

For immediate release

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Unaudited Results for the Nine Months ended 30 September 2011

London, 24 November 2011

Highlights

	Nine months ended 30 September 2011 US\$m	Nine months ended 30 September 2010 US\$m	Change %	Full year 2010 US\$m
Group revenue	<u>4,172.9</u>	<u>3,168.9</u>	31.7%	<u>4,577.1</u>
Group EBITDA	<u>2,505.5</u>	<u>1,957.3</u>	28.0%	<u>2,771.9</u>

Revenue

Group revenue in the nine months ended 30 September 2011 was US\$4,172.9 million compared with US\$3,168.9 million in the same period in 2010. This increase mainly reflected the impact of higher realised copper prices and copper volumes compared with the same period of 2010, as well as higher volumes of gold sales.

London Metal Exchange (“LME”) copper prices averaged 419.8 cents per pound during the period compared with 325.2 cents per pound in the nine months ended 30 September 2010. However the copper price weakened in the third quarter of 2011, resulting in negative mark-to-market adjustments of provisional sales at the period end. The net impact of settlement and mark-to-market adjustments relating to the provisional pricing of copper sales in the nine months ended 30 September 2011 was a negative adjustment of US\$390.3 million. Revenue also included a net loss of US\$15.3 million on commodity derivatives, principally at Michilla, which matured during the period. As a result the average realised copper price for the nine months ended 30 September 2011 was 378.0 cents per pound (nine months ended 30 September 2010 – 329.9 cents per pound).

Market molybdenum prices averaged US\$16.2 per pound in the nine month period, an increase from the average price of US\$15.7 per pound in the nine months ended 30 September 2010. The realised molybdenum price of US\$15.7 per pound for the period was marginally lower than the average market price as a result of a decrease in the price over the period and the resulting settlement and mark-to-market adjustments relating to the provisional pricing of molybdenum sales.

Market gold prices averaged US\$1,534.4 per ounce in the nine month period, an increase from the average price of US\$1,178.1 per ounce in the nine months ended 30 September 2010. The realised gold price of US\$1,602.5 for the nine month period was marginally above the market price for the period.

The volume of copper produced in the nine months ended 30 September 2011 was 453,500 tonnes, a 15.2% increase on the 393,600 tonnes produced in the nine months ended 30 September 2010, reflecting the production from Esperanza. Severe adverse weather conditions affecting Chile’s coastline resulted in delays in programmed shipments at both Los Pelambres and Esperanza. As a result, copper sales volumes for the nine months ended 30 September 2011 were lower than production volumes at 433,100 tonnes, an 11.5% increase on the 388,400 tonnes sold in the nine months ended 30 September 2010.

Gold production volumes were 125,000 ounces and sales volumes were 106,400 ounces (nine months ended 30 September 2010 - production volumes of 25,800 ounces and sales volumes of 25,800 ounces) reflecting the increased production as a result of the start-up of Esperanza. Gold sales volumes for the nine months ended 30 September 2011 were lower than production volumes due to the shipment difficulties caused by the adverse weather conditions outlined above.

Molybdenum production volumes were 7,300 tonnes and sales volumes were 7,200 tonnes (nine months ended 30 September 2010 – production volumes were 6,700 tonnes and sales volumes were 6,300 tonnes), reflecting the higher plant throughput at Los Pelambres.

The transport division's sales were US\$132.7 million in the period, a 17.2% improvement compared with the same period in 2010. An increase in tariffs as a result of indexation due to higher oil prices and the impact of the stronger Chilean peso were the key factors in this increase. The water division's sales were US\$84.8 million, a 26.4% increase compared with the same period in 2010 as a result of increased volumes, increased tariffs and the impact of the stronger Chilean peso.

Further details of production and sales volumes and realised prices by mining operation are given in Note 2, and an analysis of revenue by business segment is given in Note 3. Further details of the operating performance of each mine and the rail and water division are also given in the Group's third quarter production report released on 2 November 2011.

EBITDA

Group EBITDA in the nine months ended 30 September 2011 was US\$2,505.5 million, compared with US\$1,957.3 million in the first nine months of 2010. The increased revenues discussed above were partly offset by increased operating costs. Excluding by-product credits (which are reported as part of revenue) and tolling charges for concentrates (which are deducted from revenue), weighted average cash costs for the Group (comprising on-site and shipping costs in the case of Los Pelambres and Esperanza, and cash costs in the case of the other two operations) increased from 117.5 cents per pound in the nine months ended 30 September 2010 to 142.5 cents per pound in the first nine months of 2011. This increase reflected the impact on average cash costs of the ramp-up process at Esperanza, the impact of temporary lower grades at Los Pelambres and El Tesoro during the early part of 2011, and general cost pressures across the operations, including the impact of the stronger Chilean peso and increased sulphuric acid costs at El Tesoro and Michilla. These factors were partly offset by lower energy costs at Los Pelambres. Net cash costs including by-product credits (which are reported as part of revenue) were 103.7 cents per pound, compared with 97.7 cents per pound in the first nine months of 2010, with the higher gold sales volumes largely offsetting the increased operating costs. Further details of the cash costs of each mine are given in the Group's third quarter production report.

Further details of cash costs by mining operation are given in Note 2, and an analysis of EBITDA by business segment is given in Note 3. Details of commodity derivative instruments are given in Note 5.

Cash and Borrowings

At 30 September 2011 the Group had cash, cash equivalents and liquid investments of US\$3,197.2 million (31 December 2010 – US\$3,541.6 million). The movement in the cash balance includes the impact of the payment in June 2011 of the 2010 final dividend of US\$1,104.2 million. Excluding the minority share in each partly-owned operation, the Group's attributable share of total cash and cash equivalents was US\$2,945.4 million (31 December 2010 – US\$3,393.8 million). Total Group borrowings at 30 September 2011 were US\$2,345.8 million (31 December 2010 – US\$2,196.5 million). Of this, US\$1,594.8 million (31 December 2010 – US\$1,486.8 million) is proportionally attributable to the Group after excluding the minority shareholdings in partly-owned operations. The increase in borrowings is mainly due to US\$200.0 million of new short-term borrowings at Esperanza partly offset by regular repayments on existing borrowings.

Projects

As previously disclosed, a joint venture company of Antofagasta plc, Tethyan Copper Company Pty. Limited ("Tethyan"), was notified on 15 November 2011 that the Government of Balochistan has rejected the application submitted by Tethyan's fully controlled subsidiary Tethyan Copper Company Pakistan (Private) Limited ("TCCP") in February 2011 for a mining lease to cover an area including the Reko Diq copper-gold deposit. Tethyan is considering its options for further courses of action.

Basis of Information

The Group revenue and EBITDA figures included in this release for the nine-month period ended 30 September 2011 are presented on a basis consistent with the accounting policies used in the Group's 2010 Annual Report and Financial Statements under International Financial Reporting Standards and Interpretations ("IFRS").

The Group's four mining companies, Los Pelambres, Esperanza, El Tesoro Michilla will today also file quarterly financial statements under a consistent IFRS basis for the nine-month period ended 30 September 2011 with the Chilean securities regulator, the Superintendencia de Valores y Seguros de Chile ("SVS"). The quarterly financial statements for the mining companies were previously prepared under Chilean GAAP and prior period releases included a reconciliation of the Chilean GAAP income statement, balance sheet and cash flow statement for each of the four mining companies. As these financial statements are now prepared under a consistent IFRS basis, a GAAP reconciliation is no longer applicable and hence is no longer included within this release.

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Notes

1. General information and accounting policies

These unaudited third quarter results are for the nine-month period ending 30 September 2011. The Group revenue and EBITDA information, including all comparatives, have been prepared on the basis of the accounting policies set out in the Group's statutory accounts for the year to 31 December 2010 and in accordance with applicable International Financial Reporting Standards and Interpretations (IFRS) which have been endorsed by the European Union.

While the revenue and EBITDA information contained in this nine month results announcement has been computed in accordance with IFRS, this announcement does not itself contain sufficient information to comply with IFRS. The information included in this announcement for the nine month periods ending 30 September 2010 and 30 September 2011 is unaudited.

The information contained in this announcement for the year ended 31 December 2010 does not constitute statutory accounts. A copy of the statutory accounts for that year has been delivered to the Registrar of Companies. The auditors' report on these accounts was unqualified and did not contain statements under section 498(2) (regarding adequacy of accounting records and returns) or section 498(3) (regarding provision of necessary information and explanations) of the Companies Act 2006. The comparative information contained in Note 2 of this announcement is not derived from the statutory accounts for the year ended 31 December 2010 and is accordingly not covered by the auditors' report.

2. Production and Sales Statistics

(See notes following Note 2(b).)

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

	<u>Production</u>			<u>Sales</u>		
	Nine months ended 30 September 2011	Nine months ended 30 September 2010	Full year 2010	Nine months ended 30 September 2011	Nine months ended 30 September 2010	Full year 2010
Copper ('000 tonnes)						
Los Pelambres	297.4	292.3	384.6	286.9	286.2	379.1
Esperanza	54.4	-	-	44.8	-	-
El Tesoro	69.7	71.4	95.3	68.8	71.4	95.3
Michilla	32.0	29.9	41.2	32.6	30.8	41.6
Group total	453.5	393.6	521.1	433.1	388.4	516.0
Gold ('000 ounces)						
Los Pelambres	26.8	25.8	35.1	26.8	25.8	35.1
Esperanza	98.2	-	-	79.6	-	-
	125.0	25.8	35.1	106.4	25.8	35.1
Molybdenum ('000 tonnes)						
Los Pelambres	7.3	6.7	8.8	7.2	6.3	8.9
Silver ('000 ounces)						
Los Pelambres	1,213.3	1,075.9	1,470.8	1,213.3	1,075.9	1,470.8
Esperanza	385.7	-	-	385.7	-	-
	1,599.0	1,075.9	1,470.8	1,599.0	1,075.9	1,470.8

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

	<u>Cash cost</u>			<u>Realised prices</u>		
	Nine months ended 30 September 2011 US cents/pound	Nine months ended 30 September 2010 US cents/pound	Full year 2010 US cents/pound	Nine months ended 30 September 2011 US cents/pound	Nine months ended 30 September 2010 US cents/pound	Full year 2010 US cents/pound
Copper						
Los Pelambres	77.8	73.4	79.3	373.8	338.2	371.7
Esperanza	99.0	-	-	350.4	-	-
El Tesoro	175.6	161.3	169.2	407.5	329.4	351.9
Michilla	196.7	183.6	183.8	390.1	253.7	263.8
Group weighted average (net of by-products)	103.7	97.7	104.0	378.0	329.9	359.3
Group weighted average (before deducting by-products)	156.8	130.7	137.3			
Group weighted average (before deducting by-products and excluding tolling charges from concentrate)	142.5	117.5	124.3			
Cash costs at Los Pelambres comprise:						
On-site and shipping cost	110.7	100.0	106.8			
Tolling charges for concentrates	19.0	17.8	17.6			
Cash costs before deducting by-product credits	129.7	117.8	124.4			
By-product credits (principally molybdenum)	(51.9)	(44.4)	(45.1)			
Cash costs (net of by-product credits)	77.8	73.4	79.3			
Cash costs at Esperanza comprise:						
On-site and shipping cost	241.7	-	-			
Tolling charges for concentrates	15.4	-	-			
Cash costs before deducting by-product credits	257.1	-	-			
By-product credits (principally gold)	(158.1)	-	-			
Cash costs (net of by-product credits)	99.0	-	-			
Copper LME average price (US cents/pound)				419.8	325.2	342.0
Gold (US\$/ounce)						
Los Pelambres				1,552.2	1,186.0	1,236.5
Esperanza				1,619.4	-	-
Weighted average				1,602.5	1,186.0	1,236.5
Gold average market price				1,534.4	1,178.1	1,226.3
Molybdenum (US\$/pound)						
Los Pelambres				15.7	16.3	16.2
Molybdenum average market price				16.2	15.7	15.7
Silver (US\$/ounce)						
Los Pelambres				37.5	18.0	20.4
Esperanza				37.9	-	-
Weighted average				37.6	18.0	20.4
Silver average market price				36.2	18.1	20.2

Notes to the production and sales statistics

- (i) The production and sales figures represent the total amounts produced and sold at each mine, not the Group's attributable share of each mine. The Group owns 60% of Los Pelambres, 70% of Esperanza, 70% of El Tesoro and 74.2% of Michilla.
- (ii) Los Pelambres produces copper and molybdenum concentrates and Esperanza produces copper concentrate. The figures for Los Pelambres and Esperanza are expressed in terms of payable metal contained in concentrate. Los Pelambres and Esperanza are also credited for the gold and silver contained in the copper concentrate sold. El Tesoro and Michilla produce cathodes with no by-products.
- (iii) Cash costs are a measure of the cost of operational production expressed in terms of cents per pound of payable copper produced. Cash costs are stated net of by-product credits and include tolling charges for concentrates at Los Pelambres and Esperanza. Cash costs exclude depreciation, financial income and expenses, hedging gains and losses, exchange gains and losses and corporation tax for all four operations.
- (iv) Realised copper prices are determined by comparing revenue from copper sales (grossing up for tolling charges for concentrates) with sales volumes for each mine in the period. Realised molybdenum prices at Los Pelambres are calculated on a similar basis. Realised prices reflect gains and losses on commodity derivatives, which are included within revenue.
- (v) The totals in the tables above may include some small apparent differences as the specific individual figures have not been rounded.
- (vi) The production information in Note 2(a) and the cash cost information in Note 2(b) is derived from the Group's production report for the third quarter of 2011, published on 2 November 2011.

3. Revenue and EBITDA analysed by business segment

	<u>Revenue</u>			<u>EBITDA</u>		
	Nine months ended 30 September 2011 US\$'m	Nine months ended 30 September 2010 US\$'m	Full year 2010 US\$'m	Nine months ended 30 September 2011 US\$'m	Nine months ended 30 September 2010 US\$'m	Full year 2010 US\$'m
Los Pelambres	2,582.5	2,297.8	3,348.3	1,853.4	1,656.6	2,375.0
Esperanza	474.4	-	-	239.4	-	-
El Tesoro	618.2	518.5	739.7	348.3	261.6	354.9
Michilla	280.3	172.3	242.0	137.3	45.1	60.6
Exploration	-	-	-	(138.8)	(63.6)	(99.0)
Corporate and other items	-	-	-	(45.8)	(33.6)	(46.4)
Mining	3,955.4	2,988.6	4,330.0	2,393.8	1,866.1	2,645.1
Railway and other transport services	132.7	113.2	154.7	58.1	44.3	59.8
Water concession	84.8	67.1	92.4	53.6	46.9	67.0
Group revenue and EBITDA	4,172.9	3,168.9	4,577.1	2,505.5	1,957.3	2,771.9

Revenue by product:

	Nine months ended 30 September 2011	Nine months ended 30 September 2010	Full year 2010
	US\$m	US\$m	US\$m
Copper			
- Los Pelambres	2,260.2	2,031.2	2,972.1
- Esperanza	331.5	-	-
- El Tesoro	618.2	518.5	739.7
- Michilla	280.3	172.3	242.0
Gold			
- Los Pelambres	41.5	30.5	43.4
- Esperanza	128.5	-	-
Molybdenum			
- Los Pelambres	235.8	217.1	303.5
Silver			
- Los Pelambres	45.0	19.0	29.3
- Esperanza	14.4	-	-
Total Mining	3,955.4	2,988.6	4,330.0
Railway and transport services	132.7	113.2	154.7
Water concession	84.8	67.1	92.4
	4,172.9	3,168.9	4,577.1

Notes to revenue and EBITDA by business segment

- (i) Revenue from Esperanza is stated after eliminating inter-segmental sales to El Tesoro of US\$12.7 million. Revenue from the Railway and other transport services is stated after eliminating inter-segmental sales to the mining division of US\$11.8 million (nine months ended 30 September 2010 - US\$10.0 million). Revenue from the Water concession is stated after eliminating inter-segmental sales to the mining division of US\$5.5 million (nine months ended 30 September 2010 - US\$6.4 million) and after eliminating sales to the Railway and other transport services division of US\$0.2 million (nine months ended 30 September 2010 - US\$0.1 million).
- (ii) Revenue includes the effect of both final pricing and mark-to-market adjustments to provisionally priced sales of copper and molybdenum concentrates and copper cathodes. Further details of such adjustments are given in Note 4.
- (iii) Revenue includes a realised loss on commodity derivatives at Michilla of US\$15.6 million (nine months ended 30 September 2010 – loss of US\$52.6 million). At El Tesoro for the nine months ended 30 September 2011 there was a realised gain of US\$0.3 million. Further details are given in Note 5.
- (iv) EBITDA is calculated by adding back depreciation, amortisation and disposals of plant, property and equipment and any impairment charges to operating profit from subsidiaries.

4. Embedded derivatives – provisionally priced sales

Copper and molybdenum concentrate sale agreements and copper cathode sale agreements generally provide for provisional pricing of sales at the time of shipment, with final pricing being based on the monthly average London Metal Exchange copper price or monthly average molybdenum price for specified future periods. The typical period for which sales remain open until settlement occurs is a range of approximately three to five months after the shipment date in the case of copper concentrates, approximately one month after the shipment date in the case of copper cathodes, a range of approximately one to three months after the shipment date in the case of molybdenum and a range of approximately one to four months after the shipment date in the case of gold contained in copper concentrates.

Under IFRS, both gains and losses from the marking-to-market of open sales are recognised through adjustments to revenue in the income statement and to trade debtors in the balance sheet. The Group determines mark-to-market prices using forward prices at each period end for copper concentrate (including gold content) and cathode sales, and period-end month average prices for molybdenum concentrate sales due to the absence of a futures market for that commodity.

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

	Balance sheet - net mark to market effect on debtors		
	At 30.09.11	At 30.09.10	At 31.12.10
	US\$m	US\$m	US\$m
Los Pelambres - copper concentrate	(230.1)	92.5	124.3
Los Pelambres - molybdenum concentrate	(1.0)	0.8	0.3
Esperanza - copper concentrate	(56.7)	-	-
El Tesoro - copper cathodes	(5.0)	2.1	4.1
Michilla - copper cathodes	(3.7)	0.9	1.4
	(296.5)	96.3	130.1

For the period ended 30 September 2011

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

For the period ended 30 September 2010

	Nine months ended 30 September 2010						
	Los Pelambres Copper concentrate US\$m	Esperanza Copper concentrate US\$m	El Tesoro Copper cathodes US\$m	Michilla Copper cathodes US\$m	Los Pelambres Gold in concentrate US\$m	Esperanza Gold in concentrate US\$m	Los Pelambres Molybdenum concentrate US\$m
	Provisionally invoiced gross sales	2,032.9	-	513.6	223.6	30.7	-
Effects of pricing adjustments to previous period invoices							
Reversal of mark-to-market adjustments at the end of the previous period	(62.1)	-	(2.0)	(0.4)	-	-	1.1
Settlement of sales invoiced in the previous period	55.7	-	2.6	0.4	(0.1)	-	8.1
Total effect of adjustments to previous period invoices in the current period	(6.4)	-	0.6	-	(0.1)	-	9.2
Effects of pricing adjustments to current period invoices							
Settlement of sales invoiced in the current period	15.2	-	2.2	0.4	-	-	(9.3)
Mark-to-market adjustments at the end of the current period	92.5	-	2.1	0.9	-	-	0.8
Total effect of adjustments to current period invoices	107.7	-	4.3	1.3	-	-	(8.5)
Total pricing adjustments	101.3	-	4.9	1.3	(0.1)	-	0.7
Realised losses on commodity derivatives	-	-	-	(52.6)	-	-	-
Revenue before deducting tolling charges	2,134.2	-	518.5	172.3	30.6	-	226.4
Tolling charges	(103.0)	-	-	-	(0.1)	-	(9.3)
Revenue net of tolling charges	2,031.2	-	518.5	172.3	30.5	-	217.1

For the period ended 31 December 2010

	Year ended 31 December 2010						
	Los Pelambres Copper concentrate US\$m	Esperanza Copper concentrate US\$m	El Tesoro Copper cathodes US\$m	Michilla Copper cathodes US\$m	Los Pelambres Gold in concentrate US\$m	Esperanza Gold in concentrate US\$m	Los Pelambres Molybdenum concentrate US\$m
	Provisionally invoiced gross sales	2,826.0	-	722.2	317.5	43.3	-
Effects of pricing adjustments to previous period invoices							
Reversal of mark-to-market adjustments at the end of the previous period	(62.1)	-	(2.0)	(0.4)	-	-	1.1
Settlement of molybdenum sales invoiced in the previous period	55.7	-	2.6	0.4	(0.1)	-	8.1
Total effect of adjustments to previous period invoices in the current period	(6.4)	-	0.6	-	(0.1)	-	9.2
Effects of pricing adjustments to current period invoices							
Settlement of molybdenum sales invoiced in the current period	162.2	-	12.7	4.6	0.2	-	(10.9)
Mark-to-market adjustments at the end of the current period	124.3	-	4.1	1.4	-	-	0.3
Total effect of adjustments to current period invoices	286.5	-	16.8	6.0	0.2	-	(10.6)
Total pricing adjustments	280.1	-	17.4	6.0	0.1	-	(1.4)
Realised gains/(losses) on commodity derivatives	-	-	0.1	(81.5)	-	-	-
Revenue before deducting tolling charges	3,106.1	-	739.7	242.0	43.4	-	316.6
Tolling charges	(134.0)	-	-	-	(0.2)	-	(13.1)
Revenue net of tolling charges	2,972.1	-	739.7	242.0	43.2	-	303.5

Copper concentrate

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

At 30 September 2011 sales totalling 142,100 tonnes remained open as to price (Los Pelambres – 115,700 tonnes, Esperanza – 26,400 tonnes), with an average mark-to-market price of 318.3 cents per pound compared with an average provisional invoice price of 409.8 cents per pound. At 30 September 2010 sales totalling 110,600 tonnes remained open as to price at Los Pelambres, with an average mark-to-market price of 363.5 cents per pound compared with an average provisional invoice price of 325.6 cents per pound. At 31 December 2010 sales totalling 101,900 tonnes remained open as to price at Los Pelambres, with an average mark-to-market price of 436.7 cents per pound compared with an average provisional invoice price of 381.3 cents per pound.

Copper cathodes

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

At 30 September 2011, sales totalling 10,800 tonnes remained open as to price (El Tesoro – 6,900 tonnes, Michilla – 3,900 tonnes), with an average mark-to-market price of 317.7 cents per pound compared with an average provisional invoice price of 355.2 cents per pound. At 30 September 2010, sales totalling 10,500 tonnes remained open as to price (El Tesoro – 7,300 tonnes, Michilla – 3,200 tonnes), with an average mark-to-market price of 363.3 cents per pound compared with an average

provisional invoice price of 352.5 cents per pound. At 31 December 2010, sales totalling 12,700 tonnes remained open as to price (El Tesoro – 9,100 tonnes, Michilla – 3,600 tonnes), with an average mark-to-market price of 437.3 cents per pound compared with an average provisional invoice price of 417.9 cents per pound.

Gold in concentrate

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

At 30 September 2011 there were no sales of gold in concentrate which remained open at the end of the period.

Molybdenum concentrate

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

At 30 September 2011 sales totalling 1,400 tonnes remained open as to price, with an average mark-to-market price of US\$14.5 per pound compared with an average provisional invoice price of US\$14.8 per pound. At 30 September 2010 sales totalling 1,100 tonnes remained open as to price, with an average mark-to-market price of US\$15.6 per pound compared with an average provisional invoice price of US\$15.3 per pound. At 31 December 2010 sales totalling 1,300 tonnes remained open as to price, with an average mark-to-market price of US\$16.1 per pound compared with an average provisional invoice price of US\$16.0 per pound.

5. Derivative Financial Instruments

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

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

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

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

For the period ended 30 September 2011

	<u>Income statement impact for nine months ended</u> <u>30.09.11</u>			<u>Impact on</u> <u>reserves at</u> <u>30.09.11</u>	<u>Total balance</u> <u>sheet impact of</u> <u>mark-to-market</u> <u>adjustments at</u> <u>30.09.11</u>
	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	0.3	-	0.3	1.9	0.6
Michilla	(15.6)	52.5	36.9	113.1	88.7
Exchange Derivatives					
Los Pelambres	-	-	-	-	-
Michilla	-	-	-	(9.5)	(9.5)
Esperanza	1.1	-	1.1	(1.8)	-
Corporate and other items	(2.0)	-	(2.0)	-	-
Railway and other transport services	(2.4)	-	(2.4)	-	-
Water concession	-	-	-	-	-
Interest Derivatives					
Esperanza	(16.2)	-	(16.2)	3.6	(31.9)
	(34.8)	52.5	17.7	107.3	47.9

For the period ended 30 September 2010

	<u>Income statement impact for nine months ended</u>			<u>Impact on</u>	<u>Total balance</u>
	<u>30.09.10</u>			<u>reserves at</u>	<u>sheet impact of</u>
	Realised	Gains/(losses) resulting	Total net	Gains/(losses)	Net financial
	gains/(losses)	from mark-to-market	gain/(loss)	resulting from	asset/(liability)
		adjustments on hedging		mark-to-market	
		instruments		adjustments on	
				hedging	
				instruments	
	US\$m	US\$m	US\$m	US\$m	US\$m
Commodity Derivatives					
El Tesoro	-	-	-	(0.2)	(0.1)
Michilla	(52.6)	(16.0)	(68.6)	51.7	(42.2)
Exchange Derivatives					
Los Pelambres	(0.2)	-	(0.2)	-	-
Michilla	0.9	-	0.9	0.6	0.6
Esperanza	-	-	-	8.9	8.9
Corporate and other items	-	0.2	0.2	-	-
Railway and other transport services	(1.1)	(3.8)	(4.9)	-	(2.2)
Water concession	(1.7)	1.9	0.2	-	-
Interest Derivatives					
Esperanza	-	-	-	(35.9)	(41.6)
	(54.7)	(17.7)	(72.4)	25.1	(76.6)

For the year ended 31 December 2010

	<u>Income statement impact for year ended 31.12.10</u>			<u>Impact on</u>	<u>Total balance</u>
	<u>31.12.10</u>			<u>reserves at</u>	<u>sheet impact of</u>
	Realised	Gains/(losses) resulting	Total net	Gains/(losses)	Net financial
	gains/(losses)	from mark-to-market	gain/(loss)	resulting from	asset/(liability)
		adjustments on hedging		mark-to-market	
		instruments		adjustments on	
				hedging	
				instruments	
	US\$m	US\$m	US\$m	US\$m	US\$m
Commodity Derivatives					
El Tesoro	0.1	-	0.1	(1.4)	(1.3)
Michilla	(81.5)	(16.1)	(97.6)	17.1	(76.9)
Exchange Derivatives					
Los Pelambres	(0.2)	-	(0.2)	-	-
Michilla	1.5	-	1.5	-	-
Esperanza	-	-	-	1.8	1.8
Corporate and other items	-	0.2	0.2	-	-
Railway and other transport services	(4.7)	(1.6)	(6.3)	-	-
Water concession	(1.7)	1.9	0.2	-	-
Interest Derivatives					
Esperanza	-	-	-	(29.8)	(35.5)
	(86.5)	(15.6)	(102.1)	(12.3)	(111.9)

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

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

	At 30.09.11	At 30.09.10	At 31.12.10
	US\$m	US\$m	US\$m
Analysed between:			
Non-current assets	68.9	-	-
Current assets	20.4	9.5	1.8
Current liabilities	(19.4)	(45.1)	(54.7)
Non-current liabilities	(22.0)	(41.0)	(59.0)
	<u>47.9</u>	<u>(76.6)</u>	<u>(111.9)</u>

(b) Outstanding derivative financial instruments

(i) Commodity derivatives

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

Min/max instruments

	At 30.09.11	For instruments held at 30.09.11			
	Copper production hedged 000 tonnes	Weighted average remaining period from 1 October 2010 Months	Covering a period up to: Months	Weighted average floor US cents	Weighted average cap US cents
Michilla	91,175	28.0	31.12.14	342.3	444.0

Between 1 October 2011 and 31 October 2011 no additional min/max instruments were entered into and 2,275 tonnes of min/max instruments matured. As a result up to 31 October 2011:

- (i) 32,275 tonnes of 2011 Group copper production had been hedged with min-max options of which 27,675 tonnes matured by 31 October 2011 and 4,600 tonnes remain outstanding and will mature by the end of the year.
- (ii) 33,300 tonnes of 2012 Group copper production has been hedged with min-max options.
- (iii) 33,000 tonnes of 2013 Group copper production has been hedged with min-max options.
- (iv) 18,000 tonnes of 2014 Group copper production has been hedged with min-max options.

Futures – arbitrage

The Group also has futures for copper production, to buy and sell copper production with the effect of swapping COMEX prices for LME prices without eliminating underlying market price exposure.

	At 30.09.11	For instruments held at 30.09.11		
	Copper production hedged 000 tonnes	Weighted average remaining period from 1 October 2010 Months	Covering a period up to: Months	Weighted average price US cents
El Tesoro	5,800	2.9	31.01.12	399.6

(ii) Exchange derivatives

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

Cross currency swaps

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

	At 30.09.11	For instruments held at 30.09.11		
	Principal value of cross currency swaps held US\$m	Weighted average remaining period from 1 October 2010 Months	Covering a period up to:	Weighted average rate Ch\$/US\$
Michilla	166.2	12.9	16.09.13	508.2

(iii) Interest derivatives

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

- Interest rate swaps

The Group has used interest rate swaps to swap the floating rate interest relating to the Esperanza financing for fixed rate interest. At 30 September 2011 the Group had entered into the contracts outlined below.

	Maturity date	Maximum notional amount US\$m	Weighted Average Fixed Rate %
Esperanza	15.02.18	840.0	3.372