

For immediate release

Cleveland House
33 King Street
London
SW1Y 6RJ
United Kingdom

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

Unaudited Results for the Nine Months ended 30 September 2012

London, 15 November 2012

Highlights

	Nine months ended 30 September 2012 US\$m	Nine months ended 30 September 2011 US\$m	Change %	Full year 2011 US\$m
Group turnover	<u>4,852.4</u>	<u>4,172.9</u>	16.3%	<u>6,076.0</u>
Group EBITDA	<u>2,832.3</u>	<u>2,505.5</u>	13.0%	<u>3,660.5</u>

Revenue

Group revenue in the nine months ended 30 September 2012 was US\$4,852.4 million compared with US\$4,172.9 million in the same period in 2011, mainly reflecting increased copper, gold and molybdenum volumes, partly offset by a decrease in the average realised copper and molybdenum prices.

The volume of copper produced in the nine months ended 30 September 2012 was 515,800 tonnes, a 13.7% increase on the 453,500 tonnes produced in the nine months ended 30 September 2011. This was mainly due to steadily increasing throughput levels at Esperanza following the start of operations there in 2011. Sales volumes in the nine months ended 30 September 2012 were 495,000 tonnes (nine months ended 30 September 2011 – 433,100). The difference with production volumes mainly reflects timing differences due to shipping and loading schedules.

Gold production volumes were 213,500 ounces and sales volumes were 202,600 ounces (nine months ended 30 September 2011 - production volumes of 125,000 ounces and sales volumes of 106,400 ounces) also reflecting the higher throughput at Esperanza.

Molybdenum production volumes were 9,500 tonnes and sales volumes were 9,800 tonnes (nine months ended 30 September 2011 – production volumes were 7,300 tonnes and sales volumes were 7,200 tonnes) reflecting the particularly high molybdenum grade at Los Pelambres during the current period.

The realised copper price in the period was 374.1 cents per pound compared with the realised price of 378.0 cents in the first nine months of 2011. London Metal Exchange (“LME”) copper prices averaged 361.2 cents per pound during the period compared with 419.8 cents per pound in the nine months ended 30 September 2011. However, the improvement in the copper price during January 2012 compared with the final months of 2011 as well as positive mark-to-market adjustments at the end of September 2012 resulted in positive provisional pricing adjustments in the current period. Conversely, the sharp fall in the copper price in September 2011 resulted in significant negative provisional pricing adjustments in the comparative period. Commodity derivative instruments did not have a significant overall impact on the Group’s revenues in the nine months to 30 September 2012, with net realised losses of US\$1.3 million. In the first nine months of 2011 a net loss of US\$15.3 million was recognised within revenue in respect of commodity derivatives, relating almost entirely to Michilla.

Market molybdenum prices averaged US\$13.3 per pound in the nine month period, a decrease from the average price of US\$16.2 per pound in the nine months ended 30 September 2011. The realised molybdenum price of US\$12.3 per pound for the period was lower than the average market price as a result of the decreasing price during the period, which resulted in negative provisional pricing adjustments.

Market gold prices averaged US\$1,651.3 per ounce in the nine month period, an increase from the average price of US\$1,534.4 per ounce in the nine months ended 30 September 2011. The realised gold price of US\$1,668.4 for the nine month period was marginally above the market price for the period.

The transport division's sales were US\$143.2 million in the period, a 7.9% improvement compared with the same period in 2011 as a result of increased tariffs through indexation. The water division's sales were US\$98.3 million, a 15.9% increase compared with the same period in 2011 as a result of increased volumes and tariffs.

Further details of production and sales volumes and realised prices by mining operation are given in Note 2, and an analysis of revenue by business segment is given in Note 3. Further details of the operating performance of each mine and the rail and water division are also given in the Group's third quarter production report released on 31 October 2012.

EBITDA

Group EBITDA in the nine months ended 30 September 2012 was US\$2,832.3 million, compared with US\$2,505.5 million in the nine three months of 2011. The increased revenues discussed above were partly offset by increased operating costs. Excluding by-product credits (which are reported as part of revenue) and tolling charges for concentrates (which are deducted from revenue), weighted average cash costs for the Group (comprising on-site and shipping costs in the case of Los Pelambres and Esperanza, and cash costs in the case of the other two operations) increased slightly from 142.5 cents per pound in the nine months ended 30 September 2011 to 146.4 cents per pound in the first nine months of 2012. Net cash costs including by-product credits (which are reported as part of revenue) were 99.0 cents per pound, compared with 103.7 cents per pound in the first nine months of 2011, with the higher gold sales volumes offsetting the increased operating costs. Further details of the cash costs of each mine are given in the Group's third quarter production report released on 31 October 2012.

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

Cash and Borrowings

At 30 September 2012 the Group had cash, cash equivalents and liquid investments of US\$3,876.8 million (31 December 2011 – US\$3,280.0 million). Excluding the minority share in each partly-owned operation, the Group's attributable share of total cash and cash equivalents was US\$3,508.9 million (31 December 2011 – US\$3,041.1 million). Total Group borrowings at 30 September 2012 were US\$1,911.8 million (31 December 2011 – US\$2,140.3 million). Of this, US\$1,306.2 million (31 December 2011 – US\$1,456.3 million) is proportionally attributable to the Group after excluding the minority shareholdings in partly-owned operations.

Taxation

As explained in Note 7 to the 2012 Half Yearly Financial Report dated 29 August 2012, the Chilean Congress was studying a bill to increase the rate of first category (i.e. corporation) tax to 20%, compared with the previously announced rates of 18.5% for 2012 and 17% from 2013. This change was enacted on 27 September 2012, and as previously expected will be applied retrospectively from 1 January 2012. Accordingly, the rate of 20% will be applied in the Group's results for the tax expense and deferred tax in the full financial year compared with the rate of 18.5% which was applied in the half year. As well as now calculating the annual corporation tax charge for 2012 based on the new 20% rate, there will also be a further one-off impact in the 2012 results as a consequence of re-calculating the opening deferred tax balances at the 20% rate. Previously these balances had mainly been calculated based on the 17% rate which had been expected to apply from 2013 onwards. The impact of this one-off adjustment in respect of the opening deferred tax balances on the 2012 full year results is expected to be a tax charge of approximately US\$70 million.

There are no changes to the rates applicable to the mining tax (royalty) or to withholding taxes, details of which are also set out in Note 7 to the Half Yearly Financial Report.

Basis of Information

The Group revenue and EBITDA figures included in this release for the nine-month period ended 30 September 2012 are presented on a basis consistent with the accounting policies used in the Group's 2011 Annual Report and Financial Statements under International Financial Reporting Standards and Interpretations ("IFRS").

The Group's four mining companies, Los Pelambres, Esperanza, El Tesoro and Michilla will also file quarterly financial statements under a consistent IFRS basis for the nine-month period ended 30 September 2012 with the Chilean securities regulator, the Superintendencia de Valores y Seguros de Chile ("SVS").

Enquiries

London

Investor relations - Antofagasta plc

Tel: +44 20 7808 0988

www.antofagasta.co.uk

Hussein Barma - hbarma@antofagasta.co.uk

Philip Holden - pholden@antofagasta.co.uk

Media enquiries - Bankside Consultants

Tel: +44 20 7367 8871

Simon Rothschild - simon.rothschild@bankside.com

Santiago

Antofagasta Minerals S.A.

Tel: +562 798 7000

Alejandro Rivera - arivera@aminerals.cl

Notes

1. General information and accounting policies

These unaudited third quarter results are for the nine-month period ending 30 September 2012. The Group revenue and EBITDA information, including all comparatives, have been prepared on the basis of the accounting policies set out in the Group's statutory accounts for the year to 31 December 2011 and in accordance with applicable International Financial Reporting Standards and Interpretations (IFRS) which have been endorsed by the European Union.

While the revenue and EBITDA information contained in this nine month results announcement has been computed in accordance with IFRS, this announcement does not itself contain sufficient information to comply with IFRS. The information included in this announcement for the nine month periods ending 30 September 2011 and 30 September 2012 is unaudited.

The information contained in this announcement for the year ended 31 December 2011 does not constitute statutory accounts. A copy of the statutory accounts for that year has been delivered to the Registrar of Companies. The auditors' report on these accounts was unqualified and did not contain statements under section 498(2) (regarding adequacy of accounting records and returns) or section 498(3) (regarding provision of necessary information and explanations) of the Companies Act 2006. The comparative information contained in Note 2 of this announcement is not derived from the statutory accounts for the year ended 31 December 2011 and is accordingly not covered by the auditors' report.

2. Production and Sales Statistics

(See notes following Note 2(b).)

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

	<u>Production</u>			<u>Sales</u>		
	Nine months ended 30 September 2012	Nine months ended 30 September 2011	Full year 2011	Nine months ended 30 September 2012	Nine months ended 30 September 2011	Full year 2011
Copper ('000 tonnes)						
Los Pelambres	296.0	297.4	411.8	288.2	286.9	415.5
Esperanza	113.7	54.4	90.1	104.8	44.8	86.3
El Tesoro	78.2	69.7	97.1	74.5	68.8	96.0
Michilla	27.8	32.0	41.6	27.5	32.6	42.2
Group total	515.8	453.5	640.5	495.0	433.1	640.0
Gold ('000 ounces)						
Los Pelambres	38.8	26.8	39.8	38.8	26.8	39.8
Esperanza	174.6	98.2	157.1	163.8	79.6	153.4
	213.5	125.0	196.8	202.6	106.4	193.2
Molybdenum ('000 tonnes)						
Los Pelambres	9.5	7.3	9.9	9.8	7.2	9.4
Silver ('000 ounces)						
Los Pelambres	1,479.6	1,213.3	1,774.3	1,479.6	1,213.3	1,774.3
Esperanza	917.8	385.7	724.3	822.8	385.7	724.3
	2,397.4	1,599.0	2,498.6	2,302.4	1,599.0	2,498.6

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

	<u>Cash cost</u>			<u>Realised prices</u>		
	Nine months ended	Nine months ended	Full year	Nine months ended	Nine months ended	Full year
	30 September 2012	30 September 2011	2011	September 2012	30 September 2011	2011
	US cents/pound	US cents/pound	US cents/pound	US cents/pound	US cents/pound	US cents/pound
Copper						
Los Pelambres	81.2	77.8	78.3	375.5	373.8	371.1
Esperanza	54.2	99.0	83.2	374.7	350.4	354.7
El Tesoro	155.2	175.6	171.6	367.2	407.5	391.2
Michilla	314.6	196.7	213.3	375.7	390.1	381.6
Group weighted average (net of by-products)	99.0	103.7	101.9	374.1	378.0	372.6
Group weighted average (before deducting by-products)	159.5	156.8	155.2			
Group weighted average (before deducting by-products and excluding tolling charges from concentrate)	146.4	142.5	141.5			
Cash costs at Los Pelambres comprise:						
On-site and shipping cost	121.3	110.7	110.0			
Tolling charges for concentrates	15.9	19.0	18.0			
Cash costs before deducting by-product credits	137.2	129.7	128.0			
By-product credits (principally molybdenum)	(56.1)	(51.9)	(49.7)			
Cash costs (net of by-product credits)	81.2	77.8	78.3			
Cash costs at Esperanza comprise:						
On-site and shipping cost	164.7	241.7	219.4			
Tolling charges for concentrates	17.7	15.4	15.5			
Cash costs before deducting by-product credits	182.4	257.1	234.9			
By-product credits (principally gold)	(128.1)	(158.1)	(151.7)			
Cash costs (net of by-product credits)	54.2	99.0	83.2			
Copper LME average price (US cents/pound)				361.2	419.8	399.7
Gold (US\$/ounce)						
Los Pelambres				1,634.0	1,552.2	1,610.6
Esperanza				1,676.5	1,619.4	1,643.4
Weighted average				1,668.4	1,602.5	1,636.6
Gold average market price				1,651.3	1,534.4	1,572.4
Molybdenum (US\$/pound)						
Los Pelambres				12.3	15.7	15.1
Molybdenum average market price				13.3	16.2	15.5
Silver (US\$/ounce)						
Los Pelambres				29.9	37.5	35.9
Esperanza				30.0	37.9	35.2
Weighted average				29.9	37.6	35.7
Silver average market price				30.6	36.2	35.1

Notes to the production and sales statistics

- (i) The production and sales figures represent the total amounts produced and sold at each mine, not the Group's attributable share of each mine. The Group owns 60% of Los Pelambres, 70% of Esperanza, 70% of El Tesoro and 74.2% of Michilla.
- (ii) Los Pelambres produces copper and molybdenum concentrates and Esperanza produces copper concentrate. The figures for Los Pelambres and Esperanza are expressed in terms of payable metal contained in concentrate. Los Pelambres and Esperanza are also credited for the gold and silver contained in the copper concentrate sold. El Tesoro and Michilla produce cathodes with no by-products.
- (iii) Cash costs are a measure of the cost of operational production expressed in terms of cents per pound of payable copper produced. Cash costs are stated net of by-product credits and include tolling charges for concentrates at Los Pelambres and Esperanza. Cash costs exclude depreciation, financial income and expenses, hedging gains and losses, exchange gains and losses and corporation tax for all four operations. By-product calculations do not take into account mark-to-market gains for molybdenum at the beginning or end of each period.
- (iv) Realised copper prices are determined by comparing revenue from copper sales (grossing up for tolling charges for concentrates) with sales volumes for each mine in the period. Realised molybdenum prices at Los Pelambres are calculated on a similar basis. Realised prices reflect gains and losses on commodity derivatives, which are included within revenue.
- (v) The totals in the tables above may include some small apparent differences as the specific individual figures have not been rounded.
- (vi) The production information in Note 2(a) and the cash cost information in Note 2(b) is derived from the Group's production report for the third quarter of 2012, published on 31 October 2012.

3. Revenue and EBITDA analysed by business segment

	<u>Revenue</u>			<u>EBITDA</u>		
	Nine months ended 30 September 2012 US\$'m	Nine months ended 30 September 2011 US\$'m	Full year 2011 US\$'m	Nine months ended 30 September 2012 US\$'m	Nine months ended 30 September 2011 US\$'m	Full year 2011 US\$'m
Los Pelambres	2,655.6	2,582.2	3,676.6	1,872.9	1,853.4	2,641.9
Esperanza	1,124.2	474.4	922.9	734.1	239.4	518.9
El Tesoro	603.3	618.2	827.8	345.6	348.3	463.6
Michilla	227.8	280.3	355.0	38.7	137.3	156.7
Exploration	-	-	-	(205.8)	(138.8)	(215.4)
Corporate and other items	-	-	-	(72.9)	(45.8)	(55.3)
Mining	4,610.9	3,955.4	5,782.3	2,712.6	2,393.8	3,510.4
Railway and other transport services	143.2	132.7	178.8	58.5	58.1	76.0
Water concession	98.3	84.8	114.9	61.2	53.6	74.1
Group revenue and EBITDA	4,852.4	4,172.9	6,076.0	2,832.3	2,505.5	3,660.5

Revenue by product:

	Nine months ended 30 September 2012	Nine months ended 30 September 2011	Full year 2011
	US\$m	US\$m	US\$m
Copper			
- Los Pelambres	2,299.4	2,260.2	3,255.9
- Esperanza	826.1	331.5	646.4
- El Tesoro	603.3	618.2	827.8
- Michilla	227.8	280.3	355.0
Gold			
- Los Pelambres	63.2	41.5	63.9
- Esperanza	273.8	128.5	251.3
Molybdenum			
- Los Pelambres	249.2	235.8	293.8
Silver			
- Los Pelambres	43.8	45.0	63.0
- Esperanza	24.3	14.4	25.2
Total Mining	4,610.9	3,955.4	5,782.3
Railway and transport services	143.2	132.7	178.8
Water concession	98.3	84.8	114.9
	4,852.4	4,172.9	6,076.0

Notes to revenue and EBITDA by business segment

- (i) Revenue from Esperanza is stated after eliminating inter-segmental sales to El Tesoro of US\$2.1 million. Revenue from the Railway and other transport services is stated after eliminating inter-segmental sales to the mining division of US\$5.2 million (nine months ended 30 September 2011 - US\$11.8 million). Revenue from the Water concession is stated after eliminating inter-segmental sales to the mining division of US\$5.1 million (nine months ended 30 September 2011 - US\$5.5 million) and after eliminating sales to the Railway and other transport services division of US\$0.2 million (nine months ended 30 September 2011 - US\$0.2 million).
- (ii) 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 4.
- (iii) Revenue includes a realised loss on commodity derivatives at Los Pelambres of US\$5.9 million (nine months ended 30 September 2011 – nil). At Michilla for the nine months ended 30 September 2012 there was a realised gain of US\$4.4 million (nine months ended 30 September 2011 – loss of US\$15.6 million). At El Tesoro for the nine months ended 30 September 2012 there was a realised gain of US\$0.2 million (nine months ended 30 September 2011 – gain of US\$0.3 million). Further details are given in Note 5.
- (iv) EBITDA is calculated by adding back depreciation, amortisation and disposals of plant, property and equipment and any impairment charges to operating profit from subsidiaries.

4. Embedded derivatives – provisionally priced sales

Copper and molybdenum concentrate sale agreements and copper cathode sale agreements generally provide for provisional pricing of sales at the time of shipment, with final pricing being based on the monthly average London Metal Exchange copper price or monthly average molybdenum price for specified future periods. 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 (including gold content) and cathode sales, and period-end month average prices for molybdenum concentrate sales due to the absence of a futures market for that commodity.

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

	Balance sheet - net mark to market effect on debtors		
	At 30.09.12	At 30.09.11	At 31.12.11
	US\$m	US\$m	US\$m
Los Pelambres - copper concentrate	73.0	(230.1)	(18.0)
Los Pelambres - molybdenum concentrate	(1.6)	(1.0)	(0.1)
Esperanza - copper concentrate	28.3	(56.7)	4.3
Esperanza – gold in concentrate	1.9	-	(1.6)
El Tesoro - copper cathodes	1.1	(5.0)	(0.2)
Michilla - copper cathodes	(0.2)	(3.7)	(0.2)
	102.5	(296.5)	(15.8)

For the period ended 30 September 2012

	Nine months ended 30 September 2012						
	Los Pelambres Copper concentrate US\$m	Esperanza Copper concentrate US\$m	El Tesoro Copper cathodes US\$m	Michilla Copper cathodes US\$m	Los Pelambres Gold in concentrate US\$m	Esperanza Gold in concentrate US\$m	Los Pelambres Molybdenum concentrate US\$m
	Provisionally invoiced gross sales	2,282.5	835.0	603.8	223.9	64.4	269.5
Effects of pricing adjustments to previous period invoices							
Reversal of mark-to-market adjustments at the end of the previous period	18.0	(4.3)	0.2	0.2	-	1.6	0.1
Settlement of sales invoiced in the previous period	75.8	29.5	4.0	1.3	0.1	1.5	1.3
Total effect of adjustments to previous period invoices in the current period	93.8	25.2	4.2	1.5	0.1	3.1	1.4
Effects of pricing adjustments to current period invoices							
Settlement of sales invoiced in the previous period	(57.2)	(22.7)	(6.0)	(1.8)	(1.1)	0.1	(24.4)
Mark-to-market adjustments at the end of the current period	73.0	28.3	1.1	(0.2)	-	1.9	(1.6)
Total effect of adjustments to current period invoices	15.8	5.6	(4.9)	(2.0)	(1.1)	2.0	(26.0)
Total pricing adjustments	109.6	30.8	(0.7)	(0.5)	(1.0)	5.1	(24.6)
Realised (losses)/gains on commodity derivatives	(5.9)	-	0.2	4.4	-	-	-
Revenue before deducting tolling charges	2,386.2	865.8	603.3	227.8	63.4	274.6	264.7
Tolling charges	(86.8)	(39.7)	-	-	(0.2)	(0.8)	(15.5)
Revenue net of tolling charges	2,299.4	826.1	603.3	227.8	63.2	273.8	249.2

For the period ended 30 September 2011

	Nine months ended 30 September 2011						
	Los Pelambres Copper concentrate US\$m	Esperanza Copper concentrate US\$m	El Tesoro Copper cathodes US\$m	Michilla Copper cathodes US\$m	Los Pelambres Gold in concentrate US\$m	Esperanza Gold in concentrate US\$m	Los Pelambres Molybdenum concentrate US\$m
Provisionally invoiced gross sales	2,667.2	411.2	629.5	306.6	41.4	125.4	266.0
Effects of pricing adjustments to previous period invoices							
Reversal of mark-to-market adjustments at the end of the previous period	(124.3)	-	(4.1)	(1.4)	-	-	(0.3)
Settlement of sales invoiced in the previous period	116.2	-	3.5	1.0	(0.5)	-	0.3
Total effect of adjustments to previous period invoices in the current period	(8.1)	-	(0.6)	(0.4)	(0.5)	-	-
Effects of pricing adjustments to current period invoices							
Settlement of sales invoiced in the current period	(64.7)	(8.4)	(6.0)	(6.6)	0.7	3.5	(17.3)
Mark-to-market adjustments at the end of the current period	(230.1)	(56.7)	(5.0)	(3.7)	-	-	(1.0)
Total effect of adjustments to current period invoices	(294.8)	(65.1)	(11.0)	(10.3)	0.7	3.5	(18.3)
Total pricing adjustments	(302.9)	(65.1)	(11.6)	(10.7)	0.2	3.5	(18.3)
Realised gain/(losses) on commodity derivatives	-	-	0.3	(15.6)	-	-	-
Revenue before deducting tolling charges	2,364.3	346.1	618.2	280.3	41.6	128.9	247.7
Tolling charges	(104.1)	(14.6)	-	-	(0.1)	(0.4)	(11.9)
Revenue net of tolling charges	2,260.2	331.5	618.2	280.3	41.5	128.5	235.8

For the period ended 31 December 2011

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

Copper concentrate

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

At 30 September 2012 sales totalling 182,200 tonnes remained open as to price (Los Pelambres – 128,700 tonnes, Esperanza – 53,500 tonnes), with an average mark-to-market price of 372.4 cents per pound compared with an average provisional invoice price of 347.2 cents per pound. At 30 September 2011 sales totalling 142,100 tonnes remained open as to price (Los Pelambres – 115,700 tonnes, Esperanza – 26,400 tonnes), with an average mark-to-market price of 318.3 cents per pound compared with an average provisional invoice price of 409.8 cents per pound. At 31 December 2011 sales totalling 201,600 tonnes remained open as to price (Los Pelambres – 157,500 tonnes, Esperanza – 44,100 tonnes), with an average mark-to-market price of 344.7 cents per pound compared with an average provisional invoice price of 347.8 cents per pound.

Copper cathodes

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

At 30 September 2012, sales totalling 9,700 tonnes remained open as to price (El Tesoro – 7,000 tonnes, Michilla – 2,700 tonnes), with an average mark-to-market price of 372.5 cents per pound compared with an average provisional invoice price of 368.3 cents per pound. At 30 September 2011, sales totalling 10,800 tonnes remained open as to price (El Tesoro – 6,900 tonnes, Michilla – 3,900 tonnes), with an average mark-to-market price of 317.7 cents per pound compared with an average

provisional invoice price of 355.2 cents per pound. At 31 December 2011, sales totalling 12,600 tonnes remained open as to price (El Tesoro – 9,400 tonnes, Michilla – 3,200 tonnes), with an average mark-to-market price of 344.5 cents per pound compared with an average provisional invoice price of 345.9 cents per pound.

Gold in concentrate

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

At 30 September 2012, sales totalling 23,700 ounces remained open as to price, with an average mark-to-market price of US\$1,771.2 per ounce compared with an average provisional invoice price of US\$1,692.5 per ounce. At 30 September 2011, no sales remained open as to price. At 31 December 2011, sales totalling 15,300 ounces remained open as to price, with an average mark-to-market price of US\$1,536.0 per ounce compared with an average provisional invoice price of US\$1,638.6 per ounce.

Molybdenum concentrate

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

At 30 September 2012 sales totalling 1,700 tonnes remained open as to price, with an average mark-to-market price of US\$11.8 per pound compared with an average provisional invoice price of US\$12.2 per pound. At 30 September 2011 sales totalling 1,400 tonnes remained open as to price, with an average mark-to-market price of US\$14.5 per pound compared with an average provisional invoice price of US\$14.8 per pound. At 31 December 2011 sales totalling 1,100 tonnes remained open as to price, with an average mark-to-market price of US\$13.4 per pound compared with an average provisional invoice price of US\$13.4 per pound.

5. Derivative Financial Instruments

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

The Group has applied the hedge accounting provisions of IAS 39 “Financial Instruments: Recognition and Measurement”. The effective portion of changes in the fair value of derivative financial instruments that are designated and effective as hedges of future cash flows have been recognised directly in equity, with such amounts subsequently recognised in the income statement in the period when the hedged item affects profit or loss. Any ineffective portion is recognised immediately in profit or loss. Realised gains and losses on commodity derivatives recognised in profit or loss have been recorded within revenue. The time value element of changes in the fair value of derivative options is excluded from the designated hedging relationship, and is therefore recognised directly in profit or loss within other finance items for those derivatives where hedge accounting has not been applied. When hedge accounting has been applied the realised gains and losses on exchange and interest derivatives are recognised within other finance items and interest expense respectively.

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

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

For the period ended 30 September 2012

	<u>Income statement impact for nine months ended</u>			<u>Impact on</u>	<u>Total balance</u>
	<u>Realised</u>	<u>Losses resulting from</u>	<u>Total net</u>	<u>reserves at</u>	<u>sheet impact of</u>
	<u>(losses)/gains</u>	<u>mark-to-market</u>	<u>(loss)/gain</u>	<u>30.09.12</u>	<u>mark-to-market</u>
		<u>adjustments on</u>		<u>30.09.12</u>	<u>adjustments at</u>
		<u>hedging instruments</u>		<u>(Losses)/gains</u>	<u>30.09.12</u>
				<u>resulting from</u>	<u>Net financial</u>
				<u>mark-to-market</u>	<u>(liability)/asset</u>
				<u>adjustments on</u>	
				<u>hedging</u>	
				<u>instruments</u>	
	US\$m	US\$m	US\$m	US\$m	US\$m
Commodity Derivatives					
Los Pelambres	(5.9)		(5.9)	-	-
El Tesoro	0.2	-	0.2	(1.6)	(1.1)
Michilla	4.4	(10.3)	(5.9)	(23.3)	24.8
Exchange Derivatives					
Michilla	(0.3)	-	(0.3)	16.2	8.4
Interest Derivatives					
Esperanza	(11.0)	-	(11.0)	7.3	(19.7)
	(12.6)	(10.3)	(22.9)	(1.4)	12.4

For the period ended 30 September 2011

	<u>Income statement impact for nine months ended</u>			<u>Impact on</u>	<u>Total balance</u>
	<u>30.09.11</u>			<u>reserves at</u>	<u>sheet impact of</u>
	Realised	Gains resulting from	Total net	Gains/(losses)	Net financial
	gains/(losses)	mark-to-market	gain/(loss)	resulting from	asset/(liability)
		adjustments on		mark-to-market	
		hedging instruments		adjustments on	
				hedging	
				instruments	
	US\$m	US\$m	US\$m	US\$m	US\$m
Commodity Derivatives					
El Tesoro	0.3	-	0.3	1.9	0.6
Michilla	(15.6)	52.5	36.9	113.1	88.7
Exchange Derivatives					
Michilla	-	-	-	(9.5)	(9.5)
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	(16.2)	-	(16.2)	3.6	(31.9)
	(34.8)	52.5	17.7	107.3	47.9

For the year ended 31 December 2011

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

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

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

	At 30.09.12	At 30.09.11	At 31.12.11
	US\$m	US\$m	US\$m
Analysed between:			
Current assets	22.2	20.4	11.4
Non-current assets	11.0	68.9	47.6
Current liabilities	(7.8)	(19.4)	(16.9)
Non-current liabilities	(13.0)	(22.0)	(18.0)
	<u>12.4</u>	<u>47.9</u>	<u>24.1</u>

(b) Outstanding derivative financial instruments

(i) Commodity derivatives

The Group periodically uses commodity derivatives to manage its exposure to commodity price fluctuations.

Min/max instruments

	At 30.09.12	For instruments held at 30.09.12			
	Copper production hedged	Weighted average remaining period from 1 October 2012	Covering a period up to:	Weighted average floor	Weighted average cap
	000 tonnes	Months		US cents	US cents
Michilla	65,325	16.9	31-12-14	350.3	461.9

Between 1 October 2012 and 31 October 2012 no additional min/max instruments were entered into and 2,775 tonnes of min/max instruments matured. As a result up to 31 October 2012:

- (i) 33,300 tonnes of 2012 Group copper production had been hedged with min-max options of which 27,750 tonnes matured by 31 October 2012 and 5,550 tonnes remain outstanding and will mature by the end of the year.
- (ii) 33,000 tonnes of 2013 Group copper production has been hedged with min-max options.
- (iii) 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 30.09.12	For instruments held at 30.09.12		
	Copper production hedged	Weighted average remaining period from 1 October 2012	Covering a period up to:	Weighted average price
	000 tonnes	Months		US cents
El Tesoro	11,800	8.8	31-01-14	368.6

(ii) Exchange derivatives

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

Cross currency swaps

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

	At 30.09.12	For instruments held at 30.09.12		
	Principal value of cross currency swaps held US\$m	Weighted average remaining period from 1 October 2012 Months	Covering a period up to: 16-09-13	Weighted average rate Ch\$/US\$
Michilla	87.6	5.5		533.2

(iii) Interest derivatives

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

- Interest rate swaps

The Group has used interest rate swaps to swap the floating rate interest relating to the Esperanza financing for fixed rate interest. At 30 September 2012 the Group had entered into the contracts outlined below.

	Maturity date	Maximum notional amount US\$m	Weighted Average Fixed Rate %
Esperanza	15.08.18	395.2	3.372