Half yearly financial report for the six months ended 30 June 2012

29 August 2012

SIX MONTHS TO 30 JUNE		2012	2011	% Change
Group revenue	US$'m	**3,160.8**	3,054.3	3.5%
EBITDA	US$'m	**1,841.4**	1,946.7	(5.4%)
Earnings per share	cents	**65.5**	70.6	(7.2%)
Net cash at period end (1)	US$'m	**1,344.8**	686.7	95.8%
Dividend per share	cents	**8.5**	8.0	6.3%
Average LME copper price (per pound)	cents	**367.3**	426.3	(13.8%)
Group copper production	'000 tonnes	**336.0**	288.5	16.5%
Group copper sales volumes	'000 tonnes	**322.2**	289.5	11.3%
Group weighted average cash costs - net of by-product credits (2)	cents	**98.9**	105.6	(6.3%)
Group weighted average cash costs - excluding by-product credits (2)	cents	**160.8**	157.8	1.9%
Group gold production	'000 ounces	**136.1**	70.7	92.5%
Group molybdenum production	'000 tonnes	**6.5**	4.8	35.4%

(1) Cash refers to the total of cash, cash equivalents and liquid investments, as analysed in Note 23 to the half yearly financial report.

(2) 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 half yearly financial report.

- **Copper production up by 16.5% to 336,000 tonnes**, predominantly due to increased production from Esperanza, which had commenced operation at the start of 2011, as well as increases at Los Pelambres and El Tesoro. Gold production almost doubled to 136,100 ounces, again due to the increase in Esperanza production.
- **Group forecast production for the full year remains at approximately 700,000 tonnes of copper,** as well as 280,000 ounces of gold and 11,000 tonnes of molybdenum.
- **Revenue increased by 3.5% to US$3,160.8 million**, with the increased production volumes able to offset the decrease in average market copper prices.
- **Group net cash costs down 6.3% to 98.9 cents per pound**, mainly due to the increased level of low net cash cost production from Esperanza. Significant gold by-product credits resulted in net cash costs of 60.1 cents per pound in H1 2012 at Esperanza, making it the lowest cost operation of the Group. Group cash costs before by-product credits remained relatively stable at 160.8 cents per pound.
- **Interim ordinary dividend of 8.5 cents, representing a 6.3% increase on 2011.** This reflects the Group's policy of paying ordinary dividends which can be maintained or progressively increased through the economic cycle. As in previous years, the appropriate overall payout level for the year, including any special dividends, will be determined at the year-end.
- **Continued progress in optimising the reliability and performance of Esperanza**, with two main areas of focus – the tailings thickeners and the capacity of the grinding line. Esperanza now represents 20% of Group copper production and 27% of net income, compared with 10% and 7% respectively in the first half of 2011.
- **Antucoya project development continues**, with all of the main EPC (Engineering, Procurement and Construction) contracts having now been executed and Marubeni Corporation now a 30% partner in the project following the closing of that transaction on 31 July 2012.
- **Centinela Mining District feasibility study progressing**. The feasibility study now envisages a phasing of the development of the District, with an initial focus on the Esperanza Sur (formerly known as Telégrafo) sulphide and Encuentro (formerly known as Caracoles) oxide projects to be followed by the Encuentro sulphide project. This is supported by a significant exploration and drilling programme in this highly prospective mining district to further increase minerals resources and identify additional oxide and sulphide prospects.
- **Pre-feasibility studies for the Los Pelambres development project and the Twin Metals project continue to advance.** With world class mineral resources underpinning both projects, the long-term growth potential from both remains excellent.

Diego Hernandez, Chief Executive Officer of Antofagasta Minerals S.A. commented:

"The Group's performance in the first half of 2012 has underlined the quality of the Group's asset base. We have continued to deliver strong volume growth, with copper production increasing by 16.5% to 336,000 tonnes, and gold production almost doubling to 136,100 ounces. These increases are primarily due to increased production from Esperanza, which had been ramping-up during the first half of 2011, along with continued strong performance from our other existing operations. This has allowed us to generate increased revenues of US$3,160.8 million, despite a decrease in average copper market prices. This increase in low-cost production from Esperanza has also allowed us to maintain a relatively stable cash cost position, within the context of an industry environment which remains tight. We have also continued to make good progress with our strong organic pipeline, predominantly within Chile, which has the potential to significantly increase the scale of the Group over the course of this decade.

I am delighted to have taken on the role of Chief Executive Officer of Antofagasta Minerals S.A. from 1 August 2012. I am looking forward to helping the Group to realise the great potential from its current operations and strong pipeline of growth projects."

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DIRECTORS' COMMENTS FOR THE SIX MONTHS TO 30 JUNE 2012

Overview

The Group achieved a 16.5% increase in copper production volumes in the first half of 2012, with production of 336,000 tonnes. This was predominantly due to increased production from Esperanza, which had commenced operation at the start of 2011. This significant increase in production volumes has allowed the Group to increase its revenues despite lower market copper prices, with revenues of US$3,160.8 million in this half year, a 3.5% increase on the US$3,054.3 million in the first six months of 2011. The Group's net cash costs decreased by 6.3% to 98.9 cents per pound, mainly due to the increased level of low net cash cost production from Esperanza. Earnings per share decreased slightly to 65.5 cents per share (H1 2011 – 70.6 cents), partly reflecting higher depreciation and exploration and evaluation expenditure.

Group copper production of 336,000 tonnes was 47,500 tonnes higher than the 288,500 tonnes produced in the first half of 2011. This increase was mainly due to Esperanza, which had been ramping-up during the first half of 2011. Esperanza produced 68,200 tonnes of copper in the first half of 2012, a 38,900 tonne increase compared with the 29,300 tonnes produced in H1 2011. Los Pelambres continued to perform well, with copper production of 197,200 tonnes, an increase compared with the first half of 2011 mainly due to higher plant throughput. El Tesoro also increased production, due to mining higher grade ore from the Mirador deposit. Gold production almost doubled to 136,100 ounces, compared with 70,700 ounces in the first six months of 2011, due to the increase in production levels at Esperanza. Molybdenum production at Los Pelambres increased by 35.4% to 6,500 tonnes, due to higher grades. In the Transport division total volumes transported in the first six months of 2012 were 3.9 million tonnes compared with 4.1 million tonnes in the first half of 2011. The Water division achieved a 7.0% increase in volumes, at 25.7 million cubic metres in the first half of the year.

The LME copper price averaged 367 cents per pound in the first half of 2012, compared with 426 cents in H1 2011. After starting the year at 343 cents, the price rose to above 380 cents for much of February and March. However, the price fell significantly during May, and was 345 cents at 30 June 2012. The Group's average realised copper price in the first half of 2012 was 373 cents, broadly in line with the average market price for the period, with a limited overall provisional pricing impact as the period-end price at 30 June 2012 was in line with the price at the start of the period. Gold averaged US$1,651 per ounce in H1 2012, a 14% increase on the average price during the first six months of 2011 of US$1,445 per ounce, and as at 30 June 2012 the price was US$1,587. Molybdenum averaged US$14.0 per pound during the first half of 2012 (2011 half year - US$17.0), although the price has declined from early May, reaching US$13.1 at 30 June 2012.

Net cash costs for the Group (after by-product credits) averaged 98.9 cents per pound, compared with 105.6 cents in the first half of 2011. This decrease mainly reflected the increased low-cost production from Esperanza, where the significant gold by-product credits resulted in net cash costs of 60.1 cents per pound in H1 2012. The Group's average cash costs before by-product credits remained relatively stable at 160.8 cents per pound, compared with 157.8 cents in the first six months of 2011.

During the first half of 2012 Esperanza has continued to optimise the reliability and performance of the operation. There are currently two main areas of focus – the tailings thickeners and the capacity of the grinding line. The thickened tailings have not achieved the desired percentage of solids, and therefore test work was carried out to evaluate extra thickening capacity and modified pumps. As a result of this work some minor modifications will be made to the existing tailings thickeners in the second half of the year, and two higher torque thickeners are planned to be installed during 2013, at an estimated total cost of approximately US$95 million, in order to reach design parameters for thickened tailing deposition. Esperanza is also reviewing the overall capacity of the current set-up of the grinding line. Esperanza is in the process of installing a temporary pre-crushing unit that will provide greater operational stability. Testing work on the ore body was completed during the first half of the year, and this has shown that the overall ore body has greater variability and on average is harder than was initially expected. It is therefore likely that additional crushing capacity will be required to reach the original design throughput of 97,000 tonnes per day. Esperanza is currently preparing the detailed engineering and work programme for the modifications to the current grinding set-up. The modifications are currently expected to be conducted through 2013 and into 2014, and the initial estimate is for additional capital expenditure in the range of US$100 – US$150 million.

The Antucoya project has continued to progress during the first six months of 2012, with all of the main EPC (Engineering, Procurement and Construction) contracts having now been executed. Construction of the project is expected to be completed by the second half of 2014, followed by a ramp-up period of approximately nine months. The transaction with Marubeni Corporation, whereby they become a 30% partner in the project and will fund their 30% share of the development costs of the project, closed on 31 July 2012.

The Group's primary focus for exploration in Chile remains the Centinela Mining District (formerly known as the Sierra Gorda District). At the end of 2011 the Group commenced a feasibility study for this District to study the options for processing sulphide and oxide ores from the Esperanza Sur (formerly known as Telégrafo) and Encuentro (formerly known as Caracoles) deposits. These deposits provide the opportunity to improve the useful life and utilisation of the existing Esperanza and El Tesoro plants, as well as supporting incremental production growth. During the first half of 2012 the scope of the feasibility study has been reviewed and is now focused on the Esperanza Sur sulphide project and the Encuentro oxide project, with the Encuentro sulphide project no longer forming part of the current feasibility study. The current form of the feasibility study envisages a phasing of the development of the district, with an initial focus on the Esperanza Sur sulphide and Encuentro oxide projects, to be followed by the Encuentro sulphide project. This change reflects firstly the opportunity and strategic potential of the Encuentro oxide deposit, which will be treated at the existing El Tesoro SX-EW processing facility, allowing it to be developed as a stand-alone project prior to developing the sulphide deposit which lies beneath it. In addition, this phasing is intended to allow for the most efficient and reliable development of the District, in terms of both project execution and capital cost, particularly given the scale of mining project and pipeline development in Chile and neighbouring countries in the coming years.

In addition to the above properties a further US$14.0 million of exploration work was performed in other areas of the highly prospective Centinela Mining District during H1 2012 in relation to a number of other properties which the Group owns or controls in the area, in particular at the Penacho Blanco (formerly known as Centinela) and Polo Sur deposits as well as in the area between Esperanza Sur and Encuentro. Based on the results of the intensive drilling campaign currently being performed it is anticipated that a scoping study could commence during the second half of 2012 in respect of Polo Sur.

The Group is continuing to work on a pre-feasibility study examining the options for a significant expansion of the Los Pelambres mine. One of the key areas of focus of the study is the drilling campaign to recategorise mineral resources, in order to analyse in detail the growth opportunities. The pre-feasibility study is expected to be completed during 2013, potentially then to be followed by a feasibility study.

Twin Metals in Minnesota is continuing to work on the pre-feasibility study with a particular focus on the most appropriate metallurgical process for this large, poly-metallic deposit. The US$130 million of initial funding has now been completed and the Group will be responsible for 65% of the development costs towards the ongoing pre-feasibility study whilst maintaining a 40% interest.

The Group is continuing with its generative exploration activities in Chile focusing on Regions I-IV in addition to starting drilling work in the Conchi-Brujulinas deposits in which the Group has a controlling interest. The Group has also continued to expand its portfolio of early-stage international exploration interests through a number of earn-in agreements. During the first half of 2012 the Group entered into new agreements in Finland, Zambia, Australia and Ireland, and a further agreement in Canada in July 2012.

Board composition and management changes

On 24 July 2012 Diego Hernandez was appointed as Chief Executive Officer of Antofagasta Minerals S.A. the mining division of the Group, with effect from 1 August 2012. Mr. Hernandez is a mining engineer and has held various senior executive positions in the mining sector in South America in operational, strategic and corporate roles. He has been CEO at Codelco for the last two years and his previous positions include President, Base Metals for BHP Billiton, Chairman of Minera Escondida Ltda, President and CEO of Compañía Minera Doña Inés de Collahuasi, and Executive Director, Non Ferrous at Vale S.A. There have also been a number of management appointments at the individual operations since the start of the year, which have further strengthened the Group’s management team, with all appointments at the mine level now in place.

Also on 24 July 2012, Nelson Pizarro was appointed as an Independent Non-Executive Director. He is a mining engineer and has held various senior executive positions in the mining sector in Chile, both in project and operational roles. Currently he is in charge of the construction of Caserones Project as CEO of Minera Lumina Copper Chile S.A. Previous roles include CEO of División Andina and Chuquicamata both for Codelco, and CEO for the construction and start-up of Minera Los Pelambres and then Mining Vice-President of Antofagasta Minerals S.A.

Outlook

Copper and gold have remained relatively stable since the period end, with copper continuing to trade around the 340 cents per pound level, and gold at just over US$1,600 per ounce. The molybdenum price continued to decline in July and August, decreasing from US$13 per pound at 30 June 2012 to just under US$11 per pound in mid-August. While the copper price has declined by more than 10% since the end of April, it has found good support at around the 330 – 340 cents per pound level, indicating relatively robust demand to provide support for the price at levels well above the current industry marginal cost of production. The industry fundamentals remain strong over the medium term, with the supply-side remaining relatively constrained.

The Group’s forecast for 2012 full year production remains as approximately 700,000 tonnes of copper, 280,000 ounces of gold and 11,000 tonnes of molybdenum. Esperanza production is expected to be at the lower end of the original forecast range, but this is expected to be offset by production at Los Pelambres and El Tesoro being marginally higher than originally forecast.

The forecast for 2012 full year weighted average pre-credit cash costs also remains unchanged at 165 cents per pound. Average net cash costs are now expected to be approximately 110 cents per pound compared with the original forecast of 105 cents, mainly due to lower gold market prices.

Dividends

The Board has declared an ordinary interim dividend of 8.5 cents per share for the 2012 half-year (2011 half year – 8.0 cents). This reflects the Group's policy of paying ordinary dividends which can be maintained or progressively increased at conservative long-term copper prices and through the economic cycle. As in previous years, the Board intends to determine an appropriate level of the total final dividend when the full year results are announced in March 2013. In previous years the Board has recommended special dividends when it considered these appropriate after taking into account the level of profits earned in the period under review, the existing cash position of the Group and significant known or expected funding commitments.

The interim dividend of 8.5 cents will be paid on 4 October 2012 to ordinary shareholders who are on the register at the close of business on 14 September 2012. Shareholders can elect (on or before 17 September 2012) 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 20 September 2012). Details of the currency in which the interim dividend will be paid (including the default currency if a shareholder does not make an election before 17 September 2012) are set out in Note 9 to the half yearly financial report.

Review of operations

Mining division

Securing and strengthening the 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

Operating profit at Los Pelambres was US$1,168.6 million in the 2012 half year, compared with US$1,390.9 million in the first six months of 2011, mainly reflecting the reduction in the realised copper price from 423.7 cents per pound in H1 2011 to 373.4 cents per pound in H1 2012 and to a lesser extent the impact of higher on-site costs and lower sales volumes.

Los Pelambres produced 197,200 tonnes in the first half of 2012 compared with 192,500 tonnes in H1 2011 mainly due to an increase in plant throughput and recoveries. Shipments of payable copper in the first half of 2012 were 191,000 tonnes, 6,200 tonnes lower than production as a result of inventory movements (H1 2011 – sales volumes of 196,200 tonnes). Molybdenum production increased by 35.4% to 6,500 tonnes in H1 2012 compared with the first half of 2011, mainly reflecting the increase in grades from 0.018% to 0.023%. Shipments of payable molybdenum in the first half of 2012 were 6,800 tonnes, 300 tonnes higher than production as a result of inventory movements. Gold sales volume were 26,300 ounces in the first half of 2012 compared with 18,100 ounces in the first half of 2011.

Net cash costs for the first half of 2012 were 77.3 cents per pound, compared with 75.2 cents per pound in the first half of 2011 as a result of an increase in on-site and shipping costs partly offset by a decrease in tolling charges and an increase in molybdenum and gold by-product credits. Pre-credit cash costs were 137.2 cents per pound, compared with 130.8 cents in H1 2011. The increase in on-site and shipping costs reflects a range of minor cost increases including maintenance and general inflation.

Capital expenditure in the first half of 2012 was US$66.7 million compared with US$100.4 million in the first half of 2011 reflecting a particularly high level of investment in mine equipment in 2011.

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

Los Pelambres' main energy supply contract expires at the end of 2012. Most of the operation's energy demand during 2011 and 2012 has been supplied at a fixed price, which is currently significantly below the current spot prices in the Chilean central energy grid. Los Pelambres is in the process of negotiating and agreeing new energy supply contracts for 2013 onwards.

The full year production forecast for 2012 announced at the start of the year was for approximately 390,000 tonnes of payable copper, approximately 11,000 tonnes of molybdenum and approximately 28,000 ounces of gold. Full year copper production is currently expected to be marginally above this initial forecast, molybdenum production is expected to remain at a similar level and gold production is expected to be approximately 40,000 ounces.

The 2012 full year forecast for cash costs before by-product credits is still expected to be approximately 140 cents per pound. By-product credits for the 2012 full year are also still expected to be approximately 50 cents per pound reflecting the higher gold production which is offset by lower gold market prices. Accordingly, the current forecast for 2012 full year net cash costs, after by-product credits is still expected to remain at approximately 90 cents per pound.

As explained in detail below, the Group is currently working on a pre-feasibility study to analyse the potential for long-term, large-scale expansion of the Los Pelambres operation.

Esperanza

Operating profit at Esperanza was US$332.0 million in the 2012 half year, compared with US$122.8 million in the first six months of 2011, mainly reflecting 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 partly offset by the lower realised copper price. The realised copper price decreased from 423.2 cents per pound in H1 2011 to 372.5 cents per pound in H1 2012 and the realised gold price increased from US$1,495 per ounce in H1 2011 to US$1,653 per ounce in H1 2012.

Esperanza produced 68,200 tonnes of payable copper in the first half of 2012, 38,900 tonnes higher than in the first half of 2011 reflecting the higher throughput explained above. Shipments of payable copper in the first half of 2012 were 59,800 tonnes, 8,400 tonnes lower than production as a result of inventory movements due to the timing of shipments.

Gold production in the first half of 2012 was 109,800 ounces compared with 52,700 ounces in the first half of 2011 as a result of the higher plant throughput and to a lesser extent, the higher recoveries. Shipments of payable gold in the first half of 2012 were 101,200 ounces, 8,600 ounces lower than production as a result of the same inventory movements due to the timing of shipments.

Net cash costs for the first half of 2012 were 60.1 cents per pound, compared with 121.9 cents per pound in the first half of 2011 mainly due to a decrease in on-site and shipping costs reflecting the high level of costs in the first half of 2011 associated with the ramp-up process, and the impact on unit costs of the plant operating at significantly below capacity during that period.

During the first half of 2012 Esperanza has continued to optimise the reliability and performance of the operation. Plant throughput averaged 70,400 tonnes per day in the first quarter of the year, increasing to 79,700 tonnes per day in the second quarter in the year, resulting in an average throughput of 75,100 tonnes per day for the first half of the 2012. The lower average throughput in the first quarter reflected damage which occurred to the primary crusher feed conveyor during February and March resulting in stoppages while the belt was repaired.

There are currently two main areas of focus – the tailing thickeners and the capacity of the grinding line. The thickened tailings have not achieved the desired percentage of solids, and therefore test work was carried out to evaluate extra thickening capacity and modified pumps. As a result of this work some minor modifications will be made to the existing tailings thickeners in the second half of the year, and two high torque thickeners are planned to be installed during 2013, at an estimated total cost of approximately US$95 million in order to reach design parameters for thickened tailing deposition.

Esperanza is also reviewing the overall capacity of the current set-up of the grinding line. Esperanza is in the process of installing a temporary pre-crushing unit that will provide greater operational stability. Testing work on the ore body was completed during the first half of the year, and this has shown that the overall ore body has greater variability and on average is harder than was initially expected. It is therefore likely that additional crushing capacity will be required to reach the original design throughput of 97,000 tonnes per day. Esperanza is currently preparing the detailed engineering and work programme for the modifications to the current grinding set-up. The modifications are currently expected to be conducted through 2013 and into 2014, and the initial estimate is for additional capital expenditure in the range of US$100 – US$150 million.

Capital expenditure in the first half of 2012 was US$46.2 million reflecting US$20.0 million relating to Esperanza's share of the Centinela Mining District feasibility Study as well as investments across a range of smaller operational projects. As outlined above additional capital expenditure of approximately US$200-250 million is expected over 2013 and 2014 in relation to the tailings thickeners and the grinding line.

The current forecasts are for 2012 full year copper and gold production to be approximately 160,000 tonnes and 240,000 ounces respectively, which as indicated in May 2012 is at the lower end of the forecast range announced in February 2012.

Cash costs before by-product credits for 2012 are expected to be approximately 200 cents per pound, within the range announced in February. By-product credits for the 2012 full year are now expected to be approximately 125 cents compared with the original forecast of 135 cents per pound reflecting the lower gold market prices. Accordingly, the current forecast for 2012 full year net cash costs, after by-product credits, is for approximately 75 cents per pound.

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.

El Tesoro

Operating profit at El Tesoro increased to US$227.8 million from US$182.9 million in the first half of 2011, reflecting the higher sales volumes, lower cash costs and lower depreciation partly offset by the reduction in realised prices from 427.4 cents per pound in H1 2011 to 370.4 cents per pound in H1 2012.

Copper cathode production at El Tesoro was 52,700 tonnes in the first half of 2012 compared with production of 45,100 tonnes in H1 2011 due to the processing of higher grade ore from the Mirador pit, which entered into production during Q3 of 2011.

Cash costs in the first half of 2012 were 156.9 cents per pound compared with 183.0 cents per pound in the first half of 2011, reflecting the increased copper production as a result of the processing of the higher grade Mirador pit as well as lower acid and energy costs.

Capital expenditure in the first half of 2012 was US$48.3 million compared with US$55.9 million in the first half of 2011, mainly reflecting the high level of expenditure on pre-stripping of the Mirador deposit in the first half of 2011. The capital expenditure in the first half of 2012 includes US$6.5 million in relation to the solar thermal plant which will commence operation in the second half of 2012.

The full year production forecast for 2012 announced in February was for approximately 100,000 tonnes of copper cathodes. Full year production is currently expected to be marginally above this initial forecast. Cash costs are still expected to be approximately 160 cents per pound.

Michilla

Operating profit at Michilla was US$17.1 million compared with US$96.4 million in the first half of 2011, mainly reflecting the increases cash costs as well as a reduction in the realised copper price from 403.4 cents per pound in H1 2011 to 377.2 cents per pound in H1 2012 and lower production volumes.

Michilla produced 18,000 tonnes of copper cathode during the first half of the year compared with 21,700 tonnes in the first half of 2011. This decrease was mainly due to the lower plant throughput reflecting a reduction in ore feed from third party operators as well as the underground Estefanía mine, partly offset by the increased contribution from the secondary leaching.

Cash costs in the first half of 2012 were 313.9 cents per pound compared with 192.5 cents per pound in 2011 reflecting the impact of lower production on unit costs, the purchase of higher volumes of ore from ENAMI, and costs associated with the ramp-up of the project for secondary leaching of spent ore. Given that Michilla represented approximately 5% of total Group copper production in the first half of 2012, this increase in cash costs had a limited impact on the Group's overall weighted average cash costs.

Capital expenditure in the period was US$33.4 million compared with US$10.5 million in the first half of 2011 reflecting the investments in the first half of 2012 relating to the open pit mine fleet as well as the completion of infrastructure relating to the spent ore secondary leaching operation.

The 2012 full year production forecast, as originally announced in February, is for approximately 40,000 tonnes of copper cathodes. Cash costs for the full year are currently forecast to be approximately 310 cents per pound, compared with the initial guidance of 285 cents per pound, mainly reflecting the higher actual level of costs incurred in the first half.

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-tage 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 the first half of 2012 was US$124.3 million compared with US$83.0 million in the first half of 2011. This rise 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$17.8 million of exploration and evaluation expenditure incurred in relation to the Centinela District, a further US$39.1 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 intends to continue to invest strongly in its growth opportunities. As previously announced the 2012 Full Year total forecast expenditure in relation to exploration and evaluation activities is approximately US$300 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 Group's primary focus for exploration in Chile remains the Centinela Mining District (formerly known as the Sierra Gorda District). At the end of 2011 the Group commenced a feasibility study for this District to study the options for processing sulphide and oxide ores from the Esperanza Sur (formerly known as Telégrafo) and Encuentro (formerly known as Caracoles) deposits. These deposits provide the opportunity to improve the useful life and utilisation of the existing Esperanza and El Tesoro plants, as well as supporting incremental production growth. During the first half of 2012 the scope of the feasibility study has been reviewed and is now focused on the Esperanza Sur sulphide project and the Encuentro oxide project, with the Encuentro sulphide project no longer forming part of the current feasibility study. The current form of the feasibility study envisages a phasing of the development of the District, with an initial focus on the Esperanza Sur sulphide and Encuentro oxide projects, to be followed by the Encuentro sulphide project. This change reflects firstly the opportunity and strategic potential of the Encuentro oxide deposit, which will be treated at the existing El Tesoro SX-EW processing facility, allowing it to be developed as a stand-alone project prior to developing the sulphide deposit which lies beneath it. In addition, this phasing is intended to allow for the most efficient and reliable development of the District, in terms of both project execution and capital cost, particularly given the scale of mining project and pipeline development in Chile and neighbouring countries in the coming years.

The current plan in respect of the Esperanza Sur sulphide project is for a plant which could result in an average annual production of somewhere in the region of approximately 140,000 tonnes of copper and 160,000 ounces of gold over the first 10 years of operation. It is also expected that the Esperanza Sur deposit will provide additional feed for the Esperanza plant after the end of current Esperanza mine life. Depending on the successful conclusion of the feasibility study and permitting, construction at Esperanza Sur could potentially take place between 2014 and 2016, with first production from the second half of 2017 with a mine life in excess of 30 years.

It is currently envisaged that, in order to process the oxide resource at Encuentro a new crushing unit and heap leach facilities would be located at the mine site, with a pipeline to take the leach solution to the existing El Tesoro SX-EW 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 SX-EW plant.

As noted above, 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 sulphide project. Based on the results of the pre-feasibility current estimates are that the 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.

Metallurgical testing has shown that untreated sea water can be used to process both the sulphide and oxide ores. The Environmental Impact Assessment in respect of the Esperanza Sur and Encuentro oxide and sulphide projects is expected to be submitted to the authorities in the second half of the year. Preliminary indications of the potential capital costs of the Esperanza Sur and Encuentro oxide projects are that they could be in the region of US$3.5 billion and US$600 million respectively at today's prices. In the first half of 2012 US$39.1 million has been capitalised in relation to the feasibility study. The feasibility study is estimated to cost approximately US$100 million in total and detailed work on the feasibility study is expected to continue through into 2013 with possible approval of the project expected in 2014.

In addition to the above properties a further US$14.0 million of exploration work was performed in other areas of the highly prospective Centinela Mining District during H1 2012 in relation to a number of other properties which the Group owns or controls in the area, in particular at the Penacho Blanco (formerly known as Centinela) and Polo Sur deposits as well as in the area between Esperanza Sur and Encuentro. Based on the results of the intensive drilling campaign currently being performed it is anticipated that a scoping study could commence during the second half of 2012 in respect of Polo Sur.

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. One of the key areas of focus of the study is the drilling campaign to re-categorise mineral resources, in order to analyse in detail the growth opportunities. Expenditure of US$24.9 million has been incurred up to 30 June 2012 in relation to the pre-feasibility study, out of a total expected cost of approximately US$100 million. The pre-feasibility study is expected to be completed during the first half of 2013, potentially then to be followed by a feasibility study.

Given the size of the resource base, which at 6.0 billion tonnes is more than three times the existing mine plan, 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, potentially with the first incremental production coming through at some point from 2019 onwards.

Growth beyond the Core Business

The third aspect of the Group's strategy is to look for growth beyond the areas of its existing operations – both in Chile and internationally. The primary focus is on early-stage opportunities with the potential for large-scale development.

Antucoya

The development of the Antucoya project has continued to progress during the first six months of 2012.

The project is expected to 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 development cost is currently estimated to be US$1.7 billion. The cash costs are estimated to be approximately 145 cents over the first five years of operation and 155 cents over the mine life. These cash cost figures remain sensitive to input prices especially the price of acid. The approved 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.

On 14 December 2011 the Group announced that it had entered into a memorandum of understanding with Marubeni Corporation ("Marubeni") under which Marubeni would become a 30% partner in the Antucoya project and fund its 30% share of costs over the period of development of the project. The transaction closed on 31 July 2012.

Antucoya will be developed as a conventional open pit mine and the ore will be processed using a dynamic heap leaching facility and an SX-EW plant and will use untreated seawater throughout the operations. While the project will be one of the lowest copper-grade green-field projects to be developed in Chile, there are a number of compensating factors. The deposit is relatively shallow and therefore the pre-stripping process to remove the 35 million tonnes of overburden is expected to take only nine months. The operational stripping ratio is also low, with a waste to ore ratio of approximately 1:1. The deposit is located within a well-developed mining area, which allows easy access to pre-existing infrastructure including power, water and human resources.

A sulphur burning plant is expected to be constructed on site to supply sulphuric acid to the operation, reducing the overall cost of the acid supply. The Environmental Impact Declaration in respect of the plant was approved by the relevant authorities in June 2012. The Group is evaluating whether the construction of the plant will be undertaken by Antucoya or outsourced to a third party. Current estimates are that the capital cost of the plant will be approximately US$300 million.

Construction of the project is expected to be completed by the second half of 2014, followed by a ramp-up period of approximately nine months. The main Engineering, Procurement and Construction ("EPC") contracts have now been executed and a water off-take agreement has been signed with Esperanza, for utilisation of capacity in the Esperanza water pipeline. Antucoya expects to put in place project financing in respect of the project in the second half of 2012.

During the first half of 2012 US$95.6 million was capitalised in respect of the Antucoya project, and the forecast capital expenditure for 2012 full year is expected to be in the range of US$400-500 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 work on the pre-feasibility study with a particular focus on the most appropriate metallurgical process for this large, poly-metallic deposit. As a result of the Franconia transaction completed in 2011, whereby Twin Metals acquired the assets of Franconia Minerals, Twin Metal’s mineral and land assets have effectively doubled. These additional resources have led to an increase in the scope of the pre-feasibility study. The US$130 million of initial funding has now been completed and the Group will be responsible for 65% of the development costs towards the ongoing pre-feasibility study whilst maintaining a 40% interest. Upon completion of the pre-feasibility study and if approved, Twin Metals will commence a feasibility study.

During the first half of 2012 a total of US$41.8 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 has 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 is incorporated) and Pakistan, and another against the Government of Balochistan with the International Chamber of Commerce (“ICC”), asserting breaches of the CHEJVA. Constitution of the ICC and ICSID arbitration panels is in process. 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.

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 Regions I-IV in addition to starting drilling work in the Conchi-Brujulina deposits in which the Group has a controlling interest, and the drilling of the Astillas Project and Primavera de Cuncumén, a porphyry target south of Los Pelambres. In addition, the deep drilling exploration of the primary ore (sulphides) potential mineralisation at Antucoya was carried out. The exploration programme in Sierra Jardín (JV with Codelco) is in progress.

The combined expenditure on these exploration and evaluation activities in Chile during the first half of 2012 was US$9.9 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 the first half of 2012 the Group incurred US$14.4 million of exploration and evaluation expenditure in relation to its international early-stage exploration activities. During the first half of 2012 the Group entered into new agreements in Finland, Zambia, Australia and Ireland, and a further agreement in Canada in July 2012.

Energy Opportunities

The Group is also continuing with its exploration and development activities relating to geothermal and coal energy prospects as well as entering into further investments in power generation.

Energía Andina S.A

The Group holds a 60% interest in Energía Andina S.A, its joint venture with Origin Energy Limited. Energía Andina is currently managing 19 concessions grouped into 12 projects. It is engaged in an application process to acquire a number of further concessions to complement the development of the present projects. Energía Andina is progressing with a slim hole drilling programme at other locations with the possibility of starting a feasibility geothermal drilling phase during the second half of 2013. The Group incurred US$6.2 million of expenditure during the first half of 2012 relating to its share of this geothermal exploration work.

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 into the project including the nature of the technology to be utilised. During the first half of the year total costs of US$33.4 million were incurred in respect of the project including costs relating to the pilot plant and the associated feasibility study.

El Arrayan

The Group owns a 30% interest in Parque Eólico El Arrayan SpA ("El Arrayan"), a company which is constructing a wind power plant with an installed capacity of 115MW, at an approximate cost of US$300 million part of which is expected to be funded by project debt. The plant will supply up to 40MW of power to Los Pelambres under a 20 year supply contract. Construction of the plant commenced in 2012 and it is expected to start operating in the second half of 2013. The Group made US$19.6 million of capital contributions to El Arrayan in the first half of 2012.

Inversiones Hornitos

The Antofagasta Railway Company ("FCAB") group owns a 40% interest in Inversiones Hornitos S.A. ("Inversiones Hornitos") which commenced operation in 2011 and which provides all of Esperanza's and part of El Tesoro's energy requirement. Inversiones Hornitos operates the 165MW Hornitos thermoelectric power plant in Mejillones in Chile's Antofagasta Region. Inversiones Hornitos contributed US$5.8 million to the Group results in the first half of 2012.

Transport Division

Total transport volumes in the first six months of 2012 were 3.9 million tonnes compared with 4.1 million tonnes in the first half of 2011, comprising 3.0 million tonnes of rail volumes (2011 half year – 3.2 million tonnes) and 0.8 million tonnes of road volumes (2011 half year – 0.9 million tonnes).

Turnover increased by 4.4% to US$90.9 million, largely reflecting 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 7.9% to US$32.8 million.

Water Division

The water business continued to perform well, with volumes for the first half of 2012 of 25.7 million cubic metres, a 7.0% increase on the comparative period in 2011, mainly as a result of increased demand from both regulated and unregulated clients.

Revenue increased by 14.9% to US$64.9 million, reflecting the increase in volumes as well as improved tariffs. While the increased revenues were partly offset by higher operating costs, the business still achieved a 19.6% increase in operating profits to US$32.4 million.

FINANCIAL COMMENTARY FOR THE SIX MONTHS ENDED 30 JUNE 2012

Results

		US$m
Profit before tax for the first half of 2011		**1,691.9**
Turnover		
Decrease in realised copper price	(317.6)	
Increase in copper sales volumes	268.9	
Decrease in tolling charges	0.9	
Turnover from copper concentrate and cathodes	**(47.8)**	
Increase in gold revenues	112.3	
Increase in molybdenum revenues	25.6	
Increase in silver revenues	4.2	
Turnover from by-products	**142.1**	
Increase in transport division turnover	3.8	
Increase in water division turnover	8.4	
Turnover from transport and water divisions	**12.2**	
Increase in Group turnover	**106.5**	
Operating costs		
Increase in volume sold	(106.6)	
Increase in cost per unit sold	(30.5)	
Increase in charge for closure provisions	(2.3)	
Increase in exploration and evaluation costs	(41.3)	
Increase in corporate costs	(12.6)	
Increase in other mining division cost	(7.8)	
Operating costs for mining division	**(201.1)**	
Increase in transport division operating costs	(7.1)	
Increase in water division costs	(3.6)	
Operating costs for transport and water divisions	**(10.7)**	
Decrease in EBITDA	**(105.3)**	
Increase in depreciation and amortisation and loss on disposal	**(25.7)**	
Increase in share of profit of associates	**3.3**	
Increase in investment income	3.4	
Decrease in interest expense	0.5	
Increase in other financial items	(4.8)	
Increase in net finance costs	**(0.9)**	
Decrease in profit before tax		**(128.6)**
Profit before tax for the first half of 2012		**1,563.3**

	Six months ended 30.06.2012 US$m	Six months ended 30.06.2011 US$m	Movement US$m	Movement %
Turnover	**3,160.8**	3,054.3	106.5	3.5
EBITDA	**1,841.4**	1,946.7	(105.3)	(5.4)
Depreciation and amortisation	**(241.8)**	(209.1)	(32.7)	15.6
Net finance expense	**(47.6)**	(46.7)	(0.9)	1.9
Profit before tax	**1,563.3**	1,691.9	(128.6)	(7.6)
Income tax expense	**(487.4)**	(519.6)	32.2	(6.2)
Earnings per share (US cents)	**65.5**	70.6	(5.1)	(7.2)
Net cash	**1,344.8**	686.7	658.1	95.8

Turnover

Group turnover in the first half of 2012 was US$3,160.8 million, 3.5% above the US$3,054.3 million achieved in the first half of 2011. The US$106.5 million increase mainly reflected the impact of increased copper and gold volumes, offset by decreased realised copper prices.

Turnover from the mining division

Turnover from copper concentrate and copper cathodes

Turnover from copper concentrate and copper cathode sales decreased by US$47.8 million, or 1.8%, to US$2,568.0 million, compared with US$2,615.8 million in the first half of 2011. The decrease mainly reflected lower realised copper prices, partly offset by the impact of higher copper volumes.

(i) Realised copper prices

The Group’s average realised copper price in the first half of 2012 decreased by 11.8% to 373.0 cents per pound (first half of 2011 – 422.7 cents), representing a decrease of US$317.6 million in turnover. This reflected the lower average LME copper price, which decreased by 13.8% to 367.3 cents per pound (first half of 2011 – 426.3 cents per pound), partly offset by positive adjustments to provisionally priced sales. Realised copper prices in the first half of 2012 were marginally higher than the average LME copper price for the period of 367.3 cents per pound, mainly due to positive adjustment relating to sales invoiced in 2011 which were finally priced in the first half of 2012, partly offset by negative pricing adjustments through the period due to the declining copper price.

In the first half of 2012 turnover also included a net loss of US$3.3 million (first half of 2011 – net loss of US$12.3 million). This related to commodity derivatives at Los Pelambres which were entered into in order that finally priced sales volumes were more evenly spread through the period, partly offset by gains at Michilla and to a lesser extent El Tesoro which matured during the period. The net loss of US$12.3 million in the comparative period related almost entirely to Michilla. Further details of hedging activity in the year are given in Note 5(b) to the half yearly financial report.

Realised prices are analysed by mine in the Review of Operations. The movement in the LME copper price during the period is described in the Overview.

(ii) Copper volumes

Copper sales volumes increased by 11.3% from 289,500 tonnes in the first half of 2011 to 322,200 tonnes in the first half of this year. The uplift in volumes accounted for US$268.9 million of the total increase in turnover from copper concentrate and cathode sales.

The increased sales volume resulted from higher production volumes, which are analysed by mine in the Review of Operations, adjusted by inventory movements to finished goods as a result of the timing of shipping and loading schedules. The increased production volumes in the year were mainly due to increased production at Esperanza compared with the first half of 2011 when the mine was starting its ramp-up. In addition, there was also increased production at Los Pelambres due to an increase in plant throughput and higher recoveries, as well as increased production at El Tesoro due to processing higher grade ore from the Mirador pit.

(iii) Tolling charges

Tolling charges for copper concentrate at Los Pelambres and Esperanza decreased marginally by US$0.9 million to US$80.5 million in the first half of 2012. Tolling charges are deducted from concentrate sales in reporting turnover and hence the slight decrease in these charges has had a positive 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 to a lesser extent silver. Turnover from by-products increased by US$142.1 million, or 48.2%, to US$437.0 million in the first half of 2012 compared with US$294.9 million in the first half of 2011.

Turnover from gold in concentrate (net of tolling charges) in the first half of 2012 was US$209.8 million (first half of 2011 – US$97.5 million), an increase of US$112.3 million. The significant increase was mainly due to an increase in gold sales volumes from 65,600 ounces in the first half of 2011 to 127,500 ounces in the first half of 2012. Gold revenues also benefited to a lesser extent from the increase in realised gold prices which were US$1,650.2 per ounce in the first half of 2012 compared with US$1,490.8 per ounce in the first half of 2011.

Turnover from molybdenum sales (net of roasting charges) in the first half of 2012 was US$183.0 million (first half of 2011 – US$157.4 million), an increase of US$25.6 million. The increase reflected higher molybdenum sales in the first half of 2012 of 6,800 tonnes (first half of 2011 – 4,400 tonnes) which were partly offset by the decline in realised prices to US$12.9 per pound (first half of 2011 - US$17.0 per pound).

Silver revenues increased by US$4.2 million to US$44.2 million in the first half of 2012 (first half of 2011 - US$40.0 million), due mainly to an increase in sales volumes from 1,093,800 ounces in the first half of 2011 to 1,458,000 ounces in the first half of 2012, partly offset by a decrease in realised prices from US$36.9 per ounce in the first half of 2011 to US$30.6 per ounce in the first half of 2012.

Production volumes are analysed by mine in the Review of Operations.

Turnover from the transport and water divisions

Turnover from the transport division (FCAB) increased by US$3.8 million or 4.4% to US$90.9 million in the first half of 2012 compared with the same period last year mainly due to an increase in the mix of customer sales and normal tariff adjustments in the period as well as improved sales of industrial water.

Turnover at Aguas de Antofagasta, which operates the Group’s water business, increased by US$8.4 million or 14.9% to US$64.9 million in the first half of 2012. This reflected increased demand from both regulated and unregulated customers and normal tariff adjustments.

Operating costs (excluding depreciation and amortisation)

Operating costs (excluding depreciation and amortisation) in the first half of 2012 amounted to US$1,319.4 million (first half of 2011 – US$1,107.6 million), an increase of US$211.8 million.

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

Operating costs at the mining division increased by US$201.1 million to US$1,240.5 million in the first half of 2012, an increase of 19.3%.

Of this increase, US$106.6 million is attributable to the higher mining production and sales volumes as explained in the Turnover section above, based on the higher copper output. As explained in more detail above, the additional turnover (including turnover from by-products) associated with these increased volumes was US$450.5 million.

US$30.5 million is attributable to unit costs, principally due to the increase in on-site 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 143.7 cents per pound in the first half of 2011 to 147.9 cents per pound in the first half of 2012. This increase mainly reflected a range of minor cost increases in on-site and shipping costs at Los Pelambres. Cash costs are analysed by mine in the Review of Operations.

Exploration and evaluation costs increased by US$41.3 million to US$124.3 million in the first half of 2012 (first half of 2011 – US$83.0 million), reflecting increased spend in respect of the pre-feasibility study into the potential expansion at Los Pelambres and increased spending at the Twin Metals project.

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

Operating costs at the transport division increased by US$7.1 million to US$55.0 million in the first half of 2012, mainly reflecting a change in the mix of sales volumes compared with the first half of 2011.

Operating costs at Aguas de Antofagasta increased by US$3.6 million to US$23.9 million in the first half of 2012, reflecting increased sales volumes compared with the first half of 2011.

EBITDA and operating profit from subsidiaries and joint ventures

EBITDA

EBITDA (earnings before interest, tax, depreciation, and amortisation) from subsidiaries and joint ventures decreased by US$105.3 million or 5.4% to US$1,841.4 million in the first half of 2012 (first half of 2011 – US$1,946.7 million).

EBITDA at the mining division decreased by 5.7% or US$106.8 million from US$1,871.3 million in the first half of 2011 to US$1,764.5 million in the first half of 2012. As explained above, this was due to the increase in operating costs at the mining division.

EBITDA at the transport division decreased by US$3.3 million to US$35.9 million in the first half of 2012 reflecting higher operating costs offset by the smaller increase in turnover in the first half of 2012. Aguas de Antofagasta contributed US$41.0 million in the first half of months of 2012 compared to US$36.2 million in the first half of 2011, reflecting the increased turnover mentioned above partly offset by increased operating costs.

Depreciation and amortisation

Depreciation and amortisation increased by US$32.7 million to US$241.8 million in the first half of 2012, mainly due to higher depreciation at Esperanza as a result of the higher level of production in the first half of 2012 and US$29.6 million relating to depreciation of the pilot plant at Mulpun, partly offset by decreased depreciation at El Tesoro due to mining the lower cost Mirador pit in 2012. The profit on disposal of property, plant and equipment in the first half of 2012 was US$5.1 million, compared with a loss of US$1.9 million in the first half of 2011 due to the sale of land in the transport division.

Operating profit from subsidiaries and joint ventures

As a result of the above factors, operating profit from subsidiaries and joint ventures decreased by 7.5% to US$1,604.7 million in the first half of 2012 (first half of 2011 – US$1,735.7 million).

Share of profit from associates

The Group's share of net profit from its associates in the first half of 2012 was US$6.2 million (first half of 2011– US$2.9 million), an increase of US$3.3 million. This was comprised of a net profit of US$5.8 million (first half of 2011 – US$1.6 million) from its 40% interest in Inversiones Hornitos, a net profit of US$0.5 million (first half of 2011 – US$1.3 million) from its 30% interest in ATI. The first half of 2012 also included a net loss of US$0.1 million from its 30% share in the El Arrayan project ("El Arrayan"). The Group acquired its interest in El Arrayan in December 2011.

Net finance expense

Net finance expense in the first half of 2012 was US$47.6 million, compared with a net finance expense of US$46.7 million in the first half of 2011.

	Six months ended 30.06.12	Six months ended 30.06.11
	US$'m	US$'m
Investment income	**14.9**	11.5
Interest expense	**(44.2)**	(44.7)
Other finance items	**(18.3)**	(13.5)
Net finance expense	**(47.6)**	(46.7)

Interest receivable increased from US$11.5 million in the first half of 2011 to US$14.9 million in the first half of 2012, reflecting a higher weighted average interest rate in 2012 versus the comparative period in 2011.

Interest expense decreased slightly from US$44.7 million in the first half of 2011 to US$44.2 million in the first half of 2012.

Other finance items comprised a loss of US$18.3 million (first half of 2011 – US$13.5 million). A loss of US$5.1 million (first half of 2011 – US$17.9 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$8.4 million in the first half of 2012, compared with a gain of US$12.0 million in the first half of 2011. No gain or loss on foreign exchange derivatives has been included in other finance items in the first half of 2012 (first half of 2011 – loss of US$3.3 million). An expense of US$4.8 million (first half of 2011 - US$4.3 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$128.6 million or 7.6% to US$1,563.3 million in the first half of 2012 compared with US$1,691.9 million in the first half of 2011.

Income tax expense

The tax charge for the first half of 2012 was US$487.4 million (first half of 2011 – US$519.6 million) and the effective tax rate was 31.2% (first half of 2011 – 30.7%). The decrease in the tax charge mainly represented the lower profit before tax in the period compared with the first half of 2011.

	Six months ended 30.06.2012 US$'m	**%**	Six months ended 30.06.2011 US$'m	%
Profit before tax	**1,563.3**		1,691.9	
Taxes (Current and deferred)				
Corporate tax	**(292.9)**	**18.7**	(339.6)	20.0
Royalty	**(87.4)**	**5.6**	(116.5)	6.9
Withholding tax	**(107.4)**	**6.9**	(64.1)	3.8
Exchange rate	**0.3**	**-**	0.6	-
	(487.4)	**31.2**	(519.6)	30.7

First category tax

The official rate of first category tax in Chile decreased to 18.5% in the first half of 2012 from 20.0% in 2011 according to the amendments to the Chilean tax regime introduced by the Chilean Government in 2010. During 2012 the Chilean Congress has studied a bill that increases the rate of first category tax in 2013 from the previously expected 17% to 20%. This still requires final parliamentary and presidential approval. If passed the change is expected to be applied retrospectively with effect from 1 January 2012. At the date of issue of this half yearly financial report the parliamentary discussion on the bill is still ongoing and the current rate of 18.5% has been applied to account for the tax expense and deferred tax for the first half of 2012.

The effective rate of corporate tax differs from the official rate in each period due to minor permanent differences in taxable and accounting profits.

Mining tax

Los Pelambres, El Tesoro, Michilla and Esperanza are 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 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 pit 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%.

The lower effective rate of the mining tax in the first half of 2012 compared with the first half of 2011 reflects the impact of lower operating profit margins at the mining operations on the applicable rate under the scales set out above. The lower operating profit margin mainly reflected lower commodity prices and to a lesser extent higher unit costs.

Withholding taxes

In addition to first category tax and the mining tax, the Group incurs withholding taxes on the remittance of profits from Chilean operations 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 those profits. Accordingly, the effective rate of withholding tax will be between 15% and 18%, depending on the rate of first category tax which applied to the relevant profits.

During the first half of 2012 gross funds of US$400 million were remitted from FCAB, the Chilean branch of the Antofagasta Railway Company plc, to the UK company. While this intra-group flow of funds eliminates in the Group's consolidated results, it generated Chilean withholding tax of US$107.4 million. This is expected to result in the withholding tax charge being weighted towards the first half of the year as compared with 2011 when the withholding tax was more evenly spread between each half of that year.

Non-controlling interests

Profit for the first half of the year attributable to non-controlling interests was US$429.8 million, compared with US$476.1 million in the first half of 2011. The decrease is mainly due to the effect of the decreased Group profit in the first half of 2012 in comparison to the first half of 2011.

Earnings per share

	Six months ended 30.06.12	Six months ended 30.06.11
	US cents	US cents
Earnings per share including exceptional items	**65.5**	70.6

Earnings per share calculations are based on 985,856,695 ordinary shares. As a result of the factors set out above, profit for the first half of 2012 attributable to equity shareholders of the Company was US$646.1 million compared with US$696.2 million in the first half of 2011. Accordingly, basic and diluted earnings per share were 65.5 cents in the first half of 2012 compared with 70.6 cents in the first half of 2011, a decrease of 7.2%.

Dividends

Details of dividends proposed in relation to the first half of 2012, and the Board's policy regarding dividends, are set out on page 5.

Capital Expenditure

Details of capital expenditure during the period are set out in the cash flow summary below.

Treasury Management and Hedging

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

At 30 June 2012 the Group had min/max instruments for 67,650 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 July 2012 is 18.1 months. The instruments have a weighted average floor of 348.1 cents per pound and a weighted average cap of 459.8 cents per pound.

At 30 June 2012 the Group also had futures for 15,300 tonnes at El Tesoro to both buy and sell copper production, with the effect of swapping COMEX prices for LME prices without eliminating underlying market price exposure, covering a period up to 31 January 2014. The remaining weighted average period covered by these instruments calculated with effect from 1 July 2012 is 10.7 months.

Details of the mark-to-market position of these instruments at 30 June 2012, together with details of any interest and exchange derivatives held by the Group, are given in Note 5(b) to the half yearly financial report.

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. At 30 June 2012 the Group had cross currency swaps with a principal value of US$117.0 million relating to Michilla to swap Chilean pesos for US dollars, at an average rate of Ch$519.6/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 July 2012 is 7.1 months.

The Group also periodically uses interest rate swaps to swap the floating rate interest for fixed rate interest. At 30 June 2012 the current notional amount hedged of the senior debt at Esperanza was US$495.2 million.

Cash Flows

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

	Six months ended 30.06.12 US$'m	Six months ended 30.06.11 US$'m
Cash flows from operations	**1,768.2**	1,715.2
Income tax paid	**(540.0)**	(467.8)
Net interest paid	**(24.3)**	(18.5)
Acquisition of associates and subsequent capital contributions	**(19.6)**	-
Acquisition of available for sale investments	**(1.5)**	(25.0)
Purchases of property, plant and equipment	**(337.7)**	(307.1)
Dividends paid to equity holders of the Company	**(354.9)**	(1,104.2)
Dividends paid to non-controlling interests	**(277.5)**	(416.0)
Other items	**1.0**	(0.1)
Changes in net cash relating to cash flows	**213.7**	(623.5)
Exchange and other non-cash movements	**(8.6)**	(34.9)
Movement in net cash in the period	**205.1**	(658.4)
Net cash at the beginning of the period	**1,139.7**	1,345.1
Net cash at the end of the period (analysed in Note 23)	**1,344.8**	686.7

Cash flows from operations were US$1,768.2 million in the first half of 2012 compared with US$1,715.2 million in the first half of 2011, an increase of 3.1%, reflecting the operating results adjusted for depreciation, amortisation and disposal gains and losses of US$236.7 million (first half of 2011 – US$211.0 million) less a net working capital increase of US$73.2 million (first half of 2011 – US$231.5 million). The net working capital increase relates mainly to an increase of inventories relating to work in progress at Esperanza and El Tesoro.

Cash tax payments in the first half of 2012 were US$540.0 million (first half of 2011 – US$467.8 million), comprising corporation tax of US$290.4 million (first half of 2011 – US$340.0 million), mining tax of US$137.3 million (first half of 2011 – US$127.8 million) and withholding tax of US$112.3 million (first half of 2011 – nil). These amounts differ from the current tax charge in the consolidated income statement of US$487.4 million (first half of 2011 – US$519.6 million) mainly because cash tax payments for corporation tax and the mining tax partly comprise monthly payments on account in respect of current year profits and partly comprise the settlement of the outstanding balance for the previous year.

In the first half of 2012 US$19.6 million was contributed to the Group's associate, El Arrayan, to fund its share of the development of the wind-farm project.

The purchase of available-for-sale investments of US$1.5 million relates to the purchase of shares in Full Metals. In 2011 the purchase of available-for-sale investments of US$25.0 million related to the purchase of shares in Duluth Metals for a value of US$19.9 million and shares in Eurasian Minerals for a value of US$5.1 million.

Cash disbursements relating to capital expenditure in the first half of 2012 were US$337.7 million compared with US$307.1 million in the first half of 2011. This included expenditure of US$95.6 million relating to Antucoya (first half of 2011 – nil), US$61.9 million (first half of 2011 – US$70.7 million) relating to Los Pelambres, US$52.1 million relating to Esperanza (first half of 2011 – US$147.7 million), US$51.5 million (first half of 2011 – US$55.9 million) relating to El Tesoro and US$41.8 million (first half of 2011 – US$10.5 million) relating to Michilla.

Dividends (including special dividends) paid to ordinary shareholders of the Company in the first half of 2012 were US$354.9 million (first half of 2011 – US$1,104.2 million), which related to the payment of the 2011 final dividend.

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

Financial Position

	At 30.06.12	At 30.06.11	At 31.12.11
	US$'m	US$'m	US$'m
Cash, cash equivalents and liquid investments	**3,352.5**	3,052.4	3,280.0
Total borrowings	**(2,007.7)**	(2,365.7)	(2,140.3)
Net cash at the end of the year	**1,344.8**	686.7	1,139.7

At 30 June 2012 the Group had combined cash, cash equivalents and liquid investments of US$3,352.5 million (31 December 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$2,992.9 million (31 December 2011 – US$3,041.1 million).

Total Group borrowings at 30 June 2012 were US$2,007.7 million (31 December 2011 – US$2,140.3 million). Of this, US$1,370.6 million (2011 – US$1,456.3 million) is proportionally attributable to the Group after excluding the non-controlling interest shareholdings in partly-owned operations.

At 30 June 2012 the net cash balance of the Group was US$1,344.8 million (31 December 2011 – US$1,139.7 million). Excluding the non-controlling interest share in each partly owned operation, the Group's attributable share of net cash was US$1,622.4 million (31 December 2011 – US$1,584.8 million).

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 29 to the half yearly financial report.

In the first half of 2012 the currency translation gain recognised in net equity was US$5.6 million (first half of 2011 – loss of US$1.4 million).

Going Concern

The Group's business activities, together with those factors likely to affect its future performance, are set out in the Review of Operations. Details of the cash flows of the Group during the period, along with its financial position at the period-end are set out in this Financial Commentary. The half yearly financial report includes details of the Group's cash, cash equivalent and liquid investment balances in Note 23, and details of borrowings are set out in Note 17.

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 half yearly financial report.

Principal risks and uncertainties

There are a number of potential risks and uncertainties which could have a material impact on the Group's performance over the remaining six months of the financial year and could cause actual results to differ materially from expected and historical results. The directors do not consider that the principal risks and uncertainties have changed since the publication of the annual report for the year ended 31 December 2011. A detailed explanation of the risks summarised below can be found in the Risk Management section of that annual report which is available at www.antofagasta.co.uk. Key headline risks relate to the following:

- Operational risks
- Political, legal and regulatory risks
- Strategic resources
- Commodity prices
- Development projects
- Growth opportunities
- Identification of new mineral resources
- Ore reserves and mineral resources estimates
- Talent
- Commitment to health and safety
- Efficient environmental management
- Community relations

Cautionary Statement about forward looking statements

The half yearly financial report contains certain forward looking statements with respect to the financial position, results of operations and business of the Group. Examples of forward looking statements include those regarding ore reserve and mineral resource estimates, anticipated production or construction commencement dates, costs, outputs, demand, trends in commodity prices, growth opportunities and productive lives of assets or similar factors. The words "intend", "aim", "project", "anticipate", "estimate", "plan", "believe", "expect", "may", "should", "will", "continue", or similar expressions, commonly identify such forward looking statements.

Forward looking statements involve known and unknown risks, uncertainties, assumptions and other factors that are beyond the Group's control. For example, future ore reserves will be based in part on long term price assumptions that may vary significantly from current levels. These may materially affect the timing and feasibility of particular developments. Other factors include the ability to produce and transport products profitably, demand for products, the effect of foreign currency exchange rates on market prices and operating costs, activities by governmental authorities, such as changes in taxation or regulation, and political uncertainty.

Given these risks, uncertainties and assumptions, actual results could be materially different from any future results expressed or implied by these forward looking statements which speak only as at the date of this report. Except as required by applicable regulations or by law, the Group does not undertake any obligation to publicly update or revise any forward looking statements, whether as a result of new information or future events. The Group cannot guarantee that its forward looking statements will not differ materially from actual results.

Condensed Consolidated Income Statement

	Notes	Six months ended 30 June 2012 US$'m	Six months ended 30 June 2011 US$'m	Year ended 31 December 2011 US$'m
Group revenue	2,4	**3,160.8**	3,054.3	6,076.0
Total operating costs (including 2011 full year exceptional item*)		**(1,556.1)**	(1,318.6)	(3,002.6)
Operating profit from subsidiaries and joint ventures	2,4	**1,604.7**	1,735.7	3,073.4
Share of profit from associates	2,13	**6.2**	2.9	24.0
Total profit from operations and associates	2	**1,610.9**	1,738.6	3,097.4
Investment income		**14.9**	11.5	23.3
Interest expense		**(44.2)**	(44.7)	(93.2)
Other finance items		**(18.3)**	(13.5)	48.7
Net finance expense	6	**(47.6)**	(46.7)	(21.2)
Profit before tax		**1,563.3**	1,691.9	3,076.2
Income tax expense	7	**(487.4)**	(519.6)	(946.2)
Profit for the financial period		**1,075.9**	1,172.3	2,130.0
Attributable to:				
Non-controlling interests		**429.8**	476.1	893.4
Equity holders of the Company (net earnings)		**646.1**	696.2	1,236.6
		US cents	US cents	US cents
Basic and diluted earnings per share	8	**65.5**	70.6	125.4

	Notes			
Dividends to ordinary shareholders of the Company				
Per share		**US cents**	US cents	US cents
Dividends per share proposed in relation to the period	9			
- ordinary dividend (interim)		**8.5**	8.0	8.0
- ordinary dividend (final)		**-**	-	12.0
- special dividend (final)		**-**	-	24.0
		8.5	8.0	44.0
Dividends per share paid in the period and deducted from net equity				
- ordinary dividend (interim)		**-**	-	8.0
- ordinary dividend (final)		**12.0**	12.0	12.0
- special dividend (final)		**24.0**	100.0	100.0
		36.0	112.0	120.0
In aggregate		**US$'m**	US$'m	US$'m
Dividends proposed in relation to the period	9	**83.8**	78.9	433.8
Dividends paid in the period and deducted from net equity		**354.9**	1,104.2	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 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 and profit before tax was US$3,216.7 million. There were no exceptional items in the six months ended 30 June 2012 and six months ended 30 June 2011. Further details of this exceptional item are set out in Note 3.

Condensed Consolidated Statement of Comprehensive Income

	Notes	**Six months ended 30 June 2012**	Six months ended 30 June 2011	Year ended 31 December 2011
		US$'m	US$'m	US$'m
Profit for the financial period		**1,075.9**	1,172.3	2,130.0
Gains in fair value of cash flow hedges deferred in reserves		**3.2**	17.9	50.6
Losses in fair value of cash flow hedges deferred in reserves of associates		**(1.3)**	-	-
Losses in fair value of available for sale investments	15	**(7.3)**	(7.1)	(12.3)
Currency translation adjustment		**5.6**	(1.4)	(25.1)
Deferred tax effects arising on cash flow hedges deferred in reserves		**(0.5)**	(4.0)	(9.6)
Total gains recognised in equity		**(0.3)**	5.4	3.6
Losses in fair value of cash flow hedges transferred to the income statement		**12.3**	12.3	36.4
Deferred tax effects arising on cash flow hedges transferred to the income statement		**(2.3)**	(2.1)	(7.3)
Total transferred to the income statement		**10.0**	10.2	29.1
Total comprehensive income for the period		**1,085.6**	1,187.9	2,162.7
Attributable to:				
Non-controlling interests		**433.4**	481.4	912.1
Equity holders of the Company		**652.2**	706.5	1,250.6

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2012

	Share capital	Share premium	Hedging reserves	Fair value reserves	Translation reserves	Retained earnings	**Net equity**	Non-controlling interests	**Total**
	US$'m	US$'m	US$'m	US$'m	US$'m	US$'m	**US$'m**	US$'m	**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 period	-	-	7.8	(7.3)	5.6	646.1	**652.2**	433.4	**1,085.6**
Non-controlling interest in capital contribution	-	-	-	-	-	(24.0)	**(24.0)**	24.0	**-**
Dividends	-	-	-	-	-	(354.9)	**(354.9)**	(277.5)	**(632.4)**
Balance at 30 June 2012	**89.8**	**199.2**	**3.9**	**(15.4)**	**37.7**	**6,154.3**	**6,469.5**	**1,791.1**	**8,260.6**

For the six months ended 30 June 2011

	Share capital	Share premium	Hedging reserves	Fair value reserves	Translation reserves	Retained earnings	**Net equity**	Non-controlling interests	**Total**
	US$'m	US$'m	US$'m	US$'m	US$'m	US$'m	**US$'m**	US$'m	**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 for the period	-	-	18.8	(7.1)	(1.4)	696.2	**706.5**	481.4	**1,187.9**
Non-controlling interest in capital contribution	-	-	-	-	-	(12.0)	**(12.0)**	12.0	**-**
Dividends	-	-	-	-	-	(1,104.2)	**(1,104.2)**	(416.0)	**(1,520.2)**
Balance at 30 June 2011	89.8	199.2	(36.5)	(2.9)	55.8	5,455.5	**5,760.9**	1,432.6	**7,193.5**

For the year ended 31 December 2011

	Share capital	Share premium	Hedging reserves	Fair value reserves	Translation reserves	Retained earnings	**Net equity**	Non-controlling interests	**Total**
	US$'m	US$'m	US$'m	US$'m	US$'m	US$'m	**US$'m**	US$'m	**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**
Non-controlling interest in capital contribution	-	-	-	-	-	(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**

Condensed Consolidated Balance Sheet

	Notes	At 30.06.12 US$'m	At 30.06.11 US$'m	At 31.12.11 US$'m
Non-current assets				
Intangible assets	10	**153.8**	303.4	155.3
Property, plant and equipment	11	**6,508.1**	6,223.3	6,443.0
Investment property	12	**3.5**	3.7	3.1
Investment in associates	13	**107.7**	60.4	84.8
Trade and other receivables		**68.3**	49.5	67.7
Derivative financial instruments	5	**32.8**	-	47.6
Available for sale investments	15	**31.4**	41.6	36.5
Deferred tax assets	20	**85.7**	103.9	83.2
		6,991.3	6,785.8	6,921.2
Current assets				
Inventories	16	**657.6**	470.1	540.5
Trade and other receivables		**875.4**	1,076.7	924.9
Current tax assets		**24.7**	26.5	27.2
Derivative financial instruments	5	**25.1**	0.3	11.4
Liquid investments		**1,873.9**	556.1	1,944.9
Cash and cash equivalents	23	**1,478.6**	2,496.3	1,335.1
		4,935.3	4,626.0	4,784.0
Total assets		**11,926.6**	11,411.8	11,705.2
Current liabilities				
Short-term borrowings	17	**(333.3)**	(434.9)	(301.9)
Derivative financial instruments	5	**(7.8)**	(47.3)	(16.9)
Trade and other payables		**(453.1)**	(462.5)	(503.9)
Current tax liabilities		**(113.4)**	(379.0)	(162.6)
		(907.6)	(1,323.7)	(985.3)
Non-current liabilities				
Medium and long-term borrowings	17	**(1,674.4)**	(1,930.8)	(1,838.4)
Derivative financial instruments	5	**(15.6)**	(54.6)	(18.0)
Trade and other payables		**(10.9)**	(3.8)	(9.3)
Post-employment benefit obligations	18	**(67.2)**	(75.0)	(61.2)
Long-term provisions	19	**(325.5)**	(246.7)	(321.1)
Deferred tax liabilities	20	**(664.8)**	(583.7)	(664.5)
		(2,758.4)	(2,894.6)	(2,912.5)
Total liabilities		**(3,666.0)**	(4,218.3)	(3,897.8)
Net assets		**8,260.6**	7,193.5	7,807.4
Equity				
Share capital	21	**89.8**	89.8	89.8
Share premium	21	**199.2**	199.2	199.2
Hedging, translation and fair value reserves		**26.2**	16.4	20.1
Retained earnings		**6,154.3**	5,455.5	5,887.1
Equity attributable to equity holders of the Company		**6,469.5**	5,760.9	6,196.2
Non-controlling interests		**1,791.1**	1,432.6	1,611.2
Total equity		**8,260.6**	7,193.5	7,807.4

The interim financial information was approved by the Board of Directors on 28 August 2012.

Condensed Consolidated Cash Flow Statement

	Notes	**Six months ended 30 June 2012** US$'m	Six months ended 30 June 2011 US$'m	Year ended 31 December 2011 US$'m
Cash flows from operations	22	**1,768.2**	1,715.2	3,552.5
Interest paid		**(39.0)**	(28.5)	(69.3)
Dividends from associate	13	**1.1**	-	1.2
Income tax paid		**(540.0)**	(467.8)	(1,018.1)
Net cash from operating activities		**1,190.3**	1,218.9	2,466.3
Investing activities				
Acquisition of associates		**(19.6)**	-	(4.5)
Acquisition of available-for-sale investments		**(1.5)**	(25.0)	(27.3)
Net decrease/(increase) in liquid investments		**71.0**	250.8	(1,138.0)
Purchases of property, plant and equipment		**(337.7)**	(307.1)	(666.6)
Interest received		**14.7**	10.0	21.7
Net cash used in investing activities		**(273.1)**	(71.3)	(1,814.7)
Financing activities				
Dividends paid to equity holders of the Company		**(354.9)**	(1,104.2)	(1,183.0)
Dividends paid to preference shareholders of the Company		**(0.1)**	(0.1)	(0.2)
Dividends paid to non-controlling interests		**(277.5)**	(416.0)	(741.0)
Net proceeds from issue of new borrowings		**2.3**	200.0	200.0
Repayments of borrowings		**(139.0)**	(67.7)	(304.3)
Repayments of obligations under finance leases	23	**(9.9)**	(5.0)	(10.2)
Net cash used in financing activities		**(779.1)**	(1,393.0)	(2,038.7)
Net increase/(decrease) in cash and cash equivalents		**138.1**	(245.4)	(1,387.1)
Cash and cash equivalents at beginning of the period		**1,335.1**	2,734.7	2,734.7
Net increase/(decrease) in cash and cash equivalents		**138.1**	(245.4)	(1,387.1)
Effect of foreign exchange rate changes	23	**5.4**	7.0	(12.5)
Cash and cash equivalents at end of the period	23	**1,478.6**	2,496.3	1,335.1

Notes

1. General information and accounting policies

a) General information

These June 2012 interim condensed consolidated financial statements ("the condensed financial statements") are for the six months ended 30 June 2012. The condensed financial statements are unaudited.

The information for the year ended 31 December 2011 does not constitute statutory accounts as defined in section 434 of the Companies Act 2006. A copy of the statutory accounts for that year has been delivered to the Registrar of Companies. The auditor's report on these accounts was not qualified, did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying the report 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.

b) Accounting policies

Basis of preparation

The annual financial statements of Antofagasta plc for the year ended 31 December 2011 were prepared in accordance with International Financial Reporting Standards (IFRS) adopted for use by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard (IAS) 34 *Interim Financial Reporting* and the requirements of the UK Disclosure and Transparency Rules (DTR) of the Financial Services Authority (FSA) in the United Kingdom as applicable to interim financial reporting.

The condensed financial statements represent a "condensed set of financial statements" as referred to in the DTR issued by the FSA. Accordingly, they do not include all of the information required for a full annual financial report and are to be read in conjunction with the Group's financial statements for the year ended 31 December 2011.

The interim financial information has been prepared on the basis of accounting policies consistent with those applied in the financial statements for the year ended 31 December 2011.

Going concern

After making enquiries, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future, a period of no less than 12 months from the date of this report. Accordingly, they continue to adopt the going concern basis in preparing the condensed financial statements. Detail of the factors which have been taken into account in assessing the Group's going concern status are set out in the Going Concern section of the Financial Commentary above.

2. Total profit from operations and associates

	Six months ended 30 June 2012	Six months ended 30 June 2011	Year ended 31 December 2011
	US$'m	US$'m	US$'m
Group Revenue	**3,160.8**	3,054.3	6,076.0
Cost of sale	**(1,116.2)**	(1,008.5)	(2,139.9)
Gross profit	**2,044.6**	2,045.8	3,936.1
Administrative and distribution expenses	**(301.1)**	(215.4)	(469.7)
Closure provision	**(3.2)**	(0.9)	(16.5)
Severance charges	**(6.2)**	(6.7)	(4.3)
Provision against carrying value of assets	**-**	-	(140.5)
Exploration and evaluation costs	**(124.3)**	(83.0)	(215.4)
Other operating income	**3.8**	5.3	10.7
Other operating expenses	**(8.9)**	(9.4)	(27.0)
Operating profit from subsidiaries and joint ventures	**1,604.7**	1,735.7	3,073.4
Share of income from associates	**6.2**	2.9	24.0
Total profit from operations and associates	**1,610.9**	1,738.6	3,097.4

*Detail of exceptional items are given in Note 3.

There were no exceptional items in the six months ended 30 June 2012 or in the six months ended 30 June 2011.

3. Exceptional item

	Operating profit			Profit before tax			Earnings per share		
	Six months ended 30 June 2012 US$'m	Six months ended 30 June 2011 US$'m	Year ended 31 December 2011 US$'m	**Six months ended 30 June 2012 US$'m**	Six months ended 30 June 2011 US$'m	Year ended 31 December 2011 US$'m	**Six months ended 30 June 2012 US cents**	Six months ended 30 June 2011 US cents	Year ended 31 December 2011 US cents
Before exceptional item	**1,604.7**	1,735.7	3,213.9	**1,563.3**	1,691.9	3,216.7	**65.5**	70.6	139.7
Provision against carrying value of assets	**-**	-	(140.5)	**-**	-	(140.5)	**-**	-	(14.3)
After exceptional item	**1,604.7**	1,735.7	3,073.4	**1,563.3**	1,691.9	3,076.2	**65.5**	70.6	125.4

2011 - provision against the carrying value of assets

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 27.

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 mine currently under construction. 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 six months ended 30 June 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	**1,770.2**	**649.2**	**435.1**	**150.5**	**-**	**-**	**-**	**3,005.0**	**90.9**	**64.9**	**3,160.8**
EBITDA	**1,248.6**	**415.5**	**250.6**	**25.0**	**-**	**(124.3)**	**(50.9)**	**1,764.5**	**35.9**	**41.0**	**1,841.4**
Depreciation and amortisation	(80.0)	(83.5)	(22.8)	(7.7)	-	-	(30.8)	**(224.8)**	(8.4)	(8.6)	**(241.8)**
Gain/(loss) on disposals	-	-	-	(0.2)	-	-	-	**(0.2)**	5.3	-	**5.1**
Operating profit	**1,168.6**	**332.0**	**227.8**	**17.1**	**-**	**(124.3)**	**(81.7)**	**1,539.5**	**32.8**	**32.4**	**1,604.7**
Share of income from associates	-	-	-	-	-	-	-	-	6.2	-	**6.2**
Investment income	1.3	1.4	1.6	0.7	-	-	6.0	**11.0**	3.5	0.4	**14.9**
Interest expense	(6.7)	(32.9)	(3.3)	-	-	-	(1.2)	**(44.1)**	(0.1)	-	**(44.2)**
Other finance items	(5.2)	(4.3)	(1.7)	(6.2)	-	-	(0.1)	**(17.5)**	(1.0)	0.2	**(18.3)**
Profit before tax	**1,158.0**	**296.2**	**224.4**	**11.6**	**-**	**(124.3)**	**(77.0)**	**1,488.9**	**41.4**	**33.0**	**1,563.3**
Tax	(262.8)	(57.3)	(48.7)	(3.2)	-	-	4.7	**(367.3)**	(114.0)	(6.1)	**(487.4)**
Non-controlling interests	(348.1)	(64.5)	(41.2)	(1.6)	-	-	25.3	**(430.1)**	0.3	-	**(429.8)**
Net earnings	**547.1**	**174.4**	**134.5**	**6.8**	**-**	**(124.3)**	**(47.0)**	**691.5**	**(72.3)**	**26.9**	**646.1**
Additions to non-current assets											
Capital expenditure	66.7	46.2	48.3	33.4	95.6	-	25.3	**315.5**	7.4	4.6	**327.5**
Segment assets and liabilities											
Segment assets	3,812.7	3,151.7	1,067.0	285.7	174.7	-	2,604.6	11,096.4	575.0	255.5	**11,926.6**
Segment liabilities	(1,180.0)	(1,570.0)	(434.9)	(89.3)	(5.6)	-	(288.1)	(3,567.9)	(53.2)	(44.9)	**(3,666.0)**

For the six months ended 30 June 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	**1,975.3**	**323.5**	**413.6**	**198.3**	**-**	**-**	**-**	**2,910.7**	**87.1**	**56.5**	**3,054.3**
EBITDA	**1,476.6**	**178.9**	**227.2**	**102.1**		**(83.0)**	**(30.5)**	**1,871.3**	**39.2**	**36.2**	**1,946.7**
Depreciation and amortisation	(85.7)	(56.1)	(42.9)	(5.6)	-	-	(1.3)	(191.6)	(8.4)	(9.1)	**(209.1)**
Loss on disposals	-	-	(1.4)	(0.1)	-	-	-	(1.5)	(0.4)	-	**(1.9)**
Operating profit	**1,390.9**	**122.8**	**182.9**	**96.4**	**-**	**(83.0)**	**(31.8)**	**1,678.2**	**30.4**	**27.1**	**1,735.7**
Share of income from associates	-	-	-	-	-	-	-	-	2.9	-	**2.9**
Investment income	0.9	0.2	1.1	0.4	-	-	6.3	8.9	2.4	0.2	**11.5**
Interest expense	(9.2)	(31.1)	(3.3)	-	-	-	(1.0)	(44.6)	(0.1)	-	**(44.7)**
Other finance items	0.1	1.4	1.1	(17.5)	-	-	2.8	(12.1)	(1.3)	(0.1)	**(13.5)**
Profit before tax	**1,382.7**	**93.3**	**181.8**	**79.3**	**-**	**(83.0)**	**(23.7)**	**1,630.4**	**34.3**	**27.2**	**1,691.9**
Tax	(359.8)	(28.0)	(37.6)	(18.9)	-	-	(63.3)	(507.6)	(6.5)	(5.5)	**(519.6)**
Non-controlling interests	(407.4)	(16.4)	(44.1)	(15.1)	-	-	7.6	(475.4)	(0.7)	-	**(476.1)**
Net earnings	**615.5**	**48.9**	**100.1**	**45.3**	**-**	**(83.0)**	**(79.4)**	**647.4**	**27.1**	**21.7**	**696.2**
Additions to non-current assets											
Capital expenditure	100.4	155.2	55.9	10.5	5.2	-	11.7	338.9	8.5	0.8	**348.2**
Segment assets and liabilities											
Segment assets	3,621.4	2,890.9	1,020.0	198.7	24.5	-	2,544.7	10,300.2	844.6	267.0	**11,411.8**
Segment liabilities	(1,343.5)	(1,731.1)	(461.2)	(132.7)	(0.7)	-	(446.2)	(4,115.4)	(53.5)	(49.4)	**(4,218.3)**

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 on disposals	(12.0)	-	(5.3)	(0.1)	-	-	-	(17.4)	2.9	(0.4)	**(14.9)**
Provision against carrying value of assets	-		-	-	-	-	(140.5)	(140.5)	-	-	**(140.5)**
Operating profit	**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 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	**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	**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 income from associates of US$6.2 million (six months ended 30 June 2011 – net profit of US$2.9 million; year ended 31 December 2011 – net profit of US$24.0 million). 2011 full year operating profit is shown after the exceptional item (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$4.1 million (six months ended 30 June 2011 – US$8.1 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$3.5 million (six months ended June 2011 – US$3.4 million; year ended 31 December 2011 - US$7.3 million) and after eliminating sales to the Railway and other transport services of US$0.1 million (six months ended June 2011 – US$0.1 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$1.0 million (six months ended June 2011 – US$8.1 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) Revenue includes a realised loss at Los Pelambres of US$5.9 million (six months ended 30 June 2011 – nil; year ended 31 December 2011 – nil), a realised gain at Michilla of US$2.4 million (six months ended 30 June 2011 – loss of US$12.4 million; year ended 31 December 2011 – loss of US$15.6 million) and at El Tesoro a realised gain of US$0.2 million (six months ended 30 June 2011 – gain of U$0.1 million; year ended 31 December 2011 – gain of US$0.5 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 for the year ended 31 December 2011 related 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$79.6 million (six months ended 30 June 2011 – US$54.2 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 165MW Hornitos thermoelectric power plant operating in Mejillones, in Chile's Antofagasta Region, and US$5.4 million (six months ended 30 June 2011 – US$6.2 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$22.7 million (six months ended 30 June 2011 – nil; year ended 31 December 2011 – US$4.5 million) relating to the Group's 30% interest in Parque Eólico El Arrayan SpA, an energy company which has been formed to construct and operate a wind-farm project in Chile.

b) Entity wide disclosures

Revenue by product

	Revenue by product		
	Six months ended 30 June 2012	Six months ended 30 June 2011	Year ended 31 December 2011
	US$'m	US$'m	US$'m
Copper			
- Los Pelambres	**1,513.7**	1,760.0	3,255.9
- Esperanza	**468.7**	243.9	646.4
- El Tesoro	**435.1**	413.6	827.8
- Michilla	**150.5**	198.3	355.0
Gold			
- Los Pelambres	**43.0**	26.7	63.9
- Esperanza	**166.8**	70.8	251.3
Molybdenum			
- Los Pelambres	**183.0**	157.4	293.8
Silver			
- Los Pelambres	**30.5**	31.2	63.0
- Esperanza	**13.7**	8.8	25.2
Total Mining	**3,005.0**	2,910.7	5,782.3
Railway and transport services	**90.9**	87.1	178.8
Water concession	**64.9**	56.5	114.9
	3,160.8	3,054.3	6,076.0

Revenue by location of customer

	Revenue		
	Six months ended 30 June 2012	Six months ended 30 June 2011	Year ended 31 December 2011
	US$'m	US$'m	US$'m
Europe			
- Switzerland	**54.2**	116.7	215.7
- Rest of Europe	**415.7**	513.9	722.2
Latin America			
- Chile	**195.6**	185.9	364.8
- Rest of Latin America	**105.7**	118.3	208.2
North America			
- United States	**91.9**	157.1	229.9
- Rest of North America	**-**	-	-
Asia Pacific			
- Japan	**1,216.5**	1,070.0	2,268.9
- China	**573.1**	476.0	1,145.4
- Rest of Asia	**508.1**	416.4	920.9
	3,160.8	3,054.3	6,076.0

Information about major customers

In the first half 2012 the Group's mining revenues included US$571.6 million related to one large customer that individually accounted for more than 10% of the Group's revenues (six months ended 30 June 2011 – one large customer representing US$663.2 million; year ended 31 December 2011 – two large customers representing US$1,875.9 million).

Non-current assets by location of asset

	Non-Current Assets		
	Six months ended 30 June 2012	Six months ended 30 June 2011	Year ended 31 December 2011
	US$'m	US$'m	US$'m
- Chile	**6,715.7**	6,457.6	6,628.6
- Bolivia	**31.2**	31.5	32.3
- Pakistan	**-**	140.7	-
- USA	**93.5**	7.7	92.0
- Other	**1.0**	2.8	1.0
	6,841.4	6,640.3	6,753.9

Non-current assets balance disclosed by location of asset excludes derivative 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 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 Group's contracts. The mark-to-market adjustments to the balance sheet at the end of each period are as follows:

	Balance sheet net mark to market effect on debtors		
	Six months ended 30 June 2012	Six months ended 30 June 2011	Year ended 31 December 2011
	US$'m	US$'m	US$'m
Los Pelambres - copper concentrate	**(32.1)**	27.1	(18.0)
Los Pelambres - molybdenum concentrate	**(4.8)**	(2.2)	(0.1)
Esperanza - copper concentrate	**(2.9)**	9.6	4.3
Esperanza - gold in concentrate	**0.3**	(0.1)	(1.6)
El Tesoro - copper cathodes	**0.2**	3.5	(0.2)
Michilla - copper cathodes	**0.7**	0.7	(0.2)
	(38.6)	38.6	(15.8)

For the period ended 30 June 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	**1,537.2**	**485.9**	**436.4**	**148.9**	**42.9**	**165.4**	**204.1**
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	**81.2**	**29.5**	**4.0**	**1.3**	**0.1**	**1.5**	**1.3**
Total effect of adjustments to previous period invoices in the current period	**99.2**	**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 current period	**(26.6)**	**(17.1)**	**(5.9)**	**(3.0)**	**0.1**	**(1.5)**	**(6.8)**
Mark-to-market adjustments at the end of the current period	**(32.1)**	**(2.9)**	**0.2**	**0.7**	**-**	**0.3**	**(4.8)**
Total effect of adjustments to current period invoices	**(58.7)**	**(20.0)**	**(5.7)**	**(2.3)**	**0.1**	**(1.2)**	**(11.6)**
Total pricing adjustments	**40.5**	**5.2**	**(1.5)**	**(0.8)**	**0.2**	**1.9**	**(10.2)**
Realised gains/(losses) on commodity derivatives	**(5.9)**	**-**	**0.2**	**2.4**	**-**	**-**	**-**
Revenue before deducting tolling charges	**1,571.8**	**491.1**	**435.1**	**150.5**	**43.1**	**167.3**	**193.9**
Tolling charges	**(58.1)**	**(22.4)**	**-**	**-**	**(0.1)**	**(0.5)**	**(10.9)**
Revenue net of tolling charges	**1,513.7**	**468.7**	**435.1**	**150.5**	**43.0**	**166.8**	**183.0**

For the period ended 30 June 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	1,840.6	248.3	414.9	214.3	27.0	70.7	172.4
Effects of pricing adjustments to previous period invoices							
Reversal of mark-to-market adjustments at the end of the previous period	(124.3)	-	(4.1)	(1.4)	-	-	(0.3)
Settlement of sales invoiced in the previous period	115.9	-	3.5	1.0	(0.5)	-	0.3
Total effect of adjustments to previous period invoices in the current period	(8.4)	-	(0.6)	(0.4)	(0.5)	-	-
Effects of pricing adjustments to current period invoices							
Settlement of sales invoiced in the current period	(26.8)	(5.1)	(4.3)	(3.9)	0.3	0.4	(5.6)
Mark-to-market adjustments at the end of the current period	27.1	9.6	3.5	0.7	-	(0.1)	(2.2)
Total effect of adjustments to current period invoices	0.3	4.5	(0.8)	(3.2)	0.3	0.3	(7.8)
Total pricing adjustments	(8.1)	4.5	(1.4)	(3.6)	(0.2)	0.3	(7.8)
Realised gains/(losses) on commodity derivatives	-	-	0.1	(12.4)	-	-	-
Revenue before deducting tolling charges	1,832.5	252.8	413.6	198.3	26.8	71.0	164.6
Tolling charges	(72.5)	(8.9)	-	-	(0.1)	(0.2)	(7.2)
Revenue net of tolling charges	1,760.0	243.9	413.6	198.3	26.7	70.8	157.4

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

Copper concentrate

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

At 30 June 2012 copper concentrate sales totalling 170,600 tonnes remained open as to price, with an average mark-to-market price of 348.8 cents per pound compared with an average provisional invoice price of 358.1 cents per pound. At 30 June 2011 copper concentrate sales totalling 151,400 tonnes remained open as to price, with an average mark-to-market price of 427.7 cents per pound compared with an average provisional invoice price of 416.7 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 347.9 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 June 2012 sales totalling 12,400 tonnes remained open as to price, with an average mark-to-market price of 349.1 cents per pound compared with an average provisional invoice price of 345.9 cents per pound. At 30 June 2011 sales totalling 10,400 tonnes remained open as to price, with an average mark-to-market price of 427.4 cents per pound compared with an average provisional invoice price of 409.8 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 30 June 2012 sales totalling 15,700 ounces remained open as to price, with an average mark-to-market price of US$1,596.5 per ounce compared with an average provisional invoice price of US$1,579.3 per ounce. At 30 June 2011 sales totalling 8,100 ounces remained open as to price, with an average mark-to-market price of US$1,511.3 per ounce compared with an average provisional invoice price of US$1,517.9 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 30 June 2012 sales totalling 2,700 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$14.2 per pound. At 30 June 2011 sales totalling 1,400 tonnes remained open as to price, with an average mark-to-market price of US$16.2 per pound compared with an average provisional invoice price of US$16.9 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 to reduce its exposure to commodity price, foreign exchange and interest rate movements. The Group does not use such derivative instruments for speculative trading purposes.

The Group has applied the hedge accounting provisions of IAS 39 *Financial Instruments: Recognition and Measurement*. Changes in the fair value of derivative financial instruments that are designated and effective as hedges of future cash flows have been recognised directly in equity, with such amounts subsequently recognised in the income statement in the period when the hedged item affects profit or loss. Any ineffective portion is recognised immediately in the income statement. Realised gains and losses on commodity derivatives recognised in the income statement have been recorded within revenue. The time value element of changes in the fair value of derivative options is excluded from the designated hedging relationship, and is therefore recognised directly in the income statement within other finance items.

(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 period, and the total effect on the income statement for each period, are as follows:

For the six months ended 30 June 2012

	Impact on income statement for six months ended 30.06.12			Impact on reserves at 30.06.12	Total balance sheet impact of mark-to-market adjustments at 30.06.12
	Realised gains/(losses)	Losses 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 liability
	US$'m	US$'m	US$'m	US$'m	US$'m
Commodity Derivatives					
Pelambres	(5.9)	-	(5.9)	-	-
El Tesoro	0.2	-	0.2	(0.6)	(0.1)
Michilla	2.4	(5.1)	(2.7)	3.8	57.1
Exchange Derivatives					
Michilla	(1.0)	-	(1.0)	7.4	(0.4)
Interest Derivatives					
Esperanza	(8.0)	-	(8.0)	4.9	(22.1)
	(12.3)	**(5.1)**	**(17.4)**	**15.5**	**34.5**

For the six months ended 30 June 2011

	Impact on income statement for six months ended 30.06.11			Impact on reserves at 30.06.11	Total balance sheet impact of mark-to-market adjustments at 30.06.11
	Realised gains/(losses)	Gains/(losses) 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	0.1	-	0.1	1.6	0.3
Michilla	(12.4)	(17.9)	(30.3)	25.9	(68.9)
Exchange Derivatives					
Esperanza	1.1	-	1.1	(1.8)	-
Corporate and other items	(2.0)	-	(2.0)	-	(2.0)
Railway and other transport services	(2.4)	-	(2.4)	-	-
Interest Derivatives					
Esperanza	(10.0)	-	(10.0)	4.5	(31.0)
	(25.6)	**(17.9)**	**(43.5)**	**30.2**	**(101.6)**

For the year ended 31 December 2011

	Impact on income statement for six months 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 losses	Gains/(losses) resulting from mark-to-market adjustments on hedging instruments	Total net 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**

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 30.06.12	At 30.06.11	At 31.12.11
	US$'m	US$'m	US$'m
Analysed between:			
Current assets	**25.1**	0.3	11.4
Non-current assets	**32.8**	-	47.6
Current liabilities	**(7.8)**	(47.3)	(16.9)
Non-current liabilities	**(15.6)**	(54.6)	(18.0)
	34.5	(101.6)	24.1

(ii) Outstanding derivative financial instruments

Commodity derivatives

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

- Min/max instruments

	At 30.06.12	For instruments held at 30.06.12			
	Copper production hedged tonnes	Weighted average remaining period from 1 July 2012 months	Covering a period up to:	Weighted average floor US cents	Weighted average cap US cents
Michilla	67,650	18.1	31-12-14	348.1	459.8

Between 1 July 2012 and 31 July 2012 2,775 tonnes of copper production hedged matured. As a result up to 31 July 2012:

(i) 33,300 tonnes of 2012 Group copper production had been hedged with min-max options of which 19,425 tonnes matured by 31 July 2012 and 13,875 tonnes remain outstanding and will mature by the end of the year.

(ii) 33,000 tonnes of 2013 Group copper production have been hedged with min-max options.

18,000 tonnes of 2014 Group copper production have 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 30.06.12	For instruments held at 30.06.12		
	Copper production hedged tonnes	Weighted average remaining period from 1 July 2012 Months	Covering a period up to:	Weighted average price US cents
El Tesoro	15,300	10.7	31-01-14	365.0

(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 30.06.12	For instruments held at 30.06.12		
	Principal value of cross currency swaps held US$'m	Weighted average remaining period from 1 July 2012 months	Covering a period up to:	Weighted average rate Ch$/US$
Michilla	117.0	7.1	16-09-13	519.6

(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 30 June 2012 the Group had entered into the contracts outlined below.

	Start date	Maturity date	Maximum notional amount US$'m	Weighted Average Fixed Rate %
Esperanza	15/02/11	15/08/18	840.0	3.372

The actual notional amount hedged depends upon the amount of the related debt currently outstanding. At 30 June 2012 the current notional amount hedged of the senior debt at Esperanza was US$495.2 million.

6. Net finance expense

	Six months ended 30 June 2012	Six months ended 30 June 2011	Year ended 31 December 2011
	US$'m	US$'m	US$'m
Investment income			
Interest receivable	**14.9**	11.5	23.3
Interest expense			
Interest payable	**(44.1)**	(44.6)	(93.0)
Preference dividends	**(0.1)**	(0.1)	(0.2)
	(44.2)	(44.7)	(93.2)
Other finance items			
Time value effect of commodity derivatives	**(5.1)**	(17.9)	49.1
Foreign exchange derivatives	**-**	(3.3)	(3.3)
Unwinding of discount on provisions	**(4.8)**	(4.3)	(11.3)
Foreign exchange	**(8.4)**	12.0	14.2
	(18.3)	(13.5)	48.7
Net finance expense	**(47.6)**	(46.7)	(21.2)

In the six months ended 30 June 2011, US$2.2 million relating to net interest expense and other finance items at Esperanza was capitalised during the period, and is consequently not included within the above table.

7. Taxation

The tax charge for the period comprised the following:

	Six months ended 30 June 2012	Six months ended 30 June 2011	Year ended 31 December 2011
	US$'m	US$'m	US$'m
Current tax charge			
Corporate tax (principally first category tax in Chile)	**(290.9)**	(340.0)	(541.5)
Mining tax (royalty)	**(90.4)**	(117.7)	(203.2)
Withholding tax provision	**(112.3)**	(174.5)	(218.5)
Exchange gains/(losses) on corporate tax balances	**0.3**	0.6	(2.1)
	(493.3)	(631.6)	(965.3)
Deferred tax credit/(charge)			
Corporate tax (principally first category tax in Chile)	**(2.0)**	0.4	(75.8)
Mining tax (royalty)	**3.0**	1.2	3.4
Withholding tax provision	**4.9**	110.4	91.5
	5.9	112.0	19.1
Total tax charge (income tax expense)	**(487.4)**	(519.6)	(946.2)

The rate of first category (i.e. corporation) tax in Chile was 18.5% for the six months ended 30 June 2012 and during 2011 the rate was 20%. During 2012 the Chilean Congress has studied a bill that increases the rate of first category tax in 2013 from the previously expected 17% to 20%. This still requires final parliamentary and presidential approval. If passed the change is expected to be applied retrospectively with effect from 1 January 2012. At the date of issue of this half yearly financial report the parliamentary discussion on the bill is still ongoing and the current rate of 18.5% has been applied to account for the tax expense and deferred tax for the first half of 2012.

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 – 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 of above 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 during the six months ended 30 June 2012 the effective tax rate of withholding tax is approximately 18% of the amount remitted or expected to be remitted.

	Six months ended 30 June 2012		Six months ended 30 June 2011		Year ended 31 December 2011	
	US$'m	**%**	**US$'m**	**%**	**US$'m**	**%**
Profit before tax	**1,563.3**		1,691.9		3,076.2	
Tax at the Chilean corporation tax rate of 18.5% (2012 half year and full year – 20%)	**(289.2)**	**18.5**	(338.4)	20.0	(615.2)	20.0
Tax effect of share of results of associate	**1.1**	**(0.1)**	0.5	-	4.8	(0.2)
Provision against carrying value of assets not deductible from first category tax	**-**	**-**	-	-	(28.1)	0.9
Other items not subject to or deductible from first category tax	**(23.6)**	**1.5**	(20.3)	1.2	(3.4)	0.1
Effect of deferred tax provided at rates lower than current year first category tax rate	**18.8**	**(1.2)**	18.6	(1.1)	24.6	(0.7)
Royalty	**(87.4)**	**5.6**	(116.5)	6.9	(199.8)	6.5
Withholding taxes provided in year	**(107.4)**	**6.9**	(64.1)	3.8	(127.0)	4.1
Exchange differences	**0.3**	**-**	0.6	-	(2.1)	0.1
Tax expense and effective tax rate for the year	**(487.4)**	**31.2**	(519.6)	30.7	(946.2)	30.8

The tax charge for the six months ended 30 June 2012 was US$487.4 million and the effective tax rate was 31.2%. This rate varied from the standard rate (comprising first category tax) principally due to withholding tax charge of US$107.4 million and the effect of the mining tax which resulted in a charge of US$87.4 million.

8. Earnings per share

Basic and diluted earnings per share is calculated on profit after tax and non-controlling interests giving net earnings of US$646.1 million (six months ended 30 June 2011 – US$696.2 million, year ended 31 December 2011 - US$1,236.6 million) and based on 985,856,695 ordinary shares. There was no potential dilution of ordinary shares in any period.

9. Dividends

The Board has declared an interim dividend of 8.5 cents per ordinary share (2011 half year – 8.0 cents) for payment on 4 October 2012 to shareholders on the register at the close of business on 14 September 2012. Dividends are declared and paid gross.

Dividends per share actually paid in the period and recognised as a deduction from net equity under IFRS were 36.0 cents (2011 half year – 112.0 cents), representing the final dividend (including the special dividend) declared in respect of the previous year.

Currency in which the 2012 interim dividend will be paid

Ordinary shareholders can elect to receive the 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 practical after 17 September 2012 (which is currently expected to be on 20 September 2012).

An ordinary shareholder that has made or that makes a currency election after 14 May 2012 (the currency election date for the 2011 final dividend) but on or before 17 September 2012 (the currency election date for the interim dividend) will receive the interim dividend in the currency for which it most recently elected. If an ordinary shareholder does not make a currency election within this period:

- If that shareholder held ordinary shares on 11 May 2012 (the record date for the 2011 final dividend) and has held ordinary shares at all times since that date, it will receive the interim dividend in the same currency in which it received the 2011 final dividend on 14 June 2012.

- If that shareholder has acquired its holding of ordinary shares since 11 May 2012 and has not previously held shares in Antofagasta plc, it will receive the interim dividend in US Dollars.

- If that shareholder has acquired its holding of ordinary shares since 11 May 2012 and has previously held shares in Antofagasta plc, it will normally receive the interim dividend in the currency in which it last received a dividend on ordinary shares. However, in certain circumstances (including, for example, if that shareholder has registered its new shareholding using different details than before, or if it has not held shares in Antofagasta plc in the last 12 years), that shareholder might receive the interim dividend in the default currency of US Dollars.

Accordingly, a shareholder that has acquired its holding of ordinary shares since 11 May 2012 and has previously held shares in Antofagasta plc should make a currency election on or before 17 September 2012 or should contact the Company's registrar, Computershare Investor Services PLC (on 0870 702 0159 (from the United Kingdom) or +44 870 702 0159 (from outside the United Kingdom)), if it wishes to confirm the currency in which it will receive the interim dividend if it does not make any election on or before 17 September 2012.

The Company is writing to each ordinary shareholder today to inform each of them of the currency in which it is due to receive the interim dividend. This letter also will remind each shareholder that it must make a valid election before 17 September 2012 if it wishes to receive its interim dividend in a different currency.

Currency in which subsequent dividends will be paid

For subsequent dividends:

- If an ordinary shareholder continues to hold ordinary shares, it will continue to receive all subsequent dividends in the currency in which it receives the interim dividend on 4 October 2012 unless a new currency election is received before the currency election date for the relevant dividend.

- If an ordinary shareholder acquires its ordinary shares after 14 September 2012 and has not previously held shares in Antofagasta plc, it will automatically receive all its dividends in US Dollars unless it makes an election to receive Pounds Sterling or Euro before the currency election date for the relevant dividend.

- If an ordinary shareholder acquires its ordinary shares after 14 September 2012 and has previously held shares in Antofagasta plc, it will normally receive its dividends in the currency in which it last received a dividend on ordinary shares. However, in certain circumstances (including, for example, if that shareholder has registered its new shareholding using different details than before, or if it has not held shares in Antofagasta plc in the last 12 years), that shareholder might receive the interim dividend in the default currency of US Dollars.

Accordingly, a shareholder that acquires its holding of ordinary shares after 14 September 2012 and has previously held shares in Antofagasta plc, should make a currency election before the currency election date for the relevant dividend or should contact the Company's registrar, Computershare Investor Services PLC (on 0870 702 0159 (from the United Kingdom) or +44 870 702 0159 (from outside the United Kingdom)), if it wishes to confirm the currency in which it will receive the relevant dividend if it does not make any such election.

If an ordinary shareholder makes a currency election after 17 September 2012, that election will remain in place for all subsequent dividends as long as that shareholder continues to hold ordinary shares, unless that election is revoked or amended. That election might not remain in place if an ordinary shareholder sells all its ordinary shares and subsequently reacquires ordinary shares.

10. Intangible assets

	Concession right	**Exploration licenses**	**Six months ended 30 June 2012**	Six months ended 30 June 2011	Year ended 31 December 2011
	US$'m	**US$'m**	**US$'m**	US$'m	US$'m
Balance at the beginning of the period	155.3	-	**155.3**	311.5	311.5
Amortisation	(7.6)	-	**(7.6)**	(8.0)	(14.7)
Provision against the carrying value of assets	-	-	**-**	-	(120.7)
Foreign currency exchange difference	6.1	-	**6.1**	(0.1)	(20.8)
Balance at the end of the period	153.8	-	**153.8**	303.4	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 Notes 3 and 27, the US$120.7 million provision against the carrying value of exploration licences relates to the Group's joint venture Tethyan Copper Company Pty. Ltd.

11. Property, plant and equipment

	Mining	**Railway and other transport**	**Water Concession**	**Six months ended 30 June 2012**	Six months ended 30 June 2011	Year ended 31 December 2011
	US$'m	**US$'m**	**US$'m**	**US$'m**	US$'m	US$'m
Balance at the beginning of the period	6,214.3	194.8	33.9	**6,443.0**	6,093.4	6,093.4
Additions	315.5	7.4	4.6	**327.5**	348.2	772.9
Reclassification	26.9	(26.9)	-	**-**	-	-
Decommissioning provisions capitalised	-	-	-	**-**	-	56.7
Depreciation charge for the period	(224.8)	(8.4)	(1.0)	**(234.2)**	(201.1)	(417.0)
Depreciation capitalised within inventories	(26.6)	-	-	**(26.6)**	(15.6)	(23.9)
Provision against the carrying value of assets	-	-	-	**-**	-	(19.8)
Asset disposals	(1.7)	(0.4)	-	**(2.1)**	(1.9)	(18.8)
Foreign currency exchange difference	-	(0.2)	0.7	**0.5**	0.3	(0.5)
Balance at the end of the period	6,303.6	166.3	38.2	**6,508.1**	6,223.3	6,443.0

Depreciation of US$26.6 million (30 June 2011 – US$15.6 million; 31 December 2011 – US$23.9 million) has been capitalised within inventories, and accordingly excluded from the depreciation charge recorded in the income statement as shown in Note 4(a).

As explained in Notes 3 and 27, the US$19.8 million provision in 2011 against the carrying value of property, plant and equipment relates to assets held by the Group's joint venture Tethyan Copper Company Pty. Ltd.

Future capital commitments at 30 June 2012 were US$899.1 million (30 June 2011 – US$99.8 million; 31 December 2011 - US$126.1 million) of which US$706.9 million were related to the development of Antucoya project.

12. Investment property

	Six months ended 30 June 2012	Six months ended 30 June 2011	Year ended 31 December 2011
	US$'m	US$'m	US$'m
Balance at the beginning of the period	**3.1**	3.7	3.7
Foreign currency exchange difference	**0.4**	-	(0.6)
Balance at the end of the period	**3.5**	3.7	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	**Six months ended 30 June 2012**	Six months ended 30 June 2011	Year ended 31 December 2011
	US$'m	**US$'m**	**US$'m**	**US$'m**	US$'m	US$'m
Balance at the beginning of the period	74.3	6.0	4.5	**84.8**	58.0	58.0
Acquisition	-	-	-	**-**	-	4.5
Capital contribution	-	-	19.6	**19.6**	-	-
Losses in fair value of cash flow hedges deferred in reserves of associates	-	-	(1.3)	**(1.3)**	-	-
Interest expense capitalised by associate payable to subsidiary and other	(0.5)	-	-	**(0.5)**	(0.5)	(0.5)
Share of profit/(loss) before tax	6.3	0.6	(0.1)	**6.8**	3.2	29.2
Share of tax	(0.5)	(0.1)	-	**(0.6)**	(0.3)	(5.2)
Share of income/ (loss) from associate	5.8	0.5	(0.1)	6.2	2.9	24.0
Dividends received	-	(1.1)	-	(1.1)	-	(1.2)
Balance at the end of the period	79.6	5.4	22.7	**107.7**	60.4	84.8

The investments which are included in the US$107.7 million balance at 30 June 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 2011 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 Antofagasta Terminal Internacional S.A. ("ATI"), which operates a concession to manage installations in the port of Antofagasta.

(iii) The Group´s 30% interest in Parque Eólico El Arrayan SpA, which will develop and operate a 115MW wind-farm project. The plant is expected to be constructed in 2012 and achieve commercial operation in the second half of 2013.

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 30 June 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 six months ended 30 June 2012 was US$10.4 million (six months ended 30 June 2011 – US$11.1 million; year ended 31 December 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 27.

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

	Six months ended 30 June 2012	Six months ended 30 June 2011	Year ended 31 December 2011
	US$'m	US$'m	US$'m
Balance at the beginning of the period	**36.5**	21.8	21.8
Additions	**1.5**	25.0	27.3
Movements in fair value	**(7.3)**	(7.1)	(12.3)
Foreign currency exchange difference	**0.7**	1.9	(0.3)
Balance at the end of the period	**31.4**	41.6	36.5

Available for sale investments represent those investments which are not subsidiaries, associates or joint ventures and are not held for trading. The investments which are included in the US$31.4 million balance at 30 June 2012 are set out below:

(i) US$21.4 million relating to the market value of shares in Duluth Metals Limited.
(ii) US$4.0 million relating to the market value of shares in Panoro Minerals Limited.
(iii) US$3.0 million relating to the market value of shares in Eurasian Minerals Inc.
(iv) US$1.3 million relating to the market value of shares in Full Metals Limited.
(v) US$0.9 million relating to the market value of shares in Stratex International plc.
(vi) US$0.7 million relating to the market value of shares in Sipa Resources Limited.
(vii) US$0.1 million relating to the market value of other investments.

16. Inventories

	Six months ended 30 June 2012	Six months ended 30 June 2011	Year ended 31 December 2011
	US$'m	US$'m	US$'m
Raw materials and consumables	**162.7**	150.2	148.0
Work in progress	**405.8**	274.0	346.5
Finished goods	**89.1**	45.9	46.0
	657.6	470.1	540.5

Work in progress includes the following balances which are expected to be processed more than twelve months after the balance sheet date:

(i) US$14.2 million (30 June 2011 – US$31.5 million; 31 December 2011 - US$31.9 million) relating to long-term inventories at Los Pelambres.

(ii) US$3.6 million (30 June 2011 – US$3.6 million; 31 December 2011 - US$3.6 million) relating to high carbonate ore inventories at El Tesoro.

(iii) US$119.9 million (30 June 2011 – US$55.6 million; 31 December 2011 - US$69.5 million) relating long-term inventories at Esperanza.

17. Borrowings

	Notes	At 30.06.12	At 30.06.11	At 31.12.11
		US$'m	US$'m	US$'m
Los Pelambres				
Corporate loans	(i)	**(425.2)**	(559.0)	(492.5)
Finance leases	(ii)	**(31.3)**	(34.8)	(32.4)
Esperanza				
Project financing	(iii)	**(1,008.7)**	(1,008.7)	(1,008.7)
Subordinated debt	(iv)	**(232.8)**	(212.4)	(227.7)
Short-term loans	(v)	**-**	(200.0)	(30.0)
Finance leases	(vi)	**(6.2)**	(5.5)	(7.4)
El Tesoro				
Corporate loans	(vii)	**(256.1)**	(296.2)	(296.2)
Finance leases	(viii)	**-**	(0.1)	-
Corporate and other items				
Finance leases	(ix)	**(37.3)**	(39.5)	(36.0)
Railway and other transport services				
Bonds	(x)	**(4.7)**	(6.3)	(6.3)
Short-term loans	(xi)	**(2.3)**	-	-
Other				
Preference shares	(xii)	**(3.1)**	(3.2)	(3.1)
Total (see Note 23)		**(2,007.7)**	(2,365.7)	(2,140.3)

(i) Corporate loans at Los Pelambres are unsecured and US dollar denominated. These loans have a remaining term between 2.5 and 5 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$20.7 million at fixed rate of 0.47% and US$10.6 million at LIBOR three- month rate plus 3%, with a remaining duration between of 6 and 7.5 years.

(iii) Senior debt at Esperanza comprises US$1,008.7 million in respect of syndicated loans. These loans are for a remaining term of 9 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 30 June 2012 the current notional amount hedged of the senior debt at Esperanza was US$495.2 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 paid during first months of 2012.

(vi) Finance leases at Esperanza are denominated in US dollars, with a maximum remaining duration of 3 years and with an average interest rate at approximately LIBOR three-month rate plus 2.8%.

(vii) The corporate loans at El Tesoro are US dollar denominated. This loan has approximately 3.5 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 at 30 June 2011 were US dollar denominated, and were fixed rate with an average interest rate of 1.09%.

(ix) 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 17 years and a fixed rate of 5.29%.

(x) Railway and other transport services includes a balance of US$4.7 million related with bonds issued in the Bolivian stock market to refinance short-term loans with a fixed interest rate of 5.5% and duration of 3 years. The balance at 30 June 2012 also includes short-term loans of US$2.1 million and customer advances of US$0.2 million.

(xi) Short-term loans at Railway and other transport services comprises US$2.3 million from local banks with an average duration of 12 months and with a fixed interest rate of 6.0%.

(xii) 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 30 June 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 30.06.12	At 30.06.11	At 31.12.11
	US$'m	US$'m	US$'m
Short-term borrowings	**(333.3)**	(434.9)	(301.9)
Medium and long-term borrowings	**(1,674.4)**	(1,930.8)	(1,838.4)
Total (see Note 22)	**(2,007.7)**	(2,365.7)	(2,140.3)

At 30 June 2012 US$64.8 million (30 June 2011 – US$89.4 million; 31 December 2011 - US$67.3 million) of the borrowings has fixed rate interest and US$1,942.9 million (30 June 2011 – US$2,276.3 million; 31 December 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$495.2 million of floating rate borrowings into fixed rate borrowings. Details of any derivative instruments held by the Group are given in Note 5(b) and Note 17(iii) above.

18. Post-employment benefit obligation

	Six months ended 30 June 2012	Six months ended 30 June 2011	Year ended 31 December 2011
	US$'m	US$'m	US$'m
Balance at the beginning of the period	**(61.2)**	(68.0)	(68.0)
Charge to operating profit during the year	**(6.2)**	(6.7)	(4.3)
Release of discount to net interest in period	**(1.7)**	(1.3)	(3.9)
Reclassification	**-**	(0.5)	-
Utilised in the period	**4.2**	1.9	8.4
Foreign currency exchange difference	**(2.3)**	(0.4)	6.6
Balance at the end of the period	**(67.2)**	(75.0)	(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

	Six months ended 30 June 2012	Six months ended 30 June 2011	Year ended 31 December 2011
	US$'m	US$'m	US$'m
Balance at the beginning of the period	**(321.1)**	(244.4)	(244.4)
Charge to operating profit in the period	**(3.2)**	(0.9)	(16.5)
Release of discount to net interest in the period	**(3.1)**	(3.0)	(7.4)
Capitalised adjustment to provision	**-**	-	(56.7)
Reclassification	**-**	0.5	-
Utilised in the year	**2.3**	1.1	2.6
Foreign currency exchange difference	**(0.4)**	-	1.3
Balance at the end of the period	**(325.5)**	(246.7)	(321.1)
Analysed as follows:			
Decommissioning and restoration	**(324.4)**	(245.7)	(320.0)
Termination of water concession	**(1.1)**	(1.0)	(1.1)
Balance at the end of the period	**(325.5)**	(246.7)	(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. The provision will be utilised at the end of each of the mines’ lives, which is estimated to cover a period of up to 24 years based on current mine plans.

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

	Six months ended 30 June 2012	Six months ended 30 June 2011	Year ended 31 December 2011
	US$'m	US$'m	US$'m
Net position at the beginning of the period	**(581.3)**	(586.3)	(586.3)
Charge to tax on profit in the period	**5.9**	112.0	19.1
Deferred tax recognised directly in reserves and non-controlling interest	**(2.8)**	(6.1)	(16.9)
Deferred tax capitalised	**-**	-	-
Foreign currency exchange difference	**(0.9)**	0.6	2.8
Net position at the end of the period	**(579.1)**	(479.8)	(581.3)
Analysed between:			
Deferred tax assets	**85.7**	103.9	83.2
Deferred tax liabilities	**(664.8)**	(583.7)	(664.5)
Net position	**(579.1)**	(479.8)	(581.3)

21. Share capital and share premium

There was no change in share capital or share premium in the six months ended 30 June 2012 or the comparative periods.

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

	Six months ended 30 June 2012	Six months ended 30 June 2011	Year ended 31 December 201
	US$'m	US$'m	US$'m
Profit before tax	**1,563.3**	1,691.9	3,076.2
Depreciation and amortisation	**241.8**	209.1	431.7
(Gain)/loss on disposal of property, plant and equipment	**(5.1)**	1.9	14.9
Provision against the carrying value of assets	**-**	-	140.5
Net finance expense	**47.6**	46.7	21.2
Share of profit from associates	**(6.2)**	(2.9)	(24.0)
Increase in inventories	**(90.4)**	(85.2)	(131.8)
Decrease/(increase) in debtors	**62.2**	(105.9)	(1.4)
(Decrease)/ increase in creditors and provisions	**(45.0)**	(40.4)	25.2
Cash flows from operations	**1,768.2**	1,715.2	3,552.5

23. Analysis of changes in net cash

	At 1.1.12	Cash flows	Other	Exchange	**At 30.06.12**
	US$'m	US$'m	US$'m	US$'m	**US$'m**
Cash and cash equivalents	1,335.1	138.1	-	5.4	**1,478.6**
Liquid investments	1,944.9	(71.0)	-	-	**1,873.9**
Total cash and cash equivalents and liquid investments	3,280.0	67.1	-	5.4	**3,352.5**
Bank borrowings due within one year	(293.5)	136.7	(167.2)	-	**(324.0)**
Bank borrowings due after one year	(1,767.9)	-	162.1	-	**(1,605.8)**
Finance leases due within one year	(8.4)	9.9	(10.3)	(0.5)	**(9.3)**
Finance leases due after one year	(67.4)	-	3.2	(1.3)	**(65.5)**
Preference shares	(3.1)	-	-	-	**(3.1)**
Total borrowings	(2,140.3)	146.6	(12.2)	(1.8)	**(2,007.7)**
Net cash	1,139.7	213.7	(12.2)	3.6	**1,344.8**

Net cash

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

	At 30.06.12	At 30.06.11	At 31.12.11
	US$'m	US$'m	US$'m
Cash, cash equivalents and liquid investments	**3,352.5**	3,052.4	3,280.0
Total borrowings	**(2,007.7)**	(2,365.7)	(2,140.3)
	1,344.8	686.7	1,139.7

24. Other transactions

The Group has entered into the following agreements in the first half of 2012:

- an agreement with Magnus Minerals Limited for generative exploration in Northern Finland;
- a strategic alliance with Manica Minerals Limited in relation to early stage exploration in Western Zambia;
- a Memorandum of Understanding with Chalcophile Resources Pty. Ltd. in respect of a proposed farm-in over the Company's Clermont Copper Project in central Queensland; and
- a Memorandum of Understanding with Rathdowney Resources Ltd relating to the Mallow Copper-Zinc-Lead Project in Ireland;

In addition, in July 2012 the Group signed a strategic exploration alliance with Laurentian Goldfields Ltd. for generative copper exploration in southern Quebec, Canada.

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 Mineral 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.

26. Post balance sheet events

On 31 July 2012, closing was achieved of the transaction announced on 14 December 2011 whereby Marubeni Corporation became a 30% partner in the Antucoya project. Further details are given in Note 28.

27. 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 has 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 has commenced two international arbitrations in order to protect its legal rights. Constitution of the arbitration panels is in process.

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 is now 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 received a number of applications requesting it to resume hearings in respect of these matters. The Supreme Court resumed hearing various petitions relating to Tethyan and the Reko Diq project, however its focus at this time is on the CPLA. The proceedings are presently adjourned and no date has been set for their resumption.

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. 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.

28. 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's mineral interests in Pakistan. During the six months ended 30 June 2012 the Group contributed US$5.7 million (six months ended 30 June 2011 – US$5.5 million; year ended 31 December 2011 - US$9.7 million) to Tethyan to provide funds for Tethyan's on-going work programme. The balance due from Tethyan to Group companies at 30 June 2012 was US$0.1 million (30 June 2011 – US$0.4 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 for US$12.0 million. The balance due from Energía Andina S.A. to the Group at 30 June 2012 was US$0.1 million (30 June 2011 – US$0.1 million; 31 December 2011 – US$0.1 million). During the six months ended 30 June 2012 the Group contributed US$5.5 million to Energia Andina (six months ended 30 June 2011 – US$5.0 million; 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. The Group received dividends of US$1.1 million during the period (six months ended 30 June 2011 – nil; year ended 31 December 2011 – US$1.2 million), as disclosed in the condensed Consolidated Cash Flow Statement and Note 13.

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 30 June 2012 was US$77.2 million (six months ended 30 June 2011 – US$94.4; year ended 31 December 2011 – US$83.8 million). The Group paid US$67.6 million (six months ended 30 June 2011 – US$36.5 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 six months ended 30 June 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 which is expected to begin construction in 2012 and achieve commercial operation in the second half of 2013.

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 six months ended 30 June 2012 Group incurred US$1.2 million (six months ended 30 June 2011 – nil; year ended 31 December 2011 – US$1.1 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 six months ended 30 June 2012 Michilla paid dividends of US$1.2 million (six months ended 30 June 2011 – US$1.6 million; year ended 31 December 2011 – US$1.6 million) to Centinela.

On 14 December 2011 the Group announced that it had entered into an agreement with Marubeni Corporation ("Marubeni") under which Marubeni would become a 30% partner in the Antucoya project and fund its 30% share of the development costs. The transaction closed on 31 July 2012 resulting in US$259.5 million being received by the Group, comprising consideration of US$351.7m (i.e. 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.

29. 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.

	Period end rates	Average rates
Six months ended 30 June 2012	US$1.5664 = £1; US$1 = Ch$502	US$1.5760 = £1; US$1 = Ch$493
Six months ended 30 June 2011	US$1.6062 = £1; US$1 = Ch$468	US$1.6158 = £1; US$1 = Ch$476
Year ended 31 December 2011	US$1.5509 = £1; US$1 = Ch$519	US$1.6033 = £1; US$1 = Ch$483

RESPONSIBILITY STATEMENT

We confirm to the best of our knowledge:

a) the condensed set of financial statements has been prepared in accordance with IAS 34 *Interim Financial Reporting*;

b) the half yearly financial report includes a fair review of the information required by DTR 4.2.7R (being an indication of important events that have occurred during the first six months of the financial year, and their impact on the half yearly financial report and a description of the principal risks and uncertainties for the remaining six months of the financial year); and

c) the half yearly financial report includes a fair review of the information required by DTR 4.2.8R (being disclosure of related party transactions that have taken place in the first six months of the financial year and that have materially affected the financial position or the performance of the Group during that period and any changes in the related party transactions described in the last annual report that could have a material effect on the financial position or performance of the Group in the first six months of the current financial year).

By order of the Board

J-P Luksic Chairman	WM Hayes Director

28 August 2012

INDEPENDENT REVIEW REPORT TO ANTOFAGASTA PLC

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2012 which comprises the condensed consolidated income statement, the condensed consolidated statement of comprehensive income, the condensed consolidated statement of changes in equity, the condensed consolidated balance sheet, the condensed consolidated cash flow statement and related Notes 1 to 29. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the company in accordance with International Standard on Review Engagements (UK and Ireland) 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Auditing Practices Board. Our work has been undertaken so that we might state to the company those matters we are required to state to it in an independent review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company, for our review work, for this report, or for the conclusions we have formed.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure and Transparency Rules of the United Kingdom’s Financial Services Authority.

As disclosed in Note 1, the annual financial statements of the group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting," as adopted by the European Union.

Our responsibility

Our responsibility is to express to the company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2012 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

Deloitte LLP
Chartered Accountants and Statutory Auditor
London, UK
28 August 2012

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 and molybdenum

	Production			Sales		
	Six months ended 30 June 2012	Six months ended 30 June 2011	Year ended 31 December 2011	**Six months ended 30 June 2012**	Six months ended 30 June 2011	Year ended 31 December 2011
	000 tonnes	000 tonnes	000 tonnes	**000 tonnes**	000 tonnes	000 tonnes
Copper						
Los Pelambres	**197.2**	192.5	411.8	**191.0**	196.2	415.5
Esperanza	**68.2**	29.3	90.1	**59.8**	27.1	86.3
El Tesoro	**52.7**	45.1	97.1	**53.3**	43.9	96.0
Michilla	**18.0**	21.7	41.6	**18.1**	22.3	42.2
Group total	**336.0**	288.5	640.5	**322.2**	289.5	640.0
Gold	**000 ounces**	000 ounces	000 ounces	**000 ounces**	000 ounces	000 ounces
Los Pelambres	**26.3**	18.1	39.8	**26.3**	18.1	39.8
Esperanza*	**109.8**	52.7	157.1	**101.2**	47.5	153.4
Group total	**136.1**	70.7	196.8	**127.5**	65.6	193.2
Molybdenum						
Los Pelambres	**6.5**	4.8	9.9	**6.8**	4.4	9.4
Silver	**000 ounces**	000 ounces	000 ounces	**000 ounces**	000 ounces	000 ounces
Los Pelambres	**1,002.3**	843.6	1,774.3	**1,002.3**	843.6	1,774.3
Esperanza	**543.1**	250.2	724.3	**455.7**	250.2	724.3
Group total	**1,545.4**	1,093.8	2,498.6	**1,458.0**	1,093.8	2,498.6

*Sales of payable gold at Esperanza had initially been estimated in the Group's Q2 Production Report as 58,100 ounces in Q2 2012 and 109,800 ounces for the first six months of 2012. As shown above, the finalised sales volumes were 49,500 ounces in Q2 2012 and 101,200 ounces for the first six months of 2012.

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

	Cash costs			Realised prices		
	Six months ended 30 June 2012	Six months ended 30 June 2011	Year ended 31 December 2011	**Six months ended 30 June 2012**	Six months ended 30 June 2011	Year ended 31 December 2011
	US cents	US cents	US cents	**US cents**	US cents	US cents
Copper						
Los Pelambres	**77.3**	75.2	78.3	**373.4**	423.7	371.1
Esperanza	**60.1**	121.9	83.2	**372.5**	423.2	354.7
El Tesoro	**156.9**	183.0	171.6	**370.4**	427.4	391.2
Michilla	**313.9**	192.5	213.3	**377.2**	403.4	381.6
Group weighted average (net of by-products)	**98.9**	105.6	101.9	**373.0**	422.7	372.6
Group weighted average (before deducting by-products)	**160.8**	157.8	155.2			
Group weighted average (before deducting by-products and excluding tolling charges from concentrate)	**147.9**	143.7	141.5			
Cash costs at Los Pelambres comprise:						
On-site and shipping costs	**121.1**	112.0	110.0			
Tolling charges for concentrates	**16.1**	18.8	18.0			
Cash costs before deducting by-product credits	**137.2**	130.8	128.0			
By-product credits (principally molybdenum)	**(59.9)**	(55.5)	(49.7)			
Cash costs (net of by-product credits)	**77.3**	75.2	78.3			
Cash costs at Esperanza comprise:						
On-site and shipping costs	**174.3**	255.3	219.4			
Tolling charges for concentrates	**17.5**	15.5	15.5			
Cash costs before deducting by-product credits	**191.8**	270.8	234.9			
By-product credits (principally molybdenum)	**(131.7)**	(148.9)	(151.7)			
Cash costs (net of by-product credits)	**60.1**	121.9	83.2			
LME average				**367.3**	426.3	399.7
				US$	US$	US$
Gold						
Los Pelambres				**1,638.8**	1,480.7	1.610.6
Esperanza				**1,653.2**	1,494.7	1,643.4
Group weighted average				**1,650.2**	1,490.8	1,636.6
Market average price				**1,651.3**	1,445.0	1,572.4
				US$	US$	US$
Molybdenum						
Los Pelambres				**12.9**	17.0	15.1
Market average price				**14.0**	17.0	15.5
Silver						
Los Pelambres				**30.7**	37.3	35.9
Esperanza				**30.5**	35.6	35.2
Group weighted average				**30.6**	36.9	35.7
Market average price				**31.1**	34.8	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 three 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 and gold prices 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 30(a) and the cash cost information in Note 30(b) is derived from the Group's production report for the second quarter of 2012, published on 1 August 2012.