6)**	**2,928.4**	**91.2**	**56.6**	**3,076.2**
Tax	(613.0)	(67.9)	(83.9)	(42.5)	-	-	(115.9)	(923.2)	(12.0)	(11.0)	**(946.2)**
Non-controlling interests	(724.0)	(61.0)	(90.7)	(38.2)	-	-	22.0	(891.9)	(1.5)	-	**(893.4)**
Net earnings/(losses)	**1,101.8**	**193.7**	**199.7**	**117.0**	**-**	**(215.4)**	**(283.5)**	**1,113.3**	**77.7**	**45.6**	**1,236.6**
Additions to non-current assets											
Capital expenditure	174.3	259.0	119.5	52.7	15.0	-	125.5	746.0	20.5	6.4	**772.9**
Segment assets and liabilities											
Segment assets	3,721.0	2,909.3	1,027.8	306.2	38.7	-	2,541.8	10,544.8	925.4	235.0	**11,705.2**
Segment liabilities	(1,350.8)	(1,583.9)	(465.5)	(108.8)	(0.8)	-	(289.5)	(3,799.3)	(52.6)	(45.9)	**(3,897.8)**

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 gain from associates of US$6.7 million (year ended 31 December 2011 – net gain of US$24.0 million). Operating profit is shown after exceptional items (see Note 3).

(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 US$6.2 million (year ended 31 December 2011 - US$14.7 million). Revenue from the Water concession is stated after eliminating inter-segmental sales to the mining division of US$6.8 million (year ended 31 December 2011 - US$7.3 million) and after eliminating sales to the Railway and other transport services of US$0.2 million (year ended 31 December 2011 - US$0.2 million). Revenue from Esperanza is stated after eliminating inter-segmental sales of the Run-Of-Mine oxides to El Tesoro of US$4.8 million (year ended 31 December 2011 - US$16.4 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 5(a).

(iv) Revenues includes a realised loss at Los Pelambres of US$5.9 million (year ended 31 December 2011 – nil), a realised gain at El Tesoro of US$0.2 million (year ended 31 December 2011 – gain of US$0.5 million) and a realised gain at Michilla of US$6.1 million (year ended 31 December 2011 – loss of US$15.6 million) relating to derivative commodity instruments. Further details of such gains or losses are given in Note 5(b).

(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 5(a).

(vi) The exceptional item affecting operating profit in 2011 relates to a provision against carrying value of assets of Reko Diq (see Note 3).

(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) Capital expenditure represents purchases of property, plant and equipment stated on an accruals basis (see Note 11) and may therefore differ from the amount included in the cash flow statement.

(ix) The assets of the Railway and transport services segment includes US$80.8 million (year ended 31 December 2011 US$74.3 million) relating to the Group's 40% interest in Inversiones Hornitos S.A. ("Inversiones Hornitos"), which owns the 150MW Hornitos thermoelectric power plant in Mejillones in Chile's Antofagasta Region and US$4.8 million (year ended 31 December 2011 US$6.0 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 US$22.0 million (year ended 31 December 2011 US$4.5 million) relating to the Group's 30% interest in Parque Eólico El Arrayan S.A., an energy company which has been formed to construct and operate a wind-farm project in Chile.

b) Entity wide disclosures

Revenue by product

	Year ended 31.12.12	Year ended 31.12.11
	US$'m	US$'m
Copper		
- Los Pelambres	**3,091.3**	3,255.9
- Esperanza	**1,249.0**	646.4
- El Tesoro	**851.0**	827.8
- Michilla	**307.4**	355.0
Molybdenum		
- Los Pelambres	**314.7**	293.8
Gold		
- Los Pelambres	**85.7**	63.9
- Esperanza	**415.5**	251.3
Silver		
- Los Pelambres	**62.0**	63.0
- Esperanza	**39.7**	25.2
Total Mining	**6,416.3**	5,782.3
Railway and transport services	**190.4**	178.8
Water concession	**133.4**	114.9
	6,740.1	6,076.0

Revenue by location of customer

	Year ended 31.12.12	Year ended 31.12.11
	US$'m	US$'m
Europe		
- United Kingdom	**35.2**	-
- Switzerland	**77.3**	215.7
- Rest of Europe	**635.7**	722.2
Latin America		
- Chile	**386.7**	364.8
- Rest of Latin America	**237.4**	208.2
North America		
- United States	**258.9**	229.9
Asia		
- Japan	**2,390.5**	2,268.9
- China	**1,508.9**	1,145.4
- Rest of Asia	**1,209.5**	920.9
	6,740.1	6,076.0

Information about major customers

In the year ended 31 December 2012 the Group's mining revenues included US$1,143.8 million related to one large customer that individually accounted for more than 10% of the Group's revenues (year ended 31 December 2011 - two large customers representing US$1,875.9 million).

Non-current assets by location of asset

	Year ended 31.12.12	Year ended 31.12.11
	US$'m	US$'m
- Chile	**6,922.7**	6,733.3
- Bolivia	**34.1**	32.3
- USA	**93.8**	92.0
- Other	**2.1**	1.0
	7,052.7	6,858.6

Notes to geographical information

(i) Non-current assets balance disclosed by location of asset excludes financial instruments, available for sale investments and deferred tax assets.

5. Derivatives and embedded derivatives

a) Embedded derivatives – provisionally priced sales

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

Under IFRS, both gains and losses from the marking-to-market of open sales are recognised through adjustments to revenue in the income statement and to trade debtors in the balance sheet. The Group determines mark-to-market prices using forward prices at each period end for copper concentrate and cathode sales, and period-end month average prices for molybdenum concentrate sales due to the absence of a futures market in the market price references for that commodity in the majority of the Groups contracts. The mark-to-market adjustments to the balance sheet at the end of each year are as follows:

	Balance sheet net mark to market effect on debtors	
	At 31.12.12	At 31.12.11
	US$'m	US$'m
Los Pelambres - copper concentrate	**1.8**	(18.0)
Los Pelambres - molybdenum concentrate	**(0.4)**	(0.1)
Esperanza - copper concentrate	**(0.5)**	4.3
Esperanza - gold in concentrate	**(1.2)**	(1.6)
El Tesoro - copper cathodes	**(0.2)**	(0.2)
Michilla - copper cathodes	**(0.1)**	(0.2)
	(0.6)	(15.8)

For the year ended 31 December 2012

	US$'m Los Pelambres Copper concentrate	US$'m Esperanza Copper concentrate	US$'m El Tesoro Copper cathodes	US$'m Michilla Copper cathodes	US$'m Los Pelambres Gold in concentrate	US$'m Esperanza Gold in concentrate	US$'m Los Pelambres Molybdenum concentrate
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**

For the year ended 31 December 2011

	US$'m Los Pelambres Copper concentrate	US$'m Esperanza Copper concentrate	US$'m El Tesoro Copper cathodes	US$'m Michilla Copper cathodes	US$'m Los Pelambres Gold in concentrate	US$'m Esperanza Gold in concentrate	US$'m Los Pelambres Molybdenum concentrate
Provisionally invoiced gross sales	3,620.7	721.5	836.6	379.8	64.2	248.6	337.4
Effects of pricing adjustments to previous year invoices							
Reversal of mark-to-market adjustments at the end of the previous year	(124.3)	-	(4.1)	(1.4)	-	-	(0.3)
Settlement of copper sales invoiced in the previous year	116.2	-	3.5	1.0	(0.5)	-	0.3
Total effect of adjustments to previous year invoices in the current year	(8.1)	-	(0.6)	(0.4)	(0.5)	-	-
Effects of pricing adjustments to current year invoices							
Settlement of copper sales invoiced in the current year	(194.9)	(51.0)	(8.5)	(8.6)	0.4	5.1	(25.9)
Mark-to-market adjustments at the end of the current year	(18.0)	4.3	(0.2)	(0.2)	-	(1.6)	(0.1)
Total effect of adjustments to current year invoices	(212.9)	(46.7)	(8.7)	(8.8)	0.4	3.5	(26.0)
Total pricing adjustments	(221.0)	(46.7)	(9.3)	(9.2)	(0.1)	3.5	(26.0)
Realised gains/(losses) on commodity derivatives	-	-	0.5	(15.6)	-	-	-
Revenue before deducting tolling charges	3,399.7	674.8	827.8	355.0	64.1	252.1	311.4
Tolling charges	(143.8)	(28.4)	-	-	(0.2)	(0.8)	(17.6)
Revenue net of tolling charges	3,255.9	646.4	827.8	355.0	63.9	251.3	293.8

Copper concentrate

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

At 31 December 2012 sales totalling 203,400 tonnes remained open as to price, with an average mark-to-market price of 359.6 cents per pound compared with an average provisional invoice price of 359.3 cents per pound. At 31 December 2011 sales totalling 201,600 tonnes remained open as to price, with an average mark-to-market price of 344.7 cents per pound compared with an average provisional invoice price of 347.8 cents per pound.

Copper cathodes

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

At 31 December 2012, sales totalling 13,400 tonnes remained open as to price, with an average mark-to-market price of 358.9 cents per pound compared with an average provisional invoice price of 360.2 cents per pound. At 31 December 2011, sales totalling 12,600 tonnes remained open as to price, with an average mark-to-market price of 344.5 cents per pound compared with an average provisional invoice price of 345.9 cents per pound.

Gold in concentrate

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

At 31 December 2012, sales totalling 42,400 ounces remained open as to price, with an average mark-to-market price of US$1,676.9 per ounce compared with an average provisional invoice price of US$1,704.8 per ounce. At 31 December 2011, sales totalling 15,300 ounces remained open as to price, with an average mark-to-market price of US$1,536.0 per ounce compared with an average provisional invoice price of US$1,638.6 per ounce.

Molybdenum concentrate

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

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

At 31 December 2011, sales totalling 1,100 tonnes remained open as to price, with an average mark-to-market price of US$13.4 per pound compared with an average provisional invoice price of US$13.4 per pound.

b) Derivative financial instruments

The Group periodically 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 derivatives recognise in the income statement have been recorded within revenue. The time value element of changes in the fair value of derivative options is excluded from the designated hedging relationship, and is therefore recognised directly in the income statement within other finance items.

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

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

For the year ended 31 December 2012

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

For the year ended 31 December 2011

	Income statement impact for the year ended 31.12.11			Impact on reserves at 31.12.11	Total balance sheet impact of mark-to-market adjustments at 31.12.11
	Realised gains/(losses)	Gains resulting from mark-to-market adjustments on hedging instruments	Total net gain/(loss)	Gains/(losses) resulting from mark-to-market adjustments on hedging instruments	Net financial asset/(liability)
	US$'m	US$'m	US$'m	US$'m	US$'m
Commodity Derivatives					
El Tesoro	0.5	-	0.5	1.8	0.5
Michilla	(15.6)	49.1	33.5	86.4	58.4
Exchange Derivatives					
Michilla	-	-	-	(7.8)	(7.8)
Esperanza	1.1	-	1.1	(1.8)	-
Corporate and other items	(2.0)	-	(2.0)	-	-
Railway and other transport services	(2.4)	-	(2.4)	-	-
Interest Derivatives					
Esperanza	(22.4)	-	(22.4)	8.4	(27.0)
	(40.8)	**49.1**	**8.3**	**87.0**	**24.1**

At 31 December 2011, US$1.1 million of the net realised losses on exchange derivatives relates to a net gain on hedging instruments at Esperanza where hedge accounting has been applied and is recognised in “foreign exchange” within net finance expense (see note 6). The remaining US$4.4 million net losses on exchange derivatives where hedge accounting has not been applied have been recognised in “foreign exchange derivatives” within net finance expense (see note 6).

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

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

	At 31.12.12	At 31.12.11
	US$'m	US$'m
Analysed between:		
Current assets	**35.3**	11.4
Non-current assets	**8.0**	47.6
Current liabilities	**(6.2)**	(16.9)
Non-current liabilities	**(13.1)**	(18.0)
	24.0	24.1

(ii) Outstanding derivative financial instruments

Commodity derivatives

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

- **Min/max instruments**

	At 31.12.12	**For instruments held at 31.12.12**			
	Copper production hedged	Weighted average remaining period from 1 January 2013	Covering a period up to:	Weighted average floor	Weighted average cap
	tonnes	Months		US cents	US cents
Michilla	57,000	14.3	31-12-14	353.0	470.8

Between 1 January 2013 and 31 January 2013 no additional min/max instruments were entered into and 2,750 tonnes of min/max instruments matured. As a result up to 31 January 2013:

(i) 33,000 tonnes of 2013 Group copper production had been hedged with min-max options of which 2,750 tonnes matured by 31 January 2013 and 30,250 tonnes remain outstanding and will mature by the end of the year.

(ii) 24,000 tonnes of 2014 Group copper production has been hedged with min-max options.

- **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 31.12.12	For instruments held at 31.12.12		
	Copper production hedged	Weighted average remaining period from 1 January 2013	Covering a period up to:	Weighted average price
	tonnes	Months		US cents
El Tesoro	9,300	6.9	31-01-14	372.3

(iii) 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 31.12.12	For instruments held at 31.12.12		
	Principal value of cross currency swaps held	Weighted average remaining period from 1 January 2013	Covering a period up to:	Weighted average rate
	US$'m	Months		Ch$/US$
Michilla	63.0	5.0	16-09-2013	542.3

Between 1 January 2013 and 31 January 2013 US$7.0 million of cross currency swaps relating to Michilla matured.

(iv) 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 2012 the Group had entered into the contracts outlined below.

	Start date	Maturity date	Actual notional amount	Weighted Average Fixed Rate
			US$'m	%
Esperanza	15-02-2011	15-08-2018	395.2	3.372

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

(v) Energy derivatives

The Group entered into a derivative contract to hedge its exposure to the spot price energy. Under the hedge the price of energy is fixed.

	Start date	Maturity date	Energy consumption hedged	Contract price
			000 MW	US$/MWH
Los Pelambres	01-01-2013	31-03-2013	259.2	130

Between 1 January 2013 and 31 January 2013 89,300MW of hedged energy consumption matured.

6. Net finance expense

	Year ended 31.12.12 US$'m	Year ended 31.12.11 US$'m
Investment income		
Interest receivable	**19.6**	21.0
Fair value through profit or loss	**5.0**	2.3
	24.6	23.3
Interest expense		
Interest payable	**(85.7)**	(93.0)
Preference dividends	**(0.2)**	(0.2)
	(85.9)	(93.2)
Other finance items		
Time value effect of derivatives	**(12.4)**	49.1
Foreign exchange derivatives	**-**	(3.3)
Unwinding of discount on provisions	**(12.4)**	(11.3)
Foreign exchange	**(4.8)**	14.2
	(29.6)	48.7
Net finance expense	**(90.9)**	(21.2)

At 31 December 2012 an expense of US$1.3 million relating to net interest expense and other finance items at Antucoya (at 31 December 2011 - US$2.2 million at Esperanza) was capitalised, and subsequently impaired during the year, and is consequently not included within the above table.

7. Taxation

The tax charge for the year comprised the following:

	Year ended 31.12.12 US$'m	Year ended 31.12.11 US$'m
Current tax charge		
Corporate tax (principally first category tax in Chile)	**(546.7)**	(541.5)
Mining tax (Royalty)	**(177.5)**	(203.2)
Withholding tax	**(147.7)**	(218.5)
Exchange gains /(losses) on corporate tax balances	**0.3**	(2.1)
	(871.6)	(965.3)
Deferred tax (charge)/credit		
Corporate tax (principally first category tax in Chile)	**(154.9)**	(75.8)
Mining tax (Royalty)	**(0.1)**	3.4
Withholding tax	**6.0**	91.5
	(149.0)	19.1
Total tax charge (Income tax expense)	**(1,020.6)**	(946.2)

The rate of first category (i.e. corporation) tax in Chile remained at 20% in 2012. The rate was initially decreased to 18.5% according to amendments to the Chilean tax regime introduced in 2010. However, in the second half of 2012 the Chilean Government passed a bill to increase the rate back to 20% and to apply this increase retrospectively with effect from 1 January 2012. The rate is expected to remain at 20% for the foreseeable future.

Los Pelambres, El Tesoro, Michilla and Esperanza are also subject to a mining tax (royalty) which is tax deductible (i.e. an allowable expense in determining liability to first category tax). On 12 January 2011 the Group voluntarily elected to accept amendments to the mining tax as permitted pursuant to a law enacted in Chile on 21 October 2010. Between 2010 and 2012, production from Los

Pelambres, Esperanza, the Tesoro Central and Mirador pits at El Tesoro and Michilla is subject to a mining tax at a rate of between 4-9% of tax-adjusted operating profit, based on a sliding scale with the minimum rate of 4% applying to operations with a tax-adjusted operating profit margin of below 40% and a maximum rate of 9% applying to operations with a tax-adjusted operating profit margin of above 75%. Production from the Tesoro North East deposit and the run-of-mine processing at El Tesoro is subject to a mining tax at a rate of between 5-14% of tax-adjusted operating profit, based on a sliding scale with the minimum rate of 5% applying to operations with a tax-adjusted operating profit margin of below 35% and a maximum rate of 14% applying to operations with a tax-adjusted operating profit margin exceeding 85%.

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 tax already paid in respect of the profits to which the remittances relate. Accordingly, withholding tax will be levied at a rate of 18% in respect of remittances of profits earned in recent years when the first category (i.e. corporation) tax rate was 17%. Withholding tax will be levied at a rate of 15% in respect of remittances of profits earned when the current rate of first category (i.e. corporation) tax of 20% has applied.

	Year ended 31.12.12		Year ended 31.12.11	
	US$'m	**%**	US$'m	%
Profit before tax	**2,754.2**		3,076.2	
Tax at the Chilean corporate tax rate of 20% for the 2012 (20% -2011)	**(550.8)**	**20.0**	(615.2)	20.0
Tax effect of share of results of associate	**1.3**	**-**	4.8	(0.2)
Provision against carrying value of assets not recognised for deferred tax	**(100.0)**	**3.6**	(28.1)	0.9
Items not subject to or deductible from first category tax	**15.7**	**(0.5)**	(3.4)	0.1
Effect of increase in first category tax rate on deferred tax balances	**(67.8)**	**2.5**	-	-
Effect of deferred tax provided at rates lower than current year first category tax rate	**-**	**-**	24.6	(0.7)
Royalty	**(177.6)**	**6.4**	(199.8)	6.5
Withholding taxes provided in year	**(141.7)**	**5.1**	(127.0)	4.1
Exchange differences	**0.3**	**-**	(2.1)	0.1
Tax expense and effective tax rate for the year	**(1,020.6)**	**37.1**	(946.2)	30.8

The tax charge for the year was US$1,020.6 million and the effective tax rate was 37.1%. This rate varies from the standard rate of 20.0% principally due to the withholding tax charge of US$141.7 million, the effect of the Chilean mining tax which resulted in a charge of US$177.6 million, deferred tax effect of US$67.8 million as a result of a permanent increase in the first category tax rate in Chile from 17% to 20% and the effect of the US$500 million impairment provision against the carrying value of the property, plant and equipment relating to Antucoya for which a tax credit has not been recorded. In 2011 the total tax charge was US$946.2 million and the effective tax rate was 30.8%.This rate varied from the standard rate of 20.0% principally due to the withholding tax charge of US$127.0 million and the effect of the mining tax which resulted in a charge of US$199.8 million.

8. Earnings per share

Basic and diluted earnings per share is calculated on profit after tax and non-controlling interest giving net earnings of US$1,032.0 million (2011 – US$1,236.6 million) and based on 985,856,695 ordinary shares and amounted to US104.7 cents (2011 – US125.4 cents). There was no potential dilution of ordinary shares in either year.

In the year ended 31 December 2012, basic earnings per share excluding exceptional items was calculated on profit after tax and non-controlling interest giving net earnings excluding exceptional items (and related tax and non-controlling interest), of US$1,382.0 million (2011 – US$1,377.1 million) and amounted to US140.2 cents (2011 – US139.7 cents).

9. Dividends

The Board has recommended a final dividend of 90.0 cents per ordinary share, which amounts to US$887.3 million and if approved at the Annual General Meeting, will be paid on 13 June 2013 to shareholders on the Register at the close business on 10 May 2013. This final dividend comprises an ordinary dividend of 12.5 cents per share and a special dividend of 77.5 cents per share. The interim dividend of 8.5 cents per share was an ordinary dividend and was paid on 4 October 2012. Together, this gives total dividends proposed in relation to 2012 of 98.5 cents per share.

The final dividend proposed in relation to 2011 was 36.0 cents, which comprised an ordinary dividend of 12.0 cents per share and a special dividend of 24.0 cents per share. Together with the interim dividend that year of 8.0 cents per share which was an ordinary dividend this gave total dividends proposed in relation to 2011 of 44.0 cents per share.

Dividends per share actually paid in the year and recognised as a deduction from net equity under IFRS were 44.5 cents (2011 – 120.0 cents) being the interim dividend for the year and the final dividend proposed in respect of the previous year.

If approved at the Annual General Meeting, the final dividend of 90.0 cents will be paid on 13 June 2013 to ordinary shareholders that are on the register at the close of business on 10 May 2013. Shareholders can elect (on or before 13 May 2013) 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 16 May 2013).

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.

10. Intangible assets

	Concession right	**Year ended 31.12.12**	Year ended 31.12.11
	US$'m	**US$'m**	US$'m
Balance at the beginning of the year	155.3	**155.3**	311.5
Additions	3.9	**3.9**	-
Amortisation	(14.6)	**(14.6)**	(14.7)
Provision against the carrying value of assets	-	**-**	(120.7)
Foreign currency exchange difference	13.0	**13.0**	(20.8)
Balance at the end of the year	157.6	**157.6**	155.3

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.

As explained in Note 3 and 26, in the year ended 31 December 2011 a full provision was recognised against the carrying value of exploration licences relates to the Group’s joint venture Tethyan Copper Company Pty. Ltd., of US$120.7 million.

11. Property, plant and equipment

	Mining	**Railway and other transport**	**Water Concession**	**Year ended 31.12.12**	Year ended 31.12.11
	US$'m	**US$'m**	**US$'m**	**US$'m**	US$'m
Balance at the beginning of the year	6,214.3	194.8	33.9	**6,443.0**	6,093.4
Additions	972.8	22.7	8.0	**1,003.5**	772.9
Reclassification	-	-	(2.0)	**(2.0)**	-
Decommissioning provisions capitalised	59.6	-	-	**59.6**	56.7
Depreciation	(464.2)	(14.6)	(0.8)	**(479.6)**	(417.0)
Depreciation capitalised	(8.1)	-	-	**(8.1)**	(23.9)
Provision against the carrying value of assets	(500.0)	-	-	**(500.0)**	(19.8)
Asset disposals	(3.9)	(1.3)	(0.8)	**(6.0)**	(18.8)
Foreign currency exchange difference	-	0.1	2.7	**2.8**	(0.5)
Balance at the end of the year	6,270.5	201.7	41.0	**6,513.2**	6,443.0

At 31 December 2012 US$8.1 million (2011 – US$23.9 million) of depreciation in respect of assets relating to Los Pelambres, Esperanza, El Tesoro and Michilla have been capitalised within inventories, and accordingly is excluded from the depreciation charge recorded in the income statement as shown in Note 4(a).

As explained in Note 3, the US$500.0 million provision in 2012 against the carrying value of property, plant and equipment relates to assets held by the Antucoya project.

As explained in Notes 3 and 26, in the year ended 31 December 2011, property, plant and equipment included a provision against the carrying value relates to assets held by the Group’s joint venture Tethyan Copper Company Pty. Ltd., of US$19.8 million.

At 31 December 2012 the Group had entered into contractual commitments for the acquisition of property, plant and equipment amounting to US$748 million (2011 – US$126.1 million) of which US584.6 million were related to the development of the Antucoya project. As part of the review of the Antucoya project which is currently being undertaken the majority of the project's contracts were cancelled subsequent to the year-end in January 2013, without incurring significant cancellation penalties.

12. Investment property

	Year ended 31.12.12	Year ended 31.12.11
	US$'m	US$'m
Balance at the beginning of the year	**3.1**	3.7
Foreign currency exchange difference	**0.4**	(0.6)
Balance at the end of the year	**3.5**	3.1

Investment property represents the Group's forestry properties, which are held for long-term potential and accordingly classified as investment property held at cost.

13. Investment in associates

	Inversiones Hornitos	**ATI**	**El Arrayan**	**Year ended 31.12.12**	Year ended 31.12.11
	US$'m	**US$'m**	**US$'m**	**US$'m**	US$'m
Balance at the beginning of the year	74.3	6.0	4.5	**84.8**	58.0
Capital contribution	-	-	19.6	**19.6**	4.5
Losses in fair value of cash flow hedges deferred in reserves of associates	-	(0.1)	(1.7)	**(1.8)**	-
Interest expense capitalised by associate payable to subsidiary	(0.6)	-	-	**(0.6)**	(0.5)
Share of profit/(loss) before tax	9.2	0.1	(0.4)	**8.9**	29.2
Share of tax	(2.1)	(0.1)	-	**(2.2)**	(5.2)
Share of income/(loss) from associate	7.1	-	(0.4)	**6.7**	24.0
Dividends received	-	(1.1)	-	**(1.1)**	(1.2)
Balance at the end of the year	80.8	4.8	22.0	**107.6**	84.8

The investments which are included in the US$107.6 million balance at 31 December 2012 are set out below:

(i) The Group's 40% interest in Inversiones Hornitos S.A. ("Inversiones Hornitos"), which owns the 165MW Hornitos thermoelectric power plant operating in Mejillones, in Chile's Antofagasta Region. Share of income from associates for the year ended 31 December 2012 includes US$3.4 million for the Group's share of insurance compensation as a result of business interruption that occurred between 20 September 2012 and 28 December 2012. In 2011 share of income from associates includes US$18.8 million for the Group's share of proceeds received in Inversiones Hornitos S.A., relating to compensation for lost profits from the main contractor as a result of delays to the construction.

(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 El Arrayan Project, which will develop and operate an 115MW wind-farm project. Construction of the plant commenced in July 2012 with the expectation to achieve commercial operation during the third quarter of 2014.

14. Joint venture agreements

Tethyan Copper Company Limited

In 2006, the Group acquired 100% of the issued share capital of Tethyan Copper Company Limited (now Tethyan Copper Company Pty. Limited), and then entered into a joint venture agreement with Barrick Gold Corporation ("Barrick"), to establish a 50:50 joint venture in relation to Tethyan Copper Company Pty. Limited's mineral interests in Pakistan.

From the date of incorporation to 2012, Tethyan Copper Company Pty. Limited has been wholly engaged in mineral exploration and evaluation activities and did not generate any revenue. Tethyan Copper Company Pty. Limited's operating loss resulting during the year was US$20.4 million (2011 – US$23.7 million) of which 50% is attributable to the Group. In addition in 2011 the Group made a provision of US$140.5 million against the carrying value in the Group accounts of its 50% share of the intangible assets and property, plant and equipment. Further details are set out in Notes 3 and 26.

Energía Andina S.A.

In October 2008 Energía Andina S.A. ("Energia Andina") was formed as a vehicle for the exploration and exploitation of potential sources of geothermal energy. Initially the company was 60% owned by the Group and 40% owned by Empresa Nacional del Petróleo ("ENAP") of Chile. On 6 May 2011 ENAP sold its 40% shareholding in Energía Andina to Origin Energy Geothermal Chile Limitada ("Origin"). Control over the key operational and financial decisions in respect of the company are jointly exercised by the Group and Origin, and accordingly the company is accounted for as a jointly-controlled entity, with results included in the consolidated balance sheet and in the consolidated income statement of the Group under the proportionate consolidation method.

15. Available for sale investments

	Year ended 31.12.12	Year ended 31.12.11
	US$'m	US$'m
Balance at the beginning of the year	**36.5**	21.8
Additions	**1.5**	27.3
Movements in fair value	**5.4**	(12.3)
Foreign currency exchange difference	**1.1**	(0.3)
Balance at the end of the year	**44.5**	36.5

Available for sale investments represent those investments which are not subsidiaries, associates or joint ventures and are not held for trading purposes.

The investments which are included in the US$44.5 million balance at 31 December 2012 are set out below:

(i) US$35.2 million relating to the market value of shares in Duluth Metals Limited.
(ii) US$3.7 million relating to the market value of shares in Panoro Minerals Limited.
(iii) US$3.2 million relating to the market value of shares in Eurasian Minerals Inc.
(iv) US$0.8 million relating to the market value of shares in Stratex International plc.
(v) US$0.7 million relating to the market value of shares in Sipa Resources Limited.
(vi) US$0.8million relating to the market value of shares in Full Metals Ltd.
(vii) US$0.1 million relating to the market value of other investments.

16. Inventories

	Year ended 31.12.12	Year ended 31.12.11
	US$'m	US$'m
Current:		
Raw materials and consumables	**192.7**	148.0
Work in progress	**243.4**	241.8
Finished goods	**58.8**	46.0
	494.9	435.8
Non-current:		
Work in progress	**162.5**	104.7
	657.4	540.5

Non–current work-in-progress represents inventory expected to be processed more than 12 months after the balance sheet date.

17. Borrowings

	Notes	At 31.12.12	At 31.12.11
		US$'m	US$'m
Los Pelambres			
Corporate loans	(i)	**(357.8)**	(492.5)
Finance leases	(ii)	**(29.1)**	(32.4)
Esperanza			
Project financing	(iii)	**(893.8)**	(1,008.7)
Subordinated debt	(iv)	**(238.1)**	(227.7)
Short-term loans	(v)	**-**	(30.0)
Finance leases	(vi)	**(5.2)**	(7.4)
El Tesoro			
Corporate loan	(vii)	**(214.6)**	(296.2)
Finance leases	(viii)	**(0.9)**	-
Antucoya			
Short-term loans	(ix)	**(102.0)**	-
Corporate and other items			
Finance leases	(x)	**(39.3)**	(36.0)
Railway and other transport services			
Bonds	(xi)	**(4.7)**	(6.3)
Short-term loans	(xii)	**(0.5)**	-
Other			
Preference shares	(xiii)	**(3.2)**	(3.1)
Total (see Note 23)		**(1,889.2)**	(2,140.3)

(i) Corporate loans at Los Pelambres are unsecured and US dollar denominated. These loans have a remaining term between 2 and 4 years and have an interest rate of LIBOR six-month plus margins between 0.9% – 1.6%.

(ii) Finance leases at Los Pelambres are US dollar denominated, comprising US$20.1 million at fixed rate of 5.48% and US$9.0 million at LIBOR three-month rate plus 3%, with remaining duration between of 2 and 6.7 years.

(iii) Senior debt at Esperanza comprises US$893.8 million in respect of syndicated loans. These loans are for a remaining term of 7.7 years and have an interest rate of LIBOR six-month rate 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 2012 the current notional amount hedged of the senior debt at Esperanza was US$395.2 million.

(iv) This balance includes long-term subordinated debt provided to Esperanza by Marubeni Corporation with a duration of 8 years and weighted average interest rate of LIBOR six-months plus 3.75%. Long term subordinated debt provided by Group companies to Esperanza has been eliminated on consolidation.

(v) Short-term loans at Esperanza from local banks were repaid during the first months of 2012.

(vi) Finance leases at Esperanza are US dollar denominated, with a maximum remaining duration of 2 years and with an average interest rate of approximately LIBOR three-months plus 2.8%.

(vii) The corporate loans at El Tesoro are US dollar denominated. This loan has approximately 2.7 years remaining, with an interest rate over the life of the loan of LIBOR six-month plus 1.2%.

(viii) Finance leases at El Tesoro are US dollar denominated, with a maximum remaining duration of 2.7 years and with an average interest fixed rate at approximately 1.5%.

(ix) Short-term loans at Antucoya from Marubeni have a remaining duration of 3.4 months and an interest rate of LIBOR six-months plus 3.65%.

(x) Finance leases at Corporate and other items are denominated in Unidades de Fomento (i.e. inflation-linked Chilean pesos) and have a remaining duration of 15.3 years and fixed rate with an average interest rate of 5.29%.

(xi) Railway and other transport services includes a balance of US$4.5 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 2.3 years. The balance at 31 December 2012 also includes customer advances of US$0.2 million.

(xii) Short-term loans at Railway and other transport services comprises US$0.5 million from local banks with an average duration of 12 months and with a fixed interest rate of 6.0%.

(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 2012. 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.

Maturity of borrowings

	At 31.12.12	At 31.12.11
	US$'m	US$'m
Short-term borrowings	**(447.0)**	(301.9)
Medium and long-term borrowings	**(1,442.2)**	(1,838.4)
Total (see Note 23)	**(1,889.2)**	(2,140.3)

At 31 December 2012 US$68.6 million (2011 – US$67.3 million) of the borrowings has fixed rate interest and US$1,820.6 million (2011 – US$2,073.0 million) has floating rate interest. The Group periodically enters into interest rate derivative contracts to manage its exposure to interest rates. As explained, these include interest rate swaps which have the effect of converting US$395.2 million of floating rate borrowings into fixed rate borrowings. Details of any derivative instruments held by the Group are given in Note 5.

18. Post-employment benefit obligation

	Year ended 31.12.12	Year ended 31.12.11
	US$'m	US$'m
Balance at the beginning of the year	**(61.2)**	(68.0)
Charge to operating profit in the year	**(21.8)**	(4.3)
Release of discount to net interest in year	**(3.3)**	(3.9)
Charge capitalised	**(0.4)**	-
Utilised in the year	**10.4**	8.4
Foreign currency exchange difference	**(5.6)**	6.6
Balance at the end of the year	**(81.9)**	(61.2)

The post employment benefit obligation relates to the provision for severance indemnities which are payable when an employment contract comes to an end, in accordance with normal employment practice in Chile and other countries in which the Group operates. The severance indemnity obligation is treated as an unfunded defined benefit plan, and the calculation is based on valuations performed by an independent actuary.

19. Long-term provisions

	Year ended 31.12.12	Year ended 31.12.11
	US$'m	US$'m
Balance at the beginning of the year	**(321.1)**	(244.4)
Credit/(charge) to operating profit in the year	**0.3**	(16.5)
Release of discount to net interest in the year	**(9.1)**	(7.4)
Capitalised adjustment to provision	**(59.6)**	(56.7)
Utilised in the year	**6.0**	2.6
Foreign currency exchange difference	**(1.1)**	1.3
Balance at the end of the year	**(384.6)**	(321.1)
Analysed as follows:		
Decommissioning and restoration	**(383.3)**	(320.0)
Termination of water concession	**(1.3)**	(1.1)
Balance at the end of the year	**(384.6)**	(321.1)

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 24 years based on current mine plans.

During the year ended 31 December 2012, the closure provisions at Esperanza, El Tesoro, Michilla and Antucoya were increased by a total of US$57.1 million following detailed updated reviews, of which US$59.6 related to an increase in decommissioning costs which was capitalised, and a net credit of US$2.5 million within operating profit relating to a decrease in restoration costs. During the year ended 31 December 2011, the closure provision at Los Pelambres were increased by a total of US$67.8 million following detailed updated review, of which US$56.7 million related to an increase in decommissioning costs which was capitalised, and a net charge of US$11.1 million within operating profit relating to an increase in restoration costs. The capitalised provision balances are depreciated over the life of the corresponding asset or mine life if shorter.

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 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.

20. Deferred tax assets and liabilities

	Year ended 31.12.12	Year ended 31.12.11
	US$'m	US$'m
Net position at the beginning of the year	**(581.3)**	(586.3)
(Charge)/credit to tax on profit in year	**(149.0)**	19.1
Deferred tax recognised directly in reserves and non-controlling interest	**(0.4)**	(16.9)
Deferred tax capitalised	**0.3**	-
Foreign currency exchange difference	**(0.9)**	2.8
Net position at the end of the year	**(731.3)**	(581.3)
Analysed between:		
Deferred tax assets	**103.8**	83.2
Deferred tax liabilities	**(835.1)**	(664.5)
Net position	**(731.3)**	(581.3)

21. Share capital and share premium

There was no change in share capital or share premium in the year ended 31 December 2012 or 2011.

22. Reconciliation of profit before tax to net cash inflow from operating activities

	Year ended 31.12.12	Year ended 31.12.11
	US$'m	US$'m
Profit before tax	**2,754.2**	3,076.2
Depreciation and amortisation	**494.2**	431.7
Net (profit)/loss on disposal of property, plant and equipment	**(3.3)**	14.9
Provision against carrying value of assets	**500.0**	140.5
Net finance expense	**90.9**	21.2
Share of (profit) of associates	**(6.7)**	(24.0)
(Increase) in inventories	**(108.8)**	(131.8)
Decrease/(increase) in debtors	**34.6**	(1.4)
Increase in creditors and provisions	**51.1**	25.2
Cash flows from operations	**3,806.2**	3,552.5

23. Analysis of changes in net cash

	At 1.1.12	Cash flows	Other	Exchange	**At 31.12.12**
	US$'m	US$'m	US$'m	US$'m	**US$'m**
Cash and cash equivalents	1,335.1	467.3	-	13.5	**1,815.9**
Liquid investments	1,944.9	535.7	-	-	**2,480.6**
Total cash, cash equivalents and liquid investments	3,280.0	1,003.0	-	13.5	**4,296.5**
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	1,276.0	(17.4)	9.0	**2,407.3**

Net cash

Net cash at the end of each year was as follows:

	At 31.12.12	At 31.12.11
	US$'m	US$'m
Cash and cash equivalents, and liquid investment	**4,296.5**	3,280.0
Total borrowings	**(1,889.2)**	(2,140.3)
	2,407.3	1,139.7

24. Other transactions

a) Exploration and other agreements

The Group has entered into new exploration and other agreements during 2012 with:

- Magnus Minerals Limited relating to a generative exploration in Northern Finland
- Manica Minerals Limited relating to early stage exploration in Western Zambia
- Laurentian Goldfields Ltd. relating to exploration in southern Quebec, Canada
- Chalcophile Resources Pty. Ltd. relating to a proposed farm-in over the Company's Clermont Copper Project in central Queensland, Australia.
- Lara Exploration Ltd., relating to a generative exploration in Brazil.

Additionally, after evaluation of the results of the exploration activities, the Group decided in 2012 not to proceed further with the agreement with Eurasian (Switzerland) and La Zarza (Spain).

b) 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 US$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 US$359.5 million being received by the Group, comprising consideration of US$351.8 million (base consideration of US$350 million plus interest to completion of US$1.7 million) and pre-closing capital contributions attributable to Marubeni of US$7.8 million.

25. 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 claim in existence either during or at the end of the year and their current status are set out below:

Minera Los Pelambres and Antofagasta Minerals S.A.– mining properties

A number of mining concession applications have been submitted by third parties which overlap mining concessions held by Minera Los Pelambres and Antofagasta Minerals S.A. Both companies have instigated legal action against those third parties in order to protect their legal rights over those mining concessions. The Group believes these claims do not affect the current mining plan, do not have any merit and that the possibility of any significant adverse impact to the Group as a result of these actions is remote.

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. In December 2008, Los Pelambres became 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 prevent the operation of the Mauro tailings dam. Los Pelambres is continuing to take necessary steps to protect its position.

Two claims were filed with the Court of Appeals in La Serena in 2012 in respect of the Mauro tailings dam. These follow several previous unsuccessful related claims made by the same claimants in different courts in the past four years. The first claim alleged that the tailings dam was affecting the quality of the water of the Caimanes community located near the Mauro valley. The Court of Appeal of La Serena rejected this claim and in January 2013 the decision was upheld by the Supreme Court of Chile on appeal, thereby confirming the Group's view that the operation of the Mauro dam complies with applicable Chilean and international environmental standards without affecting water quality of the Pupio river. The second claim alleged that the Mauro tailings dam posed a danger to the population of Caimanes because it would not resist an earthquake of certain magnitudes, and that indications of leaks could threatened the dam's stability. The Court of Appeal of La Serena also rejected this claim. The claimants have appealed this decision to the Supreme Court of Chile where a decision is pending.

26. Litigation

Tethyan Copper Company Limited

Mining lease application and international arbitration

The Group holds a 50% interest in Tethyan Copper Company Pty. Limited ("Tethyan Australia"), its joint venture with Barrick Gold Corporation ("Barrick"). Tethyan Australia is seeking, with and through its wholly-owned subsidiary Tethyan Copper Company Pakistan (Private) Limited ("Tethyan Pakistan" and, together with Tethyan Australia, "Tethyan") to develop the Reko Diq copper-gold deposit in the Chagai Hills district of the province of Balochistan in south-west Pakistan. Tethyan held a 75% interest in an exploration licence encompassing the Reko Diq deposit, with the Government of Balochistan (the provincial authority) holding the remaining 25% interest, resulting in an effective interest for the Antofagasta group of 37.5%. The relationship between Tethyan and the Government of Balochistan in respect of their interests in the project is governed by the Chagai Hills Exploration Joint Venture Agreement ("CHEJVA").

Tethyan completed the feasibility study in respect of the project and submitted this to the Government of Balochistan in August 2010. On 15 February 2011, Tethyan submitted an application to the Government of Balochistan in accordance with the Balochistan Mineral Rules for a mining lease. On 15 November 2011, Tethyan was notified by the Government of Balochistan that the Government had rejected the application.

Tethyan is pursuing two international arbitrations in order to protect its legal rights: one against the Government of Pakistan with the International Centre for Settlement of Investment Disputes ("ICSID") asserting breaches of the Bilateral Investment Treaty between Australia (where Tethyan Australia is incorporated) and Pakistan, and another against the Government of Balochistan with the International Chamber of Commerce ("ICC"), asserting breaches of the CHEJVA.

Tethyan believes strongly that it has complied with the requirements of the Balochistan Mineral Rules and the CHEJVA and is entitled to the grant of the mining lease.

Supreme Court hearings

On 26 June 2007 the High Court of Balochistan at Quetta dismissed a petition which had sought to declare that the Chagai Hills Exploration Joint Venture of 1993 and the exploration licences granted to Tethyan were null and void. It also overturned an injunction passed earlier by the Court. The constitutional petition had been filed before the High Court in November 2006 and was directed at the Government of Pakistan and the Government of Balochistan, although it also named, among others, Tethyan Pakistan as a respondent.

The petitioners filed a Civil Petition for Leave to Appeal ("CPLA") against the High Court judgment. The Supreme Court has been concurrently hearing the CPLA as well as some new constitutional petitions which were filed in late 2010 and early 2011. These new petitions relate primarily to whether it is in the public interest for Tethyan to receive a mining lease.

On 3 February 2011, the Supreme Court issued an interim order providing, among other things, that the Government of Balochistan could not take any decision in respect of the grant or other disposition of a mining lease until matters before the Supreme Court were decided. On 25 May 2011, the Supreme Court recalled this interim order and instructed the Government of Balochistan to proceed to expeditiously decide on Tethyan's application for the mining lease transparently and fairly in accordance with the law and the rules. The Supreme Court also decided that the petitions should remain pending until the decision on the application by the competent authority.

Following the Government of Balochistan's rejection of Tethyan's mining lease application, the Supreme Court resumed hearings in respect of these matters; on 7 January 2013 the Supreme Court issued a short order upholding the CPLA and finding in favour of the constitutional petitioners, and declaring the CHEJVA illegal and void. Tethyan is in the process of evaluating this judgement. No date has been set for the issue of the detailed judgment.

Tethyan believes strongly that the CHEJVA is a valid agreement between itself and the Government of Balochistan, and that Tethyan has complied with the requirements of the Balochistan Mineral Rules and the CHEJVA and is entitled to the grant of the mining lease. However, given the uncertainty caused by the Government of Balochistan's rejection of Tethyan's mining lease application, the Group recognised a provision against the US$140.5 million carrying value of intangible assets and property, plant and equipment relating to the project in 2011.

27. Related party transactions

(a) Joint ventures

In September 2006 the Group entered into a joint venture agreement with Barrick Gold Corporation ("Barrick Gold") to establish a 50:50 joint venture over Tethyan Copper Company Limited's ("Tethyan") mineral interests in Pakistan. During the year ended 31 December 2012 the Group contributed US$9.9 million (year ended 31 December 2011 - US$9.7 million) to Tethyan to provide funds for Tethyan's legal advisory and administrative costs. The balance due from Tethyan to Group companies at 31 December 2012 was US$0.1 million (31 December 2011 - US$0.1 million).

In October 2008 Energía Andina S.A. was formed as a vehicle for the exploration and exploitation of potential sources of geothermal energy. Initially, the company was 60% owned by the Group and 40% owned by Empresa Nacional del Petróleo ("ENAP") of Chile. On 6 May 2011 ENAP sold its 40% shareholding in Energía Andina to Origin Energy Geothermal Chile Limitada. The balance due from Energía Andina S.A. to the Group at 31 December 2012 was less than US$0.1 million (31 December 2011 – US$0.1 million). During the year ended 31 December 2012 the Group contributed US$14.5 million to Energia Andina (year ended 31 December 2011 – US$9.0 million).

(b) Associates

The Group has a 30% interest in Antofagasta Terminal Internacional S.A. ("ATI"), which is accounted for as an associate. During the year ended 31 December 2012 the Group received dividends of US$1.1 million (year ended 31 December 2011 – US$1.2 million), as disclosed in the Consolidated Cash Flow Statement and Note 22.

The Group has a 40% interest in Inversiones Hornitos S.A.. This interest is accounted for as an associate. The balance due from Inversiones Hornitos to the Group at 31 December 2012 was nil (year ended 31 December 2011 – US$83.8 million). The Group paid US$129.0 million (year ended 31 December 2011 – US$70.6 million) to Inversiones Hornitos in relation to the energy supply contract at Esperanza.

In December 2011, the Group exercised an option to acquire a 30% interest in Parque Eólico El Arrayán S.A. ("El Arrayan") for a consideration of US$4.5 million, and will be responsible for its share of development costs. During the year ended 31 December 2012 the Group contributed US$19.6 million to Parque Eólico El Arrayán S.A. This interest is accounted for as an associate. El Arrayan will develop and operate a 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.

(c) Other related parties

The ultimate parent company of the Group is Metalinvest Establishment, which is controlled by the E. Abaroa Foundation, in which members of the Luksic family are interested. The Company"s subsidiaries, in the ordinary course of business, enter into various sale and purchase transactions with companies also controlled by members of the Luksic family, including Banco de Chile S.A., Madeco S.A. and Compañía Cervecerías Unidas S.A., which are subsidiaries of Quiñenco S.A., a Chilean industrial and financial conglomerate the shares of which are traded on the Santiago Stock Exchange. These transactions, all of which were on normal commercial terms, are in total not considered to be material.

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. Antofagasta has the exclusive right to acquire at fair value under certain conditions the shareholding of Mineralinvest in Antomin 2 and Antomin Investors, or the underlying properties, for a period of five years from August 2008. The Group has also committed to meet in full any exploration costs relating to the properties held by these entities. During the year ended 31 December 2012 the Group incurred US$16.5 million (year ended 31 December 2011 – US$0.2 million) of exploration work at these properties.

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 2012 Michilla paid dividends of US$1.2 million (year ended 31 December 2011 – US$1.6 million) to Centinela.

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 US$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 US$359.5 million being received by the Group, comprising consideration of US$351.7 million (base consideration of US$350 million plus interest to completion of US$1.7 million) and pre-closing capital contributions attributable to Marubeni of US$7.8 million. Further details of this transaction are set out in Note 17.

28. Currency translation

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.

	2012	2011
Year end rate	US$1.6163=£1; US$1 = Ch$480	US$1.5509=£1; US$1 = Ch$519
Average rates	US$1.5835=£1; US$1 = Ch$487	US$1.6033=£1; US$1 = Ch$483

29. Distribution

The Annual Report and Financial Statements for the year ended 31 December 2012, together with the Notice of the 2013 Annual General Meeting, will be posted to all shareholders in April 2013. The Annual General Meeting will be held at Church House Conference Centre, Dean's Yard, Westminster, London SW1P 3NZ at 10:30 a.m. on Wednesday, 12 June 2013.

30. Production and Sales Statistics (not subject to audit or review)

(See notes following Note 30(b).)

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

	Production		Sales	
	Year ended 31.12.12	Year ended 31.12.11	**Year ended 31.12.12**	Year ended 31.12.11
	000 tonnes	000 tonnes	**000 tonnes**	000 tonnes
Copper				
Los Pelambres	**403.7**	411.8	**396.9**	415.5
Esperanza	**163.2**	90.1	**163.0**	86.3
El Tesoro	**105.0**	97.1	**105.9**	96.0
Michilla	**37.7**	41.6	**37.4**	42.2
Group total	**709.6**	640.5	**703.2**	640.0
Gold	**000 ounces**	000 ounces	**000 ounces**	000 ounces
Los Pelambres	**51.5**	39.8	**51.5**	39.8
Esperanza	**248.4**	157.1	**248.6**	153.4
Group total	**299.9**	196.8	**300.1**	193.2
Molybdenum	**000 tonnes**	000 tonnes	**000 tonnes**	000 tonnes
Los Pelambres	**12.2**	9.9	**12.6**	9.4
Silver	**000 ounces**	000 ounces	**000 ounces**	000 ounces
Los Pelambres	**2,019.4**	1,774.3	**2,019.4**	1,774.3
Esperanza	**1,323.2**	724.3	**1,282.5**	724.3
Group total	**3,342.6**	2,498.6	**3,301.9**	2,498.6

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

	Cash costs		Realised prices	
	Year ended 31.12.12	Year ended 31.12.11	**Year ended 31.12.12**	Year ended 31.12.11
	US cents	US cents	**US cents**	US cents
Copper				
Los Pelambres	**85.9**	78.3	**367.0**	371.1
Esperanza	**65.9**	83.2	**364.8**	354.7
El Tesoro	**149.3**	171.6	**364.5**	391.2
Michilla	**318.3**	213.3	**372.8**	381.6
Group weighted average (net of by-products)	**103.0**	101.9	**366.4**	372.6
Group weighted average (before deducting by-products)	**162.8**	155.2		
Group weighted average (before deducting by-products and excluding tolling charges from concentrates)	**149.8**	141.5		
Cash costs at Los Pelambres comprise:				
On-site and shipping costs	**123.4**	110.0		
Tolling charges for concentrates	**15.8**	18.0		
Cash costs before deducting by-product credits	**139.1**	128.0		
By-product credits (principally molybdenum)	**(53.2)**	(49.7)		
Cash costs (net of by-product credits)	**85.9**	78.3		
Cash costs at Esperanza comprise:				
On-site and shipping costs	**176.4**	219.4		
Tolling charges for concentrates	**17.8**	15.5		
Cash costs before deducting by-product credits	**194.2**	234.9		
By-product credits (principally gold)	**(128.3)**	(151.7)		
Cash costs (net of by-product credits)	**65.9**	83.2		
LME average			**360.6**	399.7
			US$	US$
Gold				
Los Pelambres			**1,668.0**	1,610.6
Esperanza			**1,676.6**	1,643.4
			1,675.1	1,636.6
Market average price			**1,668.9**	1,572.4
Molybdenum				
Los Pelambres			**11.9**	15.1
Market average price			**12.7**	15.5
Silver				
Los Pelambres			**31.0**	35.9
Esperanza			**31.3**	35.2
			31.1	35.7
Market average price			**31.1**	35.1

Notes to the production and sales statistics

(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 cents per pound of payable copper produced. Cash costs are stated net of by-product credits and include tolling charges for concentrates at Los Pelambres and Esperanza. Cash costs exclude depreciation, financial income and expenses, hedging gains and losses, exchange gains and losses and corporation tax for all four operations.

(iv) Realised copper prices are determined by comparing revenue from copper sales (grossing up for tolling charges for concentrates) with sales volumes for each mine in the period. Realised molybdenum 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) The totals in the tables above may include some small apparent differences as the specific individual figures have not been rounded.

(vi) The production information in Note 31(a) and the cash cost information in Note 31(b) are derived from the Group's production report for the fourth quarter of 2012, published on 30 January 2013.