Quarterly Production Report Q3 2011

ANTOFAGASTA PLC

2 Nov, 2011

Highlights

- **Group copper production in Q3 was 165,000 tonnes, a 4.0% increase compared with the previous quarter. This increase was mainly due to higher production at Esperanza as the ramp-up process continued and also from Los Pelambres as a result of higher ore grades. Copper production was 453,500 tonnes in the first nine months of 2011 compared with 393,600 tonnes in the first nine months of 2010, reflecting the production from Esperanza. As previously announced, current estimates for 2011 Group copper production are for between 620,000 and 640,000 tonnes.**
- **Molybdenum production at Los Pelambres in Q3 was 2,400 tonnes. The 7.7% decrease in production from the previous quarter is mainly due to lower ore grades. Production in the first nine months of 2011 was 7,300 tonnes compared with 6,700 tonnes in the first nine months of 2010.**
- **Gold production in Q3 was 54,300 ounces, compared with 48,600 ounces in the previous quarter, mainly due to the continued ramp-up of Esperanza. The increase compared to the first nine months of 2010 mainly reflects the impact of the Esperanza start-up.**
- **Group cash costs (net of by-product credits) in Q3 were 100.5 cents per pound compared to 103.8 cents per pound in the previous quarter. This decrease was mainly due to reduced costs at Esperanza reflecting the progress of the ramp-up and lower costs at El Tesoro, partly offset by increases at Los Pelambres (due to lower by-product credits) and Michilla. A significant milestone for Esperanza was that it was the lowest cost Group operation on a net basis in Q3. Group average pre-credit costs were 155.1 cents per pound (Q2 2011 – 159.4 cents per pound).**
- **Following the completion of the pre-feasibility study in the Group's Sierra Gorda district, the Group has approved the initiation of a feasibility study for the potential expansion of copper production in the district through utilising the Telégrafo and Caracoles deposits.**

Group Total	Q1 2011	Q2 2011	Q3 2011	Q4 2011	Acc 2011	Acc 2010	Full Year 2010
Total production of payable copper ('000 tonnes)	129.8	158.7	165.0		453.5	393.6	521.1
Total production of payable moly ('000 tonnes)	2.3	2.6	2.4		7.3	6.7	8.8
Total production of payable gold ('000 ounces)	22.1	48.6	54.3		125.0	25.8	35.1
Weighted average cash costs before by-product credits (cents per pound)	155.8	159.4	155.1		156.8	130.7	137.3
Weighted average cash costs (cents per pound)	107.8	103.8	100.5		103.7	97.7	104.0

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Mining operations

Los Pelambres

Los Pelambres produced 104,900 tonnes of payable copper in Q3 and 297,400 tonnes in the first nine months of 2011. The 3.7% increase in production in Q3 compared to the previous quarter was mainly due to higher ore grades. The 1.7% increase in production in the first nine months of 2011 compared with the same period of 2010 was mainly due to higher plant throughput as a result of the plant expansion which was completed at the end of Q1 2010, partly offset by lower ore grades and recoveries. Shipments of payable copper in Q3 were 91,000 tonnes, 13,900 tonnes lower than production as a result of a delay in programmed shipments at the end of September mainly due to severe weather conditions which affected much of Chile's coastline. The accumulated inventory of filtered concentrate at the port was shipped in October.

Molybdenum production was 2,400 tonnes in Q3 and 7,300 tonnes in the first nine months of 2011, 9.0% above the production in the first nine months of 2010 mainly due to higher plant throughput as a result of the expansion. The 7.7% decrease in production from the previous quarter is mainly due to lower ore grades. Gold production was 8,800 ounces in Q3 and 26,800 ounces in the first nine months of 2011.

Cash costs were 82.5 cents per pound in Q3, a 9.7% increase compared with the previous quarter mainly due to lower by-product credits and an increase in tolling charges, partly offset by lower on site and shipping costs. Cash costs for the first nine months of 2011 were 77.8 cents per pound, compared with 73.4 cents per pound in the first nine months of 2010. The increase in net costs was mainly due to an increase in on site costs partly offset by increased by-product credits due to higher molybdenum and silver production. The increase in on site costs reflected higher labour costs, the impact of the higher plant throughput and lower ore grades on unit costs and the stronger Chilean peso, partly offset by decreased energy costs.

Los Pelambres has signed a 20 year agreement with Pattern Energy Group LP ("Pattern") for the supply of up to 40MW of power. Pattern will develop and operate the 115MW El Arrayan wind power plant which is expected to begin construction in early 2012 and achieve commercial operation in the second half of 2013. The Group has an option to acquire a 30% interest in the El Arrayan project.

Esperanza

Esperanza produced 25,200 tonnes of payable copper in Q3, compared with 21,900 tonnes in the previous quarter giving cumulative production in the first nine months of 2011 of 54,400 tonnes. In Q3 the plant operated at a daily throughput rate of 65,300 tonnes per day compared with 53,300 tonnes per day in Q2. A daily throughput of nearly 105,000 tonnes was achieved on 24 August, and an average rate of over 80,000 tonnes per day was sustained over the course of several weeks between August and September. Gold production was 45,500 ounces in Q3 compared with the 37,700 ounces in the previous quarter, mainly due to the increased daily throughput of the plant. The focus of the ramp-up process continues to be on maximising the efficiency of the milling process. During November and December the aim is to determine the level of throughput which can be achieved in a steady-state of operation, in the context of the current ore characteristics. Shipments of payable copper in Q3 were 17,700 tonnes, 7,500 tonnes lower than production as a result of a delay in programmed shipments at the end of September mainly due to the severe weather conditions affecting Chile's coastline. The accumulated inventory of filtered concentrate at the port was shipped in October.

Cash costs in Q3 were 72.4 cents per pound, compared with 114.1 cents per pound in the previous quarter, as a result of a decrease in on-site and shipping costs, and an increase in the by-product credits. The reduction in on-site and shipping costs was mainly due to the impact of increased production volumes on unit costs. A significant milestone for Esperanza was that it was the lowest cost Group operation on a net basis in Q3.

El Tesoro

Copper production at El Tesoro was 24,500 tonnes in Q3 and 69,700 tonnes in the first nine months of 2011. The 1.6% decrease in production in Q3 compared with the previous quarter is mainly due to lower production in the run-of-mine dump leach operation and lower plant throughput in the dynamic heap leach operation, partly offset by the impact of higher grades. The increase in grades is due to the impact of ore feed from the higher grade Mirador pit, which commenced in July. The 2.4% decrease in production in the first nine months of 2011 compared with the same period of 2010 was due to lower throughput as well as lower average recoveries in the heap leach operation.

Cash costs in Q3 were 161.9 cents per pound, compared with 173.0 cents per pound in the previous quarter. This decrease was mainly due to the impact of ore from the higher grade Mirador pit and lower energy costs partly offset by increased labour costs as a result of a one-off signing bonus in relation to the new labour agreement detailed below. Cash costs in the first nine months of 2011 were 175.6 cents per pound compared with 161.3 cents per pound in the first nine months of 2010 mainly as a result of higher energy prices and lower grades and recoveries.

In August 2011 El Tesoro agreed a new 44 month labour agreement with its union. This was concluded in advance of the expiry of the existing agreement, which was due to expire in early 2012.

Michilla

Michilla produced 10,300 tonnes of copper in Q3, and 32,000 tonnes in the first nine months of 2011. The 3.7% decrease in Q3 production compared to the previous quarter was mainly due to reduced plant throughput as a result of the reduction in the amount of ore from the Lince open pit. The 7.0% increase in production during the first nine months of 2011 compared with the same period of 2010 was due to higher ore grades partly offset by lower plant throughput.

Cash costs in Q3 were 205.6 cents per pound, compared with 192.7 cents per pound in the previous quarter. This 6.7% increase was mainly due to the start-up of operations at the Aurora pit and the increase in the amount of ore purchased from ENAMI. Cash costs in the first nine months of 2011 were 196.7 cents per pound compared with 183.6 cents per pound in the first nine months of 2010 mainly due to higher sulphuric acid prices and the impact of costs relating to the start-up of the Aurora pit.

Projects and exploration

Following the completion of the pre-feasibility study in the Group's Sierra Gorda district at the end of September, the Group approved the initiation of a feasibility study for the potential expansion of copper production in the district through utilising the Telégrafo and Caracoles deposits. The feasibility study for the Sierra Gorda district, which follows completion of a pre-feasibility study initiated in May 2010, will examine the construction of new facilities to process sulphide ores from each of the Telégrafo and Caracoles deposits. In total, this could potentially increase sulphide processing capacity in the Sierra Gorda district from 97,000 tonnes of ore per day when the Esperanza mine reaches design capacity to a total of approximately 300,000 tonnes of ore per day by mid to late 2016. Additionally, both Telégrafo and Caracoles have oxide ores which could be processed at the El Tesoro SX-EW plant maintaining cathode production at near plant capacity until approximately 2020. The feasibility study, for which a budget of US$109 million has been approved, is expected to be completed in early 2013.

The feasibility study in respect of the Antucoya project is now substantially complete and is undergoing internal review, and early works in respect of this project have begun.

The Group has signed exploration agreements with Eiseb Exploration & Mining Limited and Manica Minerals Limited, both relating to exploration opportunities in Namibia, and with Sipa Resources Limited relating to exploration opportunities in Western Australia.

At the Reko Diq project in Pakistan, Tethyan Copper Company Pty. Limited ("Tethyan"), the Group's joint venture with Barrick Gold Corporation, received a response from the Government of Balochistan ("GoB") on 21 September 2011 in relation to its mining licence application, as reported by Tethyan last month. The response set out a number of queries and observations in respect of the application, and gave Tethyan 30 days to respond to the observations. Tethyan sought to meet with the GoB to better understand their observations and concerns and requested an extension of an additional 60 days in order to engage with the GoB, however no extension was granted. On 19 October 2011, under the Chagai Hills Exploration Joint Venture Agreement ("CHEJVA") between Tethyan and the GoB, Tethyan submitted its response to the GoB. Tethyan also filed a "Notice of Dispute" under the terms of the CHEJVA, which allows for a 120 day period during which Tethyan and the GoB may seek to meet and resolve the dispute.

The transfer of Franconia Minerals Corporation's ("Franconia") assets into Twin Metals Minnesota LLC ("Twin Metals") was completed at the end of August 2011, following the arrangements entered into in December 2010 between the Group and Duluth Metals Limited, its partner in the Twin Metals project. This has resulted in the consolidation of Twin Metals' position in the Duluth Complex region in northeastern Minnesota through the inclusion of Franconia's controlling interest in the Birch Lake Joint Venture with Twin Metals' existing Nokomis deposit. In October 2011 Twin Metals initiated the pre-feasibility stage of the project, following completion of a conceptual study.

Commodity prices and exchange rates

The LME copper price averaged 407.4 cents per pound in Q3 2011, compared with 414.5 cents per pound in Q2 2011. The LME copper price for the first nine months of 2011 averaged 419.8 cents per pound, compared with 365.3 cents per pound for the first nine months of 2010 and 342.0 cents per pound in the 2010 full year. The LME spot copper price at 30 September 2011 was 323.5 cents per pound (30 June 2011 – 421.9 cents per pound).

The market molybdenum price averaged US$14.6 per pound in Q3 2011, compared with US$16.7 per pound in Q2 2011. The market molybdenum price for the first nine months of 2011 averaged US$16.2 per pound, compared with US$17.0 per pound for the first nine months of 2010 and US$15.7 per pound in the 2010 full year. The average market molybdenum price in September 2011 was US$14.4 per pound (June 2011 – US$16.2 per pound).

The market gold price averaged US$1,704 per ounce in Q3 2011, compared with US$1,507 per ounce in Q2 2011. The market gold price for the first nine months of 2011 averaged US$1,534 per ounce, compared with US$1,178 per ounce for the first nine months of 2010 and US$1,226 per ounce in the 2010 full year. The spot gold price at 30 September 2011 was US$1,625 per pound (30 June 2011 – US$1,507 per ounce).

The realised copper, molybdenum and gold prices which the Group will recognise for its sales in the year 2011 will differ from the average market prices shown above because, in line with industry practice, sales agreements generally provide for provisional pricing at the time of shipment with final pricing based on the average market price for the month in which settlement takes place. The typical period for which sales remain open until settlement occurs for copper concentrate sales is approximately three to four months from shipment date, for copper cathode sales approximately one month from shipment, for molybdenum sales approximately two months from shipment and for gold content of copper concentrate sales approximately one month from shipment. Additionally, under IFRS open sales are marked to market at the end of each period through adjustments to turnover in the income statements using forward prices in the case of copper concentrate (including the gold content) and copper cathode, and period-end prices for molybdenum sales. In accordance with normal practice, these adjustments will be reported when the Group issues its financial results for the nine month period to 30 September 2011 on 24 November 2011.

The Chilean peso / US dollar exchange rate averaged Ch$471.1 / US$1 in Q3 2011, compared with Ch$469.4 / US$1 in Q2 2011. The Chilean peso / US dollar exchange rate averaged Ch$474.1 / US$1 for the first nine months of 2011, compared with Ch$520.3 / US$1 for the first nine months of 2010. The average exchange rate for the 2010 full year was Ch$510.4 / US$1. The exchange rate at 30 September 2011 was Ch$515.1 / US$1 (30 June 2011 – Ch$469.2 / US$1).

Transport

The transport division had a solid operational performance in Q3 with total volumes transported of 2.1 million tonnes in line with 2.1 million tonnes in the previous quarter. Total volumes for the first nine months of 2011 were 6.2 million tonnes compared with 6.0 million tonnes in the first nine months of 2010.

Water

The water business performed well, with Q3 volumes of 11.8 million cubic metres, marginally higher than the 11.7 million cubic metres of the previous quarter. Total volumes for the first nine months of 2011 were 35.8 million cubic metres, a 5.4% increase on the comparative period in 2010 as a result of increased demand on unregulated clients partly offset by a decreased demand in domestic clients.

Interim Management Statement

This report represents the Interim Management Statement for the purposes of the UK Listing Authority's Disclosure and Transparency Rules. Other than as set out above, there have been no significant changes in the financial position of the Group in the quarter ended 30 September 2011.

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The totals in the tables below may include some small apparent differences as the specific individual figures have not been rounded.

Los Pelambres	Q1 2011	Q2 2011	Q3 2011	Q4 2011	Acc 2011	Acc 2010	Full Year 2010
Production statistics							
Daily average ore treated ('000 tonnes)	171.3	175.5	174.6		173.8	160.8	159.4
Copper concentrate produced ('000 tonnes)	274.8	308.3	318.2		901.3	883.7	1,160.7
Average copper ore grade (%)	0.68	0.73	0.76		0.72	0.77	0.76
Average copper recovery (%)	89.3	89.9	89.0		89.4	89.8	90.0
Payable copper in concentrate ('000 tonnes)	91.2	101.2	104.9		297.4	292.3	384.6
Average moly ore grade (%)	0.017	0.020	0.017		0.018	0.019	0.019
Average moly recovery (%)	82.4	82.7	82.6		82.6	81.2	81.3
Payable moly ('000 tonnes)	2.3	2.6	2.4		7.3	6.7	8.8
Payable gold ('000 ounces)	7.2	10.9	8.8		26.8	25.8	35.1
Cash costs statistics							
On-site and shipping costs (cents per pound)	110.5	113.2	108.4		110.7	100.0	106.8
Tolling charges for concentrates (cents per pound)	20.3	17.5	19.4		19.0	17.8	17.6
By - product credits (cents per pound) (1)	(55.6)	(55.5)	(45.3)		(51.9)	(44.4)	(45.1)
Cash costs (cents per pound)	75.2	75.2	82.5		77.8	73.4	79.3

(1) By-products credits do not include any costs attributable to the production of molybdenum concentrate. By-product calculations also do not take into account unrealised mark-to-market gains at the beginning or end of each period.

Esperanza	Q1 2011	Q2 2011	Q3 2011	Q4 2011	Acc 2011	Acc 2010	Full Year 2010
Production statistics							
Daily average ore treated ('000 tonnes)	27.1	53.3	65.3		48.7		
Copper concentrate produced ('000 tonnes)	43.5	83.8	101.0		228.2		
Average copper ore grade (%)	0.54	0.54	0.53		0.54		
Average copper recovery (%)	80.9	84.7	86.0		84.6		
Payable copper in concentrate ('000 tonnes)	7.4	21.9	25.2		54.4		
Average gold ore grade (g/t)	0.41	0.34	0.34		0.35		
Average gold recovery (%)	69.0	71.9	73.8		72.5		
Payable gold ('000 ounces)	15.0	37.7	45.5		98.2		
Cash costs statistics							
On-site and shipping costs (cents per pound)	287.0	244.6	226.0		241.7		
Tolling charges for concentrates (cents per pound)	15.4	15.5	15.3		15.4		
By - product credits (cents per pound) (2)	(157.4)	(146.0)	(168.9)		(158.1)		
Cash costs (cents per pound)	144.9	114.1	72.4		99.0		

(2) By-products credits include 10.6 cents per pound relating to the sale of Run-Of-Mine oxides from Esperanza to El Tesoro. By-product calculations also do not take into account unrealised mark-to-market gains at the beginning or end of each period.

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El Tesoro	Q1 2011	Q2 2011	Q3 2011	Q4 2011	Acc 2011	Acc 2010	Full Year 2010
Daily average ore treated [3] ('000 tonnes)	25.2	26.0	23.9		25.0	25.7	26.4
Average ore grade [3] (%)	0.97	1.10	1.31		1.12	1.14	1.10
Average recovery [3] (%)	68.9	72.2	71.2		70.9	74.2	71.7
Copper cathodes from the heap-leach process[3] ('000 tonnes)	15.1	18.0	20.0		53.1	58.0	76.1
Copper cathodes from ROM ('000 tonnes)	5.2	6.9	4.5		16.6	13.5	19.2
Total copper cathodes ('000 tonnes)	20.3	24.9	24.5		69.7	71.4	95.3
Cash costs (cents per pound)	195.2	173.0	161.9		175.6	161.3	169.2

[3] The average daily throughput, ore grade and recovery figures, relate to the heap leach process and do not include amounts relating to the ROM material.

Michilla	Q1 2011	Q2 2011	Q3 2011	Q4 2011	Acc 2011	Acc 2010	Full Year 2010
Daily average ore treated ('000 tonnes)	14.9	12.5	10.4		12.6	14.1	14.1
Average ore grade (%)	1.03	1.31	1.34		1.21	1.01	1.03
Average recovery (%)	76.2	74.8	75.2		75.4	77.5	77.6
Copper cathodes ('000 tonnes)	11.0	10.7	10.3		32.0	29.9	41.2
Cash costs (cents per pound)	192.2	192.7	205.6		196.7	183.6	183.8

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Transport	Q1 2011	Q2 2011	Q3 2011	Q4 2011	Acc 2011	Acc 2010	Full Year 2010
Rail tonnage transported ('000 tonnes) (4)	**1,524**	**1,651**	**1,618**		**4,792**	**4,568**	**6,184**
Road tonnage transported ('000 tonnes) (4)	**461**	**473**	**481**		**1,415**	**1,413**	**1,919**

(4) Rail tonnages are the aggregate of the volumes of the FCAB rail network in Chile and the Andino rail network in Bolivia. Shipments from customers which are carried on both networks are included in both the FCAB and Andino volumes which are combined to calculate the total rail tonnages shown above. Similarly, shipments which are carried by rail and by road are included in both the rail and road volumes shown above.

Water	Q1 2011	Q2 2011	Q3 2011	Q4 2011	Acc 2011	Acc 2010	Full Year 2010
Water volume sold – potable and untreated ('000 m^3) (5)	**12,296**	**11,689**	**11,765**		**35,751**	**33,910**	**46,302**

(5) Water volumes include water transportation of 15,000 m^3 in Q1, 0 m^3 in Q2 and 0 m^3 in Q3 (185,000 m^3 in Q1 2010, 253,000 m^3 in Q2 2010 and 318,000 m^3 in Q3 2010).