Antofagasta

Annual Report and Financial Statements 2012

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Antofagasta plc

Listed on the London Stock Exchange

Constituent of the FTSE 100 since 2004

Incorporated in the United Kingdom

Level One ADR in United States (ANFGY)

Market capitalisation at 31 December 2012 of US$21.2 billion

65% of ordinary share capital controlled by Luksic family of Chile with 35% free float

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Antofagasta

We are a Chilean-based copper mining group with interests in transport and water distribution. We create value for our shareholders through the discovery, development and operation of copper mining operations.

We are committed to sustainable development, embedding safety and sustainability throughout our operations.

Directors' report

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The business

Mining

Mining is our core business, representing over 90% of Group revenue and EBITDA. We operate four copper mines located in Chile, of which two also produce significant by-products. The Group has a major portfolio of growth opportunities, also located predominantly in Chile.
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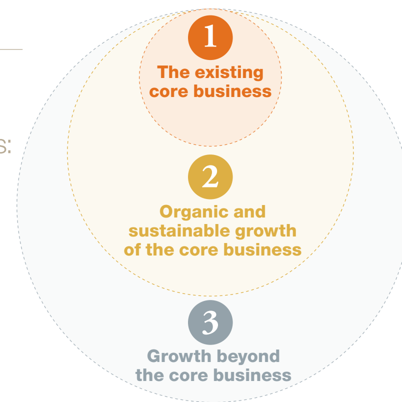
Our strategy

The strategy for growing our mining business is based around three pillars:
Page 22



1 The existing core business

Los Pelambres

60% owned

Our largest mine, with a resource base which could support significant future expansion. Produces copper concentrate containing a gold by-product and molybdenum concentrate.
Page 38

Esperanza

70% owned

Commercial production commenced at the start of 2011, and Esperanza is currently the Group's lowest-cost operation. Produces copper concentrate containing a gold by-product.
Page 40

El Tesoro

70% owned

Currently processing ore from the Mirador open-pit, with additional further ore reserves in the Tesoro Central and Tesoro North-East pits. Produces copper cathodes.
Page 42

Michilla

74.2% owned

Michilla operates both underground and open-pit mining operations, as well as processing ore mined by third parties. Produces copper cathodes.
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Production

	Copper (tonnes)		Molybdenum (tonnes)		Gold (ounces)	
	2012	2013 forecast	**2012**	2013 forecast	**2012**	2013 forecast
Los Pelambres	**403,700**	390,000	**12,200**	8,000	**51,500**	30,000
Esperanza	**163,200**	170,000			**248,400**	230,000
El Tesoro	**105,000**	100,000				
Michilla	**37,700**	38,000				
Total	**709,600**	698,000	**12,200**	8,000	**299,900**	260,000

Transport

The Transport division operates the main cargo transport system in the Antofagasta region of Chile, moving sulphuric acid and copper cathodes to and from mines on its 900 km rail and road network. It also operates a railway in Bolivia.
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Volume transported

	Rail ('000 tonnes) 2012	Road ('000 tonnes) 2012
Transport	**6,137**	**1,543**

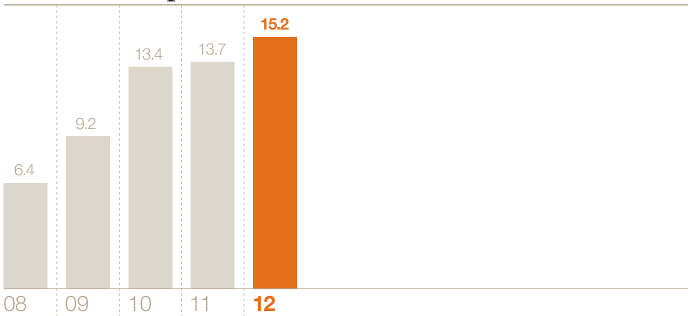
Water

Aguas de Antofagasta operates the concession for the distribution of water in the Antofagasta region, supplying domestic and industrial users. Page 51

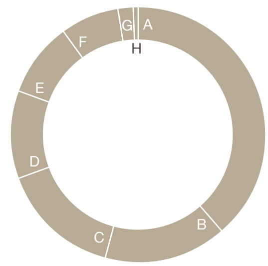
Volume sold

	('000 m^3) 2012
Water	**50,794**

Mineral resources (including ore reserves) of the Group's subsidiaries 15.2bn tonnes



Breakdown by subsidiaries



A	Los Pelambres	5,604 mt @ 0.52% Cu
B	Esperanza Sur	2,263 mt @ 0.36% Cu
C	Twin Metals	2,200 mt @ 0.53% Cu
D	Esperanza sulphides	1,611 mt @ 0.39% Cu
E	Encuentro	1,349 mt @ 0.40% Cu
F	Antucoya	1,106 mt @ 0.31% Cu
G	El Tesoro	256 mt @ 0.55% Cu
H	Michilla	67 mt @ 1.57% Cu
Total	**15.2bn tonnes @ 0.45% Cu plus by-products**	

2 Organic and sustainable growth of the core business

Centinela Mining District

The Group's primary area of focus for exploration in Chile. A feasibility study is being performed in respect of the Encuentro oxides and Esperanza Sur projects. A mineral resource estimate has also been completed in respect of the Encuentro sulphides deposit.

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Los Pelambres

A pre-feasibility study is under way, analysing how best to develop Los Pelambres' very large resource base, which could potentially support a major increase beyond current processing levels.

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Resources (billions of tonnes)

	2012
Los Pelambres	5.6
Esperanza Sur	2.3
Encuentro	1.3

3 Growth beyond the core business

Antucoya 70% owned

Development of the project has been temporarily suspended while a review is undertaken, to provide greater certainty over the cost position and other relevant parameters for the project.

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Reko Diq

Reko Diq is a large copper-gold deposit in south-west Pakistan that we are seeking to develop in a 50/50 joint venture with Barrick Gold Corporation. The project is currently subject to international arbitration.

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Twin Metals

We have a 40% controlling stake in Twin Metals, a large copper-nickel-PGM project in Minnesota, USA. Work is continuing on the project's pre-feasibility study.

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Energy

The Group has a number of investments in the energy sector in Chile, with a particular focus on renewable sources. We are exploring for geothermal energy prospects, and have a 30% stake in Chile's largest wind farm which is due to start operating in 2014.

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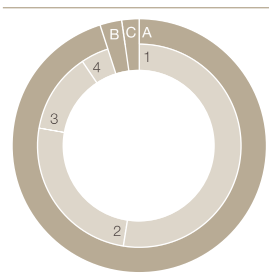
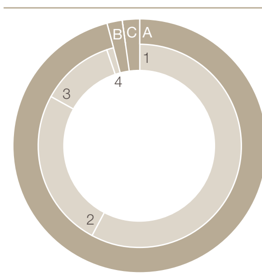
Group

Revenue by division US$6,740m



A	**Mining**	**6,416**
1	Los Pelambres	3,554
2	Esperanza	1,704
3	El Tesoro	851
4	Michilla	307
B	**Transport**	**190**
C	**Water**	**133**

EBITDA by division US$3,829m



A	**Mining**	**3,674**
1	Los Pelambres	2,457
2	Esperanza	1,074
3	El Tesoro	493
4	Michilla	48
5	Exploration	(301)
6	Corporate and other items	(97)
B	**Transport**	**74**
C	**Water**	**81**

2012 highlights

Record production, with a 10.8% increase in copper production over 2011 to 709,600 tonnes, and gold production up more than 50% to 299,900 ounces.

Record revenues of US$6.7 billion (up 10.9% versus 2011) despite lower market commodity price environment, and EBITDA of US$3.8 billion (4.6% higher than 2011).

Total dividend for the year of 98.5 cents per share, with a significant special dividend which represents a total distribution to shareholders of US$971.1 million, and an overall payout ratio of 70% of net earnings (before exceptional items).

Balance sheet remains strong, with cash (including liquid investments) of US$4.3 billion and net cash of US$2.4 billion as at 31 December 2012.

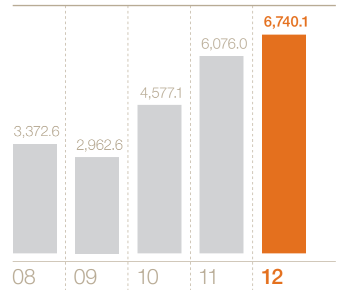
Significant production growth at Esperanza achieved, reflecting ongoing optimisation of the operation.

Review of the Antucoya project continues, with a decision as to whether to resume development of the project to be taken when the review is complete.

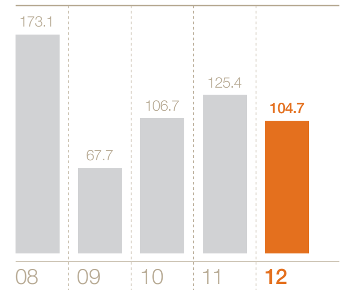
Continued progress with the growth pipeline in Chile with near and longer-term opportunities at the Esperanza Sur and Encuentro deposits, and major expansion potential at Los Pelambres.

Twin Metals project pre-feasibility study progressing well, with completion of geological model and mineral resource estimates.

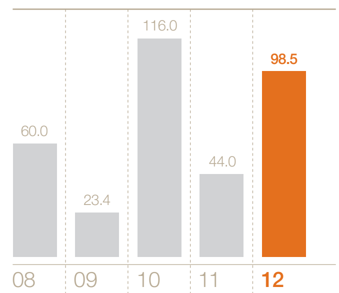
Group revenue
US$6,740.1m



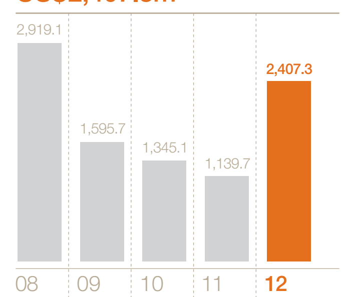
Earnings per share[1]
US104.7 cents



Dividends per share[2]
US98.5 cents



Net cash
US$2,407.3m



1 Earnings per share are stated after exceptional items as set out in Note 5 and 11 to the financial statements.
2 Dividends include both ordinary and special dividends as explained on pages 6 and 67.

Introduction from Jean-Paul Luksic
Chairman of Antofagasta plc

I am delighted to report that in 2012 we addressed and successfully resolved a number of operational and organisational issues which last year had negatively impacted the operational efficiency of the Group.

Despite a poor first quarter, when restructuring was taking place, we ended 2012 with record copper production of just under 710,000 tonnes, ahead of our original forecast of 700,000 tonnes and some 10.8% higher than 2011. Record amounts of gold and molybdenum were also produced.

In a very difficult operating environment with severe cost pressures prevailing throughout the mining chain, the performance of all our mines was excellent both in terms of meeting or exceeding production targets and in maintaining costs at or below budgeted levels. Management and staff at all levels are to be commended for this performance, which resulted in another strong financial performance. Earnings per share (before exceptional items) were 140.2 cents compared with 139.7 cents in the prior year; after taking account of exceptional items, earnings per share were 104.7 cents (2011 – 125.4 cents).

Given the Group's net cash from operating activities of US$2.9 billion in 2012, and hence a further strengthening of the balance sheet, I am pleased to report that we will be paying a special dividend of US$764.0 million, which together with the normal interim and final dividend will total US$971.1 million for the year.

On the other hand, our project evaluation and execution capabilities did not achieve the same high standards and in December 2012 we suspended work on the Antucoya project and instituted a detailed review which is ongoing. As a result, capitalised expenditure on the project to 31 December 2012 amounting to US$500 million (of which Antofagasta's attributable share is US$350 million) has been impaired. While regrettable, this review will enable us to come to the right decision on the future of the project when all relevant information is available. Measures have already been taken to ensure that our project development capabilities are returned to the standards set on previous Group projects, including reviewing carefully our early stage projects.

We have made good progress with our very significant growth opportunities – particularly with the feasibility study covering the Esperanza Sur and Encuentro Oxides projects in our Centinela Mining District in northern Chile, as well as with the pre-feasibility study into the expansion options for Los Pelambres. We are also progressing well with the pre-feasibility study of our poly-metallic deposit in Minnesota.

Governance

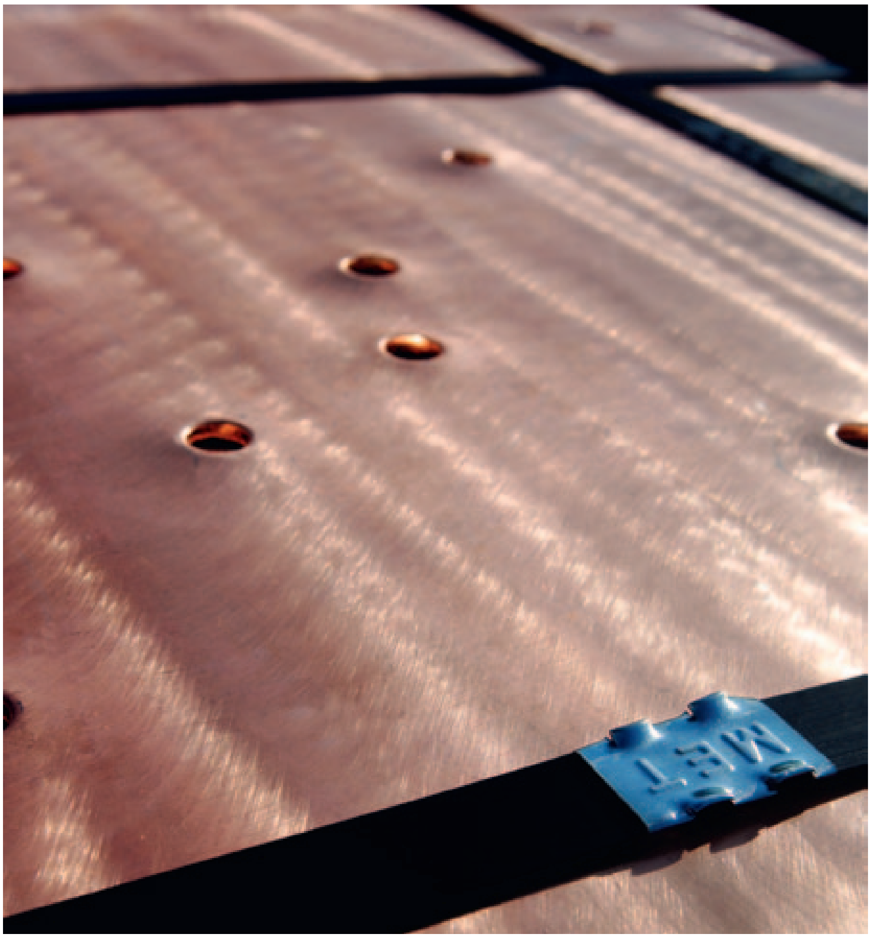
I and the rest of the Board are committed to the fundamental importance of good governance for the long-term success of the Group. We believe that it is primarily about having the right people and the right culture in place to ensure we make the right decisions for our business and our shareholders.

The Group's Ethics Code sets out our commitment to undertaking business in a responsible and transparent manner. The Code demands honesty, integrity and responsibility from all employees and contractors. An updated version of the Ethics Code was rolled out to the Group's employees in 2011, and during 2012 this roll-out was extended to contractors working at the Group's operations.

Restructuring and new management appointments

We have also made some important appointments to the senior team during the year. In August 2012 I was delighted to be able to welcome Mr Diego Hernández as the new CEO of the mining division. He brings a great depth of experience of the mining sector across South America, and in particular of the Chilean copper industry, having served previously as CEO of Codelco and President, Base Metals for BHP Billiton. He brings

Introduction from Jean-Paul Luksic



We ended 2012 with record copper production of just under 710,000 tonnes, ahead of our original forecast of 700,000 tonnes.

a real focus on operational excellence and value, which is a natural fit with the Group's culture. As further discussed below, we have also made a number of other appointments to the executive team, both at the Antofagasta Minerals corporate centre, and also at the individual operations, which have enhanced the Group's capabilities and expertise in the technical and financial areas of our business.

I am also pleased that we have been able to further add to the depth of mining sector experience on the Board, following the appointment of Nelson Pizarro as an independent director in July 2012. Nelson 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 the Caserones project as CEO of Minera Lumina Copper Chile S.A. He worked for the Group between 1997 and 2003, firstly as CEO of Minera Los Pelambres during its construction and start-up, and then as Mining Vice-President of Antofagasta Minerals S.A.

Our appointments, both at the executive management level and at Board level, are based first and foremost on merit – looking for the individual with the best skills, experience and vision for the role. We recognise the business benefits of having a diverse range of experience and perspectives within the Group, and accordingly we keep the composition of the Board under regular review.

Capital allocation

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

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

The Board's dividend policy is to establish an ordinary dividend which can be maintained or progressively increased at conservative long-term copper prices and through the economic cycle. In addition, the Board recommends special dividends when it considers these appropriate after taking into account the level

98.5cents

Total dividend for 2012, representing a 70% payout ratio of earnings per share before exceptional items.

of profits earned in the year under review, the existing cash position of the Group and significant known or expected funding commitments.

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

Sustainability and communities

In a long-term, capital intensive industry such as mining, operating in a sustainable manner is not just an ethical imperative, it is a fundamental business imperative. Below we discuss our actions and performance in respect of safety at our operations, although I would personally like to say how deeply saddened I was by the death of a worker at our Michilla mine during January 2012.

I want to discuss some of the actions we are taking to address some of the main social and environmental challenges facing the industry in Chile. The Sustainability and Stakeholder Management Committee assists the Board in its responsibilities with respect to the Group's social responsibility. The Board takes into account the community, social, environmental and ethical impact of its decisions.

We have implemented new environmental guidelines for the mining division which cover water, air quality, biodiversity, climate change, waste, heritage and land use. The Group also participates in the Carbon Disclosure Project reporting on both our carbon emissions and water consumption.

Retaining and augmenting our social licence to operate is an ongoing challenge. We aim to maintain positive relationships with neighbouring communities through regular and open communication. In 2012 the Group continued to formalise its community investment procedures, recording and categorising its contributions with the aim of making a smaller number of more strategic and impactful investments to benefit local people. We understand that closing a mining site can have a significant impact on local people, and we continue to work towards widening local people's skills and sources of income to develop social and economic opportunities for communities beyond mining. In 2012 the mining division also implemented a social performance assessment tool that provides better quality information to assess our performance.

The Group promotes equal opportunities across the workforce, and the percentage of female workers in the mining division is well above the average for the Chilean mining industry. Our initiatives to encourage women to join the Company include our work with SERNAM, the national agency devoted to promoting women's rights. In 2012, Esperanza and El Tesoro offered training courses tailored for women.

Climate change is one of the key issues facing the industry. The Group has prioritised energy efficiency for many years and seeks every opportunity to reduce its consumption. In 2012 the Group created a new Energy unit within Antofagasta Minerals to develop and secure affordable energy supplies and explore new technologies. Our investments to date in renewable energy make us one of the leaders within the Chilean mining sector.

Future prospects and our operating environment

These are very challenging times for the mining industry as a whole and the copper mining sector in Chile in particular. The operating and capital cost environment in Chile remains subject to the negative forces of high inflation, shortages of experienced project managers and technical personnel and escalating costs of energy. Furthermore, energy shortages and extended permitting time lines add complexity and additional costs to new project development. Nevertheless, Chile remains a very mining friendly country, with a stable political and fiscal environment.

We are proud of what we have been able to contribute to the development of the Chilean mining industry, and I am confident that Chile will overcome the challenges facing the industry and continue to provide an excellent base for the continued growth of our Group over the coming years.

Jean-Paul Luksic
Chairman
11 March 2013

We have implemented new environmental guidelines for the mining division which cover water, air quality, biodiversity, climate change, waste, heritage and land use.

Statement from Diego Hernández
CEO of Antofagasta Minerals S.A.

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

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

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

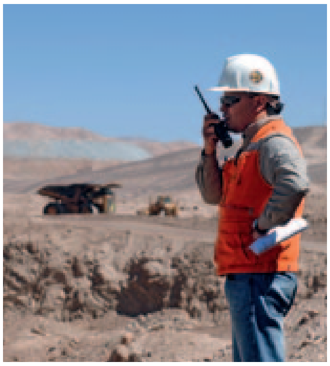
2012 highlights

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

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

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

The LME copper price averaged just over 360 cents per pound during 2012, compared with 400 cents during 2011, which had been an all-time record. The Group's average realised copper price was marginally



My experience with Antofagasta to date has confirmed my initial view that the Group's existing strategy is the appropriate one for us to be pursuing.

97,000tpd

At Esperanza work is continuing to achieve the original design capacity of 97,000 tonnes per day.

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

As I have explained, we have achieved significant production growth at Esperanza this year, reflecting the ongoing optimisation of the operation, with throughput levels reaching over 89,000 tonnes per day in Q4 2012. Work is continuing to achieve the original design capacity of 97,000 tonnes per day. The two main areas of focus are the capacity of the grinding line and the performance of the tailings thickeners.

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

Strategy

My experience with Antofagasta to date has confirmed my initial view that the Group's existing strategy is the appropriate one for us to be pursuing.

The Group's strategy is based around three pillars. Firstly, to optimise and enhance our existing operations. Secondly, continuing to grow this core business by further developing the districts around our existing asset base – in the Centinela Mining District and at Los Pelambres; and finally, continuing to develop and search for additional opportunities including early-stage growth in copper both in Chile and abroad.

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

Our growth opportunities

The Group has achieved significant growth over recent years, driven firstly by incremental plant expansions at Los Pelambres, and then the construction of Esperanza. This has resulted in the increase in copper production to the 700,000 tonne level. Production from the Group's existing operations is expected to remain relatively stable at around this level over the next two to three years. The Group has a number of opportunities in its current growth pipeline which are expected to increase production beyond this level. As I have explained above, the focus of the Group's growth opportunities is firstly to ensure that the potential production from existing operations is maximised through debottlenecking or incremental plant expansions. The Esperanza Sur deposit could enhance the existing Esperanza mine plan, as well as having the potential to support an incremental expansion of the Esperanza plant. There is also potential for a further incremental plant expansion at Los Pelambres. The Encuentro oxides deposit provides the opportunity to continue to maximise the use of the existing SX-EW plant at El Tesoro. These opportunities could potentially start contributing to Group production from 2015. In the longer-term, there are several very large-scale growth opportunities, including potential for standalone plants at the Esperanza Sur and Encuentro sulphides deposits, and major expansion of Los Pelambres.

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

We have further expanded our portfolio of early-stage exploration agreements with juniors, with new agreements over the past year signed relating to projects in Finland, Zambia, Australia and Canada.

Statement from Diego Hernández

We have made a number of changes to our management team and structures during the year which have further strengthened the organisation.

We will continue to review a wide range of M&A opportunities in the copper sector, but we will retain our focus on high-quality opportunities which can deliver value, and which compare favourably with our extensive internal portfolio of high-quality growth opportunities.

Management team

We have made a number of changes to our management team and structures during the year which have further strengthened the organisation.

During the first half of the year we made a number of appointments at the operational level. Andre Sougarret was appointed as General Manager of Esperanza in March, having previously been with Codelco in Chile. In May Alberto Cerda joined Los Pelambres as General Manager, having previously worked at Kinross and prior to that with Xstrata in Chile. At El Tesoro, Sergio Parada was appointed General Manager in July, having most recently worked for Anglo American in Chile and before that for Codelco. Between them they bring a great deal of experience and technical expertise to the Group. There have also been some internal moves at the operational level, with Ramon Jorquera moving from Michilla to become General Manager of Antucoya, and his place as General Manager at Michilla having been taken by Patricio Troncoso, a member of the Antofagasta Minerals management team and a former CFO of Michilla.

At the Antofagasta Minerals corporate centre, I have also implemented some changes to the senior management team. The Finance and Corporate Development functions have been separated into two areas to ensure we give maximum focus to these two key areas. Alfredo Atucha has joined from BHP Billiton as the Vice-President for Finance. We have also separated out our Human Resources function into a separate Vice-Presidency area; Ana María Rabagliati has joined the Group to head up that team, having previously been with Masisa in Chile.

Safety

I deeply regret the death of a worker at Michilla in January 2012. As a result, Michilla strengthened its health and safety guidelines and awareness-raising to workers and lessons were shared with the other operations. In 2012 Antofagasta Minerals formalised a division-wide health and safety policy to ensure the mining operations, projects and exploration programmes take a consistent approach. During 2013 a division-wide safety management process will be implemented. The lost time injury frequency rate (LTIFR) and all injury frequency rate (AIFR) in the mining division in 2012 were at their lowest levels in five years.

Challenges facing the industry

The Group's most immediate growth opportunities are based in Chile. Cochilco, the Chilean government copper organisation, expects approximately US$100 billion of investment across the industry in the next decade on developing new projects. This is expected to increase production to 8.1 million tonnes per annum in 2020 compared to 5.4 million tonnes in 2012. However, the industry faces significant challenges and competition for vital resources as we pursue that development and production growth.

The first is energy. In order to achieve the forecast output, electricity consumption is expected to double over the next eight years and will require significant investment. Given recent permitting issues for power generation projects we see this as a key challenge to the industry. The supply of labour is an increasingly important issue in Chile – a 50% increase in the current operational workforce will be required to meet forecast 2020 production levels and by 2014 in absolute terms we will need a further 190,000 workers. As the industry moves towards use of sea water there is less pressure on fresh water sources. However, given the location of certain assets and the requirement to desalinate at least some of the sea water used, there will be an additional demand for electricity to pump and treat the sea water. We are also seeing a decrease in average ore grades, both at existing operations and new projects.

The Antofagasta Group is playing a leading role in addressing these challenges. We are investing in renewable energy sources across our operations in the form of solar and wind power, as well as exploring for renewable energy sources – in particular, geothermal energy. We are addressing the labour constraints by ensuring the stability of our existing workforce through labour contracts and by implementing training and support systems to aid development and productivity. We are also actively involved in hiring and training new workers, including a large number of women, in our operations. We are also leading the industry on our use of sea water for mining operations – in 2012, sea water made up 44% of our total water consumption as a Group.

The challenges which face the Chilean mining industry are significant, however I am very proud of the leadership that the Group is displaying, and am committed to driving innovation and development or people to enable Antofagasta to stay ahead of the curve.

Outlook

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

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

Overall, I am pleased to be able to say that the Group's operations are performing well, and the commodity markets remain positive. These provide an excellent base to continue to realise fully the Group's significant potential for further growth.

Diego Hernández
CEO Antofagasta Minerals S.A.
11 March 2013

Delivering value
Our strengths

Quality, focus and experience

We are **focused** on copper and up-stream mining activities.

Our management team has a wealth of **experience** in the mining industry and a track record of delivering organic growth.

Our success is enabled by the **quality** of our existing assets and growth pipeline, strong capital returns and a stable and favourable geography. All of this is underpinned by our sustainable approach to exploration and development.

The following pages illustrate how we deliver value through our strengths.

Delivering value
Our strengths

Quality

Existing assets

The large majority of our production comes from large, long-life, low-cost mines.

80% of our copper output is from our Los Pelambres and Esperanza mines, which have significant gold and molybdenum by-products, resulting in low net cash costs. This helps to ensure the strength of our operations throughout the commodity price cycle. The average remaining mining life of our existing operations is approximately 15 years, with scope to significantly extend this period with our existing mineral resource base.

4 operating mines

Antofagasta's four operating mines produced over 700,000 tonnes of copper in 2012.

15 years

Our operating mines have an average remaining mine life of 15 years.

Growth pipeline

The Group has a substantial organic pipeline, predominantly in Chile. The Group's mineral resources in the areas around its existing operations in the Centinela Mining District and at Los Pelambres provide the opportunity to firstly improve the useful life and utilisation of the existing assets, as well as providing the potential for major incremental volume growth. Antofagasta is also developing a longer-term pipeline of international growth opportunities.

15.2bn tonnes

The Group's mineral resource base as at 31 December 2012.

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Geography

All of our current mining operations and our largest growth projects are in Chile – one of the world's most developed and stable mining countries in the world.

Capital returns

Antofagasta has a consistent record of significant capital returns to shareholders, having distributed at least 35% of its net earnings as dividends in each of the past seven years.

US$971m

Total dividends declared in 2012.

Sustainability

Sustainable development forms an integral part of Antofagasta's decision-making processes and supports the achievement of our business strategy. Operating sustainably allows us to maintain our social licence to operate and to attract and retain talent.

The mining division has a social and environmental strategy that prioritises the health and safety of employees and the development of local communities, as well as protection of the environment through operational efficiency.

85%

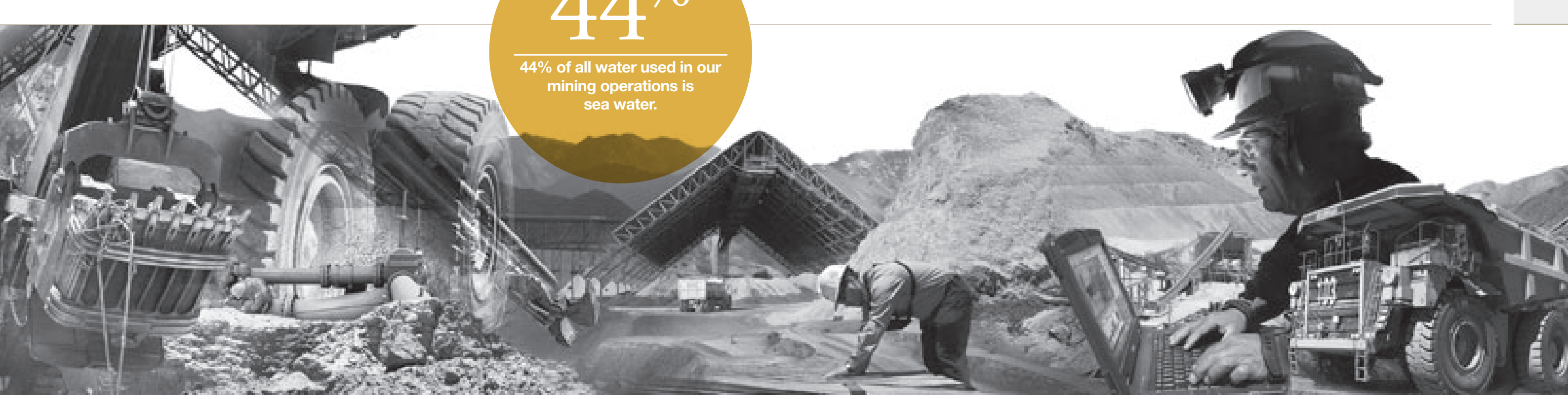
Percentage of water used in Antofagasta's mining operations that is recycled.

8,000

Reduction in annual tonnes of CO^2 emissions at El Tesoro's electro-winning plant through construction of thermo-solar power plant.

44%

44% of all water used in our mining operations is sea water.



Delivering value
Our strengths

Focus

Copper

We are a focused copper mining company. All of our mining operations, projects and growth opportunities are predominantly copper assets, which also contain by-products. Copper sales represent over 80% of our revenues.

709,600

Tonnes of copper produced in 2012.

103 cents/lb

Weighted average cash costs (net of by-product credits) in 2012.

Up-stream mining activities

Our operations are focused on the core "up-stream" mining activities, as this is where we consider most of the value in the production chain is realised, and so we have no smelting or fabricating capacity within the Group.

100%

Our operations are entirely founded on up-stream mining activities.

US$6,740m

Revenue of Antofagasta's operations in 2012.

16,000

Employees and contractors across the Group's operations.

Experience

Management

We have a highly experienced Board and executive management team. The Board is led by Jean-Paul Luksic, the Executive Chairman, who has been a Director of the Company since 1990. The Board also comprises nine Non-Executive Directors, who between them provide a considerable depth of experience of business in Chile and the international mining industry, as well as the capital markets and the regulatory environment. The mining division is led by Diego Hernández, appointed as CEO of the division during 2012. He is a mining engineer and brings a great depth of experience of the mining sector across South America, and in particular of the Chilean copper industry.

Organic growth

Over the past five years we have increased our copper production by over 60% as a result of the success of our in-house exploration activities which, during the same period, have more than tripled the mineral resource base of our subsidiaries.

We have a proven track record of successful project delivery – designing and constructing operations which maximise the value of our mineral deposits.

60%

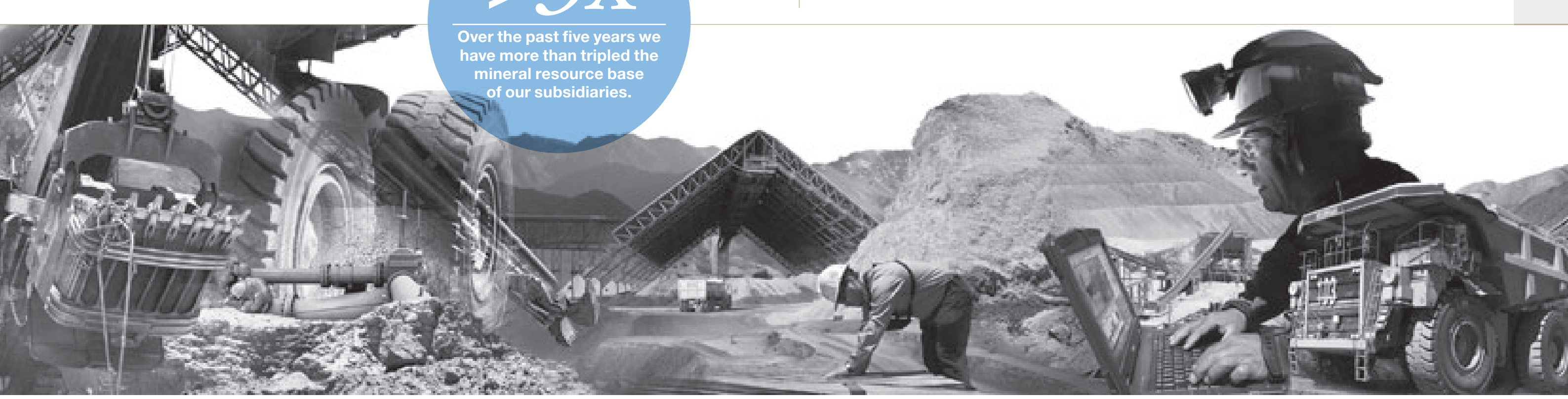
Growth of copper production in five years.

US$300m

Investment in exploration and evaluation by the Group in 2012.

>3x

Over the past five years we have more than tripled the mineral resource base of our subsidiaries.



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Our business model

Creating value

We have consistently created value for our shareholders as a result of our expertise in the discovery of copper resources and the subsequent development and operation of copper mines.

The organic growth we have achieved as a result of our in-house exploration work has allowed us to exercise full control from the outset over how our projects are developed. Given that much of the potential value of a mining project is realised (or lost) during the evaluation stage when the optimal nature of the project is determined, this control has enabled us to maximise the value we can create from our mineral deposits.

Investment versus income

Mining is a long-term business. Timescales can run in decades.

The period from initial exploration, through evaluation and construction to the start of production will often be in excess of 10 years. Then, depending on the nature of the project and market conditions, it can take more than five years of operation to recoup the initial investment.

Therefore, mines usually plan to exploit higher grade areas towards the start of the mine life in order to maximise income from the operation. As a result, average ore grades often decline over time, with production volumes decreasing along with revenues. This, however, depends on commodity price levels, which tend to be cyclical. Long-life and low cost operations increase the likelihood of being able to benefit from several highpoints in the commodity price cycle, while withstanding the troughs.

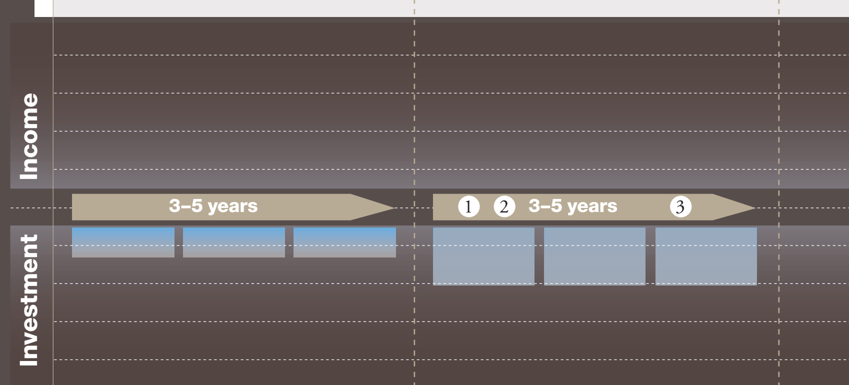
The mining lifecycle: overview

Exploration

Our in-house exploration activity has more than tripled the mineral resource base of our subsidiaries over the past five years. Our in-house team is focused in Chile and Peru; further afield we normally work with local partners.

Evaluation

Effective evaluation and project design are key to maximising the potential value of a mining project.



Exploration projects

- Major exploration programme throughout Chile
- Earn-in agreements in North America, Latin America, Europe, Africa and Australia

More on page 48

1 Twin Metals

- Pre-feasibility study under way
- Mineral resource estimate completed
- Includes Franconia assets acquired in 2011

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3 Esperanza Sur

Resources: **2.3 billion** tonnes at **0.36%** copper + by-products

More on page 46

3 Encuentro

Resources: **1.3 billion** tonnes at **0.40%** copper + by-products

More on page 46

2 Los Pelambres – Project

Resources: **5.6 billion** tonnes at **0.52%** copper + by-products

More on page 46

Our strategy

The strategy for growing our mining business is based around three pillars:

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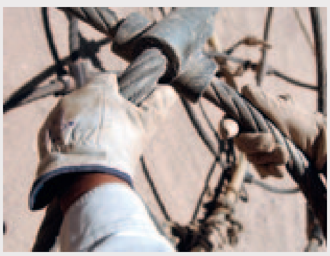
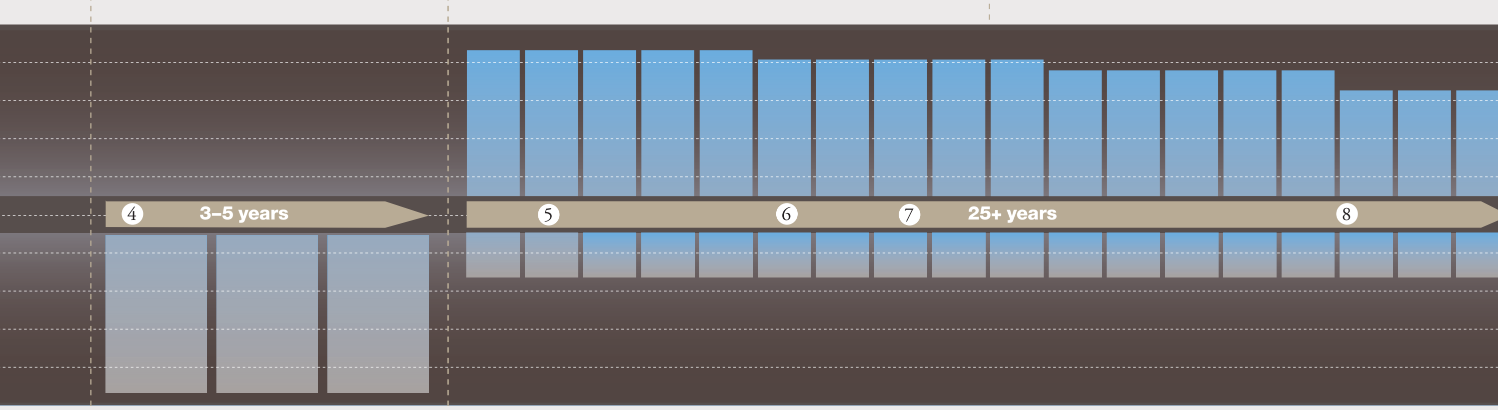


Construction

Constructing a mine requires a high level of up-front capital investment. Effective management of the costs, timing and efficiency of construction is needed to maximise a project's return on investment.

Operations

Our operations are long term. In order to remain sustainable, we need to operate in ways that benefit all stakeholders.



4 Antucoya

Development temporarily suspended while project review completed.

More on page 47

5 Esperanza

Start of operation: **2011**
End of mine life: **2026**
Years of operation: **2/16**
2013E copper production: **170,000 tonnes**

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6 Los Pelambres

Start of operation: **2000**
End of mine life: **2037**
Years of operation: **13/38**
2013E copper production: **390,000 tonnes**

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7 El Tesoro

Start of operation: **2001**
End of mine life: **2022**
Years of operation: **12/22**
2013E copper production: **100,000 tonnes**

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8 Michilla

Start of operation: **1959**
End of mine life: **2015**
Years of operation: **54/57**
2013E copper production: **38,000 tonnes**

More on page 44

Our business model

The mining lifecycle: in detail

Exploration

Successful exploration is fundamental to the long-term future of a mining company. Over the past five years, we have more than tripled the mineral resource base of our subsidiaries as a result of our own in-house exploration activity.

Generally, we conduct exploration activities ourselves in the areas in which we have the deepest experience, namely Chile and Peru. In particular we are focusing on the Centinela Mining District in northern Chile where we own or control a number of properties containing both sulphide and oxide resources – and already have existing operations.

For early-stage exploration outside of these areas we know best, we normally work through partnerships with other companies already established in those locations.

Evaluation

The ability to "prove-up" mineral resources into ore reserves during evaluation is key to realising the potential value of a mining project.

We have a great depth of experience in designing projects which make best use of complex mineral deposits, using innovative technical solutions across a wide range of environments. Typically we contract an external engineering firm to take the lead role in conducting the evaluation studies, under the close control of an owner's team from the Group's projects team.

Sustainability is integral to our evaluation process, and we seek to maximise social and environmental value through the design of our projects.

Construction

The construction of a mine is a capital intensive process. Effective management of the costs, timing and efficiency of the construction can be essential to a project's overall return on investment. We typically use a specialist principal engineering, procurement and construction management (EPCM) contractor to manage the construction process, under the close control of our projects team.

Operations

Our operations are focused on our core, up-stream mining activities, typically from low-cost, long-life mines.

We believe that most of the value in the copper production chain is realised by the up-stream mining activities, and so we have no smelting or fabricating capacity within the Group.

In order to maintain our long-term sustainability, we need to operate in ways that benefit local communities and the environment.

Initial mine plans often change over the course of a mine's life through improved processes, brownfield expansions or the incorporation of additional reserves, which can add significant extra value over the long term.

Marketing of our production is undertaken by our in-house marketing team, allowing us to develop long-term relationships with key customers, and a close understanding of the end market.

Governance

The Antofagasta plc Board is responsible for the long-term success of the Group, for its leadership and strategic direction, and for oversight of the Group's performance, its risks and internal control systems. The Group's businesses are divided into three divisions: mining, transport and water. The mining division – Antofagasta Minerals – represents over 90% of the Group's earnings.

The Business Development Committee focuses on the mining division's growth opportunities – reviewing potential transactions and project expenditure.

At an operational level, the Executive Committee approves capital expenditures by the mining operations and monitors their performance.

Key relationships

We recognise that we cannot run our business in isolation. Therefore our model is underpinned by a series of relationships with stakeholders at local, national and international level, which contribute to the long-term success of the business.

Customers

Most of our sales of copper and molybdenum are made under annual contracts or longer-term framework agreements, with sales volumes agreed for the coming year.

The majority of sales are with industrial customers who refine or further process the copper – smelters in the case of our copper concentrate production and copper fabricators in the case of our cathode production. Our in-house marketing team seeks to build long-term relationships with these core industrial customers.

More than 75% of our sales are made to customers located in Asia. Our metals sales pricing is generally based on prevailing market prices.

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Employees

We directly employ approximately 6,000 people, who work alongside approximately 10,000 contractors at our operations and projects.

Mining is an inherently risky activity. Ensuring the health and safety of everyone who works for us is an absolute priority: first and foremost it is an ethical obligation for the Group.

Skilled workers are in short supply throughout the mining sector in Chile, and so we have launched an apprenticeship programme for school leavers and a graduate trainee programme to attract young professionals, and we have in place a talent management system to identify and develop internal candidates for critical management positions.

Relationships with trade unions based on mutual respect and transparency help us retain workers and avoid labour disputes, contributing to the productivity and efficiency of our business.

Page 55 and 116

Contractors

The number of contractors working for Antofagasta varies considerably according to business need and the current level of construction activity.

Recently there have been approximately 10,000 contractors working at the Group's operations and projects, compared with 6,000 direct employees.

Contractors are vitally important to our mining operations and we aim to build long-term relationships with contractor companies based on high standards. Health and safety targets are included in their performance contracts and we assess their compliance with safety, human rights and labour standards by internal and external audits.

The minimum wage that Antofagasta Minerals sets for contractor employees is almost double that set by Chilean law, and contractor staff have the same access as our own employees to facilities at our mining camps.

Local stakeholders

It is not possible to operate a mine successfully without the co-operation and agreement of a broad range of stakeholder partners.

Positive relationships with the communities near to our sites is critical to the smooth operation of the business and its future growth. Having clear social policies and engaging regularly with community members helps to manage potential conflicts and maintains the Group's social licence to operate.

All of our operations designate a manager to oversee relationships with external stakeholders such as communities, local authorities and local media, among others. An open door policy encourages suppliers to raise any issues or concerns. They are audited regularly to ensure compliance with the law and company standards.

Government and public authorities

Political developments and changes to legislation or regulations can affect our business: in Chile, the UK, or other countries where we have development projects or exploration activities.

We monitor new and proposed legislation to enable us to anticipate, mitigate or reduce possible impacts, and to ensure we comply with all legal and regulatory obligations. We work with industry bodies to engage with governments on public policy, laws, regulations and procedures that impact our business, including on issues such as climate change and energy security.

The Group assesses political risk as part of its evaluation of potential projects, including the nature of foreign investment agreements in place. Political, legal and regulatory developments affecting the Group's operations and projects are monitored closely. The Group utilises appropriate internal and external legal expertise to ensure its rights are protected.

Strategy for the mining business

The strategy for growing our mining business is based around three pillars.

1 The existing core business

The first pillar of our strategy for the mining business is to optimise and enhance our existing core business – the Los Pelambres, Esperanza, El Tesoro and Michilla mines.

Actions and achievements in 2012

- Record year for copper, molybdenum and gold production, with 709,600 tonnes of copper (a 10.8% increase on 2011), 299,900 ounces of gold and 12,200 tonnes of molybdenum.
- Net cash costs remained stable at 103.0 cents per pound (2011 – 101.9 cents).
- Significant progress in optimising the operation of Esperanza, with average plant throughput levels increasing to 89,200 tonnes per day by Q4 2012, compared with 70,400 tonnes per day in the first quarter of the year.

Objectives for 2013

- Copper production forecast to be approximately 700,000 tonnes in 2013, broadly stable compared with 2012.
- Net cash costs forecast to be approximately 140 cents per pound, reflecting reduced by-product production of molybdenum and gold, as well as increases in operating costs.
- Significant element of work required to debottleneck Esperanza expected to be completed in 2013, with the target of reaching original design capacity of 97,000 tonnes per day of plant throughput during 2014.

Page 38 to 45

15.2bn tonnes

The Group's mineral resource base as at 31 December 2012.

2 Organic and sustainable growth of the core business

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

Actions and achievements in 2012

- Centinela Mining District feasibility study has progressed, with a refined focus on the Esperanza Sur and Encuentro Oxides projects.
- Work on the pre-feasibility study into the significant growth potential for Los Pelambres has continued to advance.

Objectives for 2013

- Continued work on Centinela Mining District feasibility study, and progress with the environmental permitting for the Encuentro Oxides project.
- Complete the pre-feasibility study for the Los Pelambres growth opportunities, and approve the scope of the feasibility study.

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3 Growth beyond the core business

The third pillar of the strategy is to look for growth beyond the areas of our existing operations – both in Chile and internationally. The primary focus is on potential early-stage developments.

Actions and achievements in 2012

- Completion of the initial US$130 million funding commitment of the Twin Metals project as part of the continued work on the project's pre-feasibility study.
- Decision taken to temporarily suspend the development of the Antucoya project, in order to undertake a full review of the project, to provide greater certainty over the cost position and other relevant parameters for the project.
- Initiation of international arbitration proceedings in respect of the Reko Diq project, in order to protect the Group's legal rights in respect of the project.

Objectives for 2013

- Continued work on the Twin Metals pre-feasibility study, including completion of an evaluation of the optimal metallurgical process for the project.
- Completion of the Antucoya project review, including updated resource model and mine plan, to allow decision as to whether to resume development of the project.
- Continued exploration activities in Chile, with a particular focus on the wider Centinela Mining District, and continued progress in existing exploration agreements and entering into further agreements with partners internationally.

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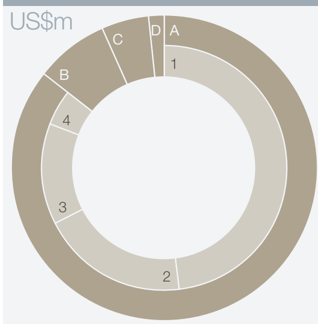
Our marketplace

Mining division revenue by product US$6,740m

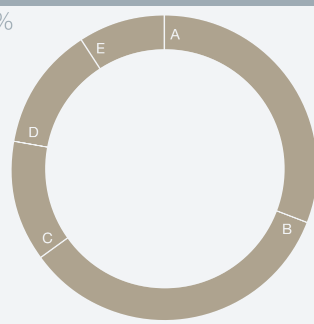
US$m



A Copper		**5,498.7**
1 Los Pelambres		3,091.3
2 Esperanza		1,249.0
3 El Tesoro		851.0
4 Michilla		307.4
B Gold	Los Pelambres/Esperanza	**501.2**
C Molybdenum	Los Pelambres	**314.7**
D Silver	Los Pelambres/Esperanza	**101.7**

Global copper consumption by sector market

%



A Construction	**31**
B Electrical & Electronic products	**34**
C Industrial machinery	**13**
D Transport	**13**
E Consumer products	**9**

Source: Brook Hunt's Long Term Copper Outlook – December 2012

Our customers

The most significant end market for the Group's products is Asia with just over 75% of the Group's revenue generated from sales to the region.

A significant proportion of the Group's sales of copper concentrate are made under long-term framework agreements. These contracts will typically set out the annual volumes to be supplied, with the pricing of the contained copper in line with London Metal Exchange ("LME") market prices.
A deduction is made from LME prices in the case of concentrate, to reflect treatment and refining charges ("TC/RCs") – the smelting and refining costs necessary to process the concentrate into copper cathodes. These TC/RCs have typically been determined annually and are normally in line with terms negotiated across the market.

A significant proportion of the Group's copper cathode sales are also made under annual contracts, which again specify volumes to be supplied and are priced in line with LME market prices. In transactions between producers and consumers a premium or discount over the metal exchanges price is negotiated to reflect the differences in quality, logistics and financing that can be agreed compared with the metal exchanges alternatives.

Similarly, the Group's molybdenum contracts are made under long-term framework agreements with pricing usually based on Platts average prices.

Across the industry neither copper producers nor consumers typically make annual commitments for 100% of their respective production or needs and therefore producers normally retain a portion to be sold on the spot market throughout the calendar year.

The prices realised by the Group during a specific period will differ from the average market price for that period 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.

For copper concentrate the period for which sales remain open until settlement occurs is, on average, three to four months from shipment date, compared to copper cathode sales which remain open for one month from shipment on average. Molybdenum sales remain open on average for two months from shipment, and settlement for gold content of copper concentrate sales occurs approximately one month from shipment.

Our products

Our mining operations produce copper with by-products of gold, molybdenum and silver. Los Pelambres and Esperanza produce copper concentrate containing gold and silver which is sold on to smelters for further processing and refining into copper cathodes as well as the production of silver and gold. The El Tesoro and Michilla mines produce refined copper cathodes. Los Pelambres also produces molybdenum concentrate which is sold to molybdenum roasters for further processing and refining.

Copper

The principal end markets for refined copper are construction and electrical and electronic products, which account for more than 65% of global copper demand, followed by industrial machinery, transport and consumer products. The price of copper is typically determined by the major metals exchanges – the London Metal Exchange ("LME"), the New York Commodity Exchange ("COMEX"), and the Shanghai Futures Exchange ("SHFE"). The price of copper is affected by supply-demand fundamentals as well as being influenced by financial investors which can lead to volatile and cyclical movements.

Gold

Gold is used as an investment asset and for jewellery and various industrial and electronic applications. Gold can be readily sold on numerous markets throughout the world. Benchmark prices are generally based on London Bullion Market Association quotations.

Molybdenum

The main use of molybdenum is as a key alloying element in steel although it is also used in other products such as catalysts. Contract prices are typically based on price benchmarks such as those reported by Platts.

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Market environment

Refined copper

2012 market performance

The average LME copper price over the course of 2012 was 361 cents per pound, representing a 9.8% decrease from record 2011 levels. Weakness in the global economic environment which included uncertainty around growth in China, the key consumer of copper, recession in Europe and flat demand conditions in the US, put downward pressure on prices, countered by sustained tightness in supply. Consumption was particularly weak during the first half of the year, however, underperformance in global production lent support to prices.

366c/lb

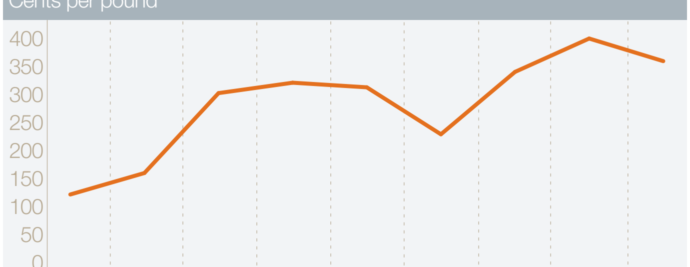
The Group's average realised copper price in 2012.

2%

The decrease in the Group's average realised copper price in 2012 compared to 2011.

Average LME copper price

Cents per pound



2004	2005	2006	2007	2008	2009	2010	2011	2012
130.0	167.1	305.3	323.3	315.3	234.1	342.0	399.7	360.6

The Group's average realised price in 2012 was marginally above the LME price at 366c/lb, which reflected net positive provisional pricing adjustments of US$81 million. In 2011, despite historically high LME prices, due to a declining price in the second half of that year, realised prices were 373c/lb. Therefore, despite a 10% decrease in average LME prices during 2012, the average realised copper price of the Group decreased by just 2%.

Market outlook

In 2013, increased copper supply is expected from greenfield and brownfield growth projects as well as existing operations due to improved operational performance. Demand will continue to principally be supported by Chinese consumption as well as expected improvements in the US housing market. While Chinese bonded warehouses restocked during 2012, due in part to limited access to credit, manufacturers were forced to run down inventories. In 2013, it is expected that this trend could be reversed due to China reducing its cathodes imports and manufacturers restocking.

The consensus price forecast for 2013 is approximately 365c/lb which indicates that the market is expected to remain tight.

Copper concentrate

2012 market performance

The concentrate market remained in significant deficit with scarcity of copper concentrate relative to available smelting capacity a common theme throughout 2012. This was reflected by continued low spot treatment and refining charges ("TC/RCs"), particularly during the first nine months of the year. The tightness of the market was a result of production constraints at large-scale operations, and expansion to Chinese smelting capacity by around 500,000 tonnes during the year.

Market outlook

Current consensus estimates suggest that this deficit will continue for a prolonged period, as further smelting capacity, principally driven by China, enters the market in 2013. Annual negotiations are continuing with respect to 2013 charges at around or below US$70.0 per dry metric tonne of concentrate for smelting and 7.00 cents per pound of copper for refining, which reflects a tight market.

During the first two months of 2013 spot TC/RCs have been trading at lower values than those agreed in the annual negotiations as a result of the tight market.

Gold

Gold prices remained strong throughout 2012 averaging US$1,669 per ounce compared with US$1,572 per ounce in 2011.

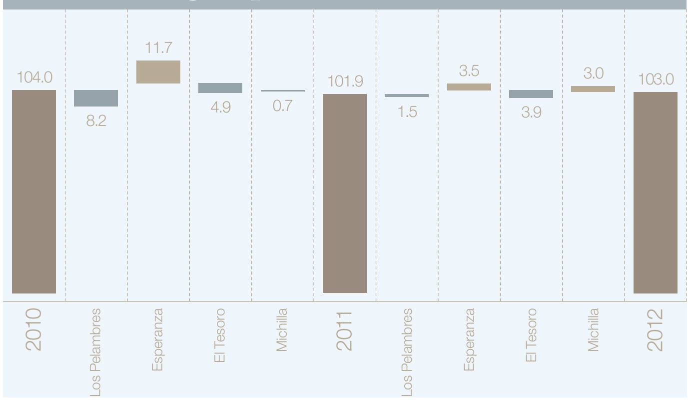
Molybdenum

Prices followed a downward trend in 2012, falling from an average price of US$13.8 per pound in January to US$11.4 per pound in December. The average price was US$12.7 per pound during the year, compared with US$15.5 per pound in 2011. Economic turmoil affected sentiment in the moly market, further impacted by a market that remained in surplus during the year. The fundamentals in the near term appear less certain than a year ago, with additional supply expected over the coming years through further expansions of current operations as well as new projects coming on-stream. The 2013 market consensus is for an average price of US$13.2 per pound (ranging between US$12 to US$14 per pound).

Our marketplace

2010-2012 weighted average net cash cost (including by-product credits)

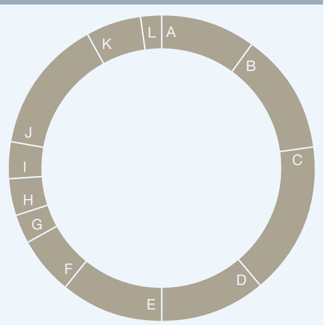
Cents per pound



2012 weighted average cash cost (excluding by-product credits)

%

A	Energy	10
B	Shipping and tolling charges	13
C	Services	16
D	Labour	11
E	Maintenance	11
F	Fuel	6
G	Sulphuric acid	3
H	Steel milling balls	4
I	Explosives and reagents	4
J	Other	14
K	Spare parts	6
L	Purchased ore	2
Total (162.8 cents per pound)		**100**



Key inputs and cost base

The Group's mining operations are dependent on a range of key inputs, such as mining equipment (including the supply and maintenance of vehicles and replacement parts such as tyres), electricity, labour and fuel. In the case of a copper concentrate producer such as Los Pelambres or Esperanza, steel balls used in the milling process are also a significant input cost. With cathode producers using the SX-EW process, such as El Tesoro and Michilla, sulphuric acid is a key input. The availability and cost of these inputs can be key operational issues, particularly during times of strong demand for commodities. The Group has strong supplier relationships which ensure it is in a position to identify opportunities to reduce costs and improve the quality of the key services and inputs that are required at the operations.

The Group's key operations of Los Pelambres and Esperanza have significant gold and molybdenum by-products, resulting in low net cash costs. The Group's overall costs sit in the second quartile of the cost curve. The competitive cost nature of these key operations has allowed the Group to keep the Group's average net cost position stable, despite strong industry cost pressures. The forecast net cash cost position for 2013 is approximately 140 cents per pound, an increase compared with the 2012 net cash cost of 103 cents per pound. This increase in estimated costs is mainly due to lower by-product volumes and higher operating costs including energy.

Labour

Secure supply of labour is a key operational input for the Group. Labour agreements with unions are in place at all of the Group's mining operations, generally covering periods of between three to four years. The next labour negotiations are expected to start in 2014. In 2011, new agreements were made with six of the total 13 labour unions across the Group. Contractors are a significant part of the Group's workforce at all of the operations, although the ratio of employees to contractors varies. At Esperanza the ratio is 1:1 (i.e. one employee for each contractor) whereas at Los Pelambres, the ratio is 1:4.

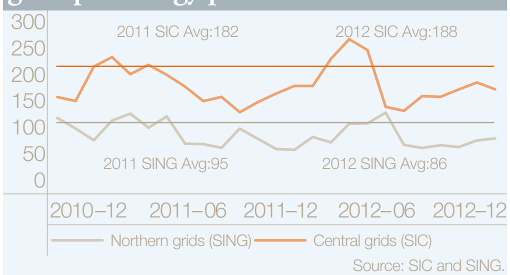
103.0c/lb

Weighted average net cash cost (including by-product credits) for the Group in 2012.

1:4

The ratio of employees to contractors in the workforce at Los Pelambres. This ratio varies between operations.

Chilean central and northern grid spot energy prices US$/MWh



Exchange rate CLP/USD

Electricity supply

There are two energy grids from which the Group takes its energy requirements – the northern grid (SING) which supplies the Esperanza, El Tesoro and Michilla mines and the central grid (SIC) which supplies Los Pelambres. In the SIC approximately 40% of the energy is provided by hydroelectric plants with the remainder being provided by coal, LNG and diesel fuelled plants whereas in the SING approximately 80% of the energy comes from coal fired power stations. Due to its reliance on hydroelectric power generation, the southern grid is exposed to fluctuations in the weather conditions.

The Group procures its electricity supply through long-term contracts at each of its mines. The cost of electricity under these contracts is, in most cases, linked to either the current cost of electricity on the Chilean grids or the costs of generation of the particular supplier, with the latter subject to adjustments for inflation and generation fuel input prices. In the case of Los Pelambres, 2012 was the final year of its previous long-term energy supply agreement. The main energy contract at Los Pelambres was fixed for a two-year period which came to an end in December 2012 under the existing energy supply agreement. In January 2013 Los Pelambres started a new energy contract based on the spot price of the central grid which is higher than the price paid under the previous contract and is therefore expected to increase the energy costs over the course of 2013. Los Pelambres is continuing to review options to secure its future energy requirements.

Also during 2012, Michilla secured a new electricity supply contract that will last until the end of 2015, with an option to extend until the end of 2018.

Sulphuric acid

The Group also normally contracts for the majority of its sulphuric acid requirements for future periods of a year or longer, at specified rates. In most cases contractual prices will be agreed in the latter part of the year, to be applied to the purchases of acid for the following year.

Water

The Group has a secured water supply for each of its operations with the necessary permits in place to use surface water as well as water from nearby wells. The Group has also pioneered the use of sea water for its mining operations in Chile, with both its Esperanza and Michilla mines using untreated sea water. The Group now uses approximately 40% sea water to fulfil its water demands. Future projects in Chile including Antucoya are likely to use sea water in order to limit the effect that the Group's operations will have on the water supply to local communities.

Oil price

The main use of fuel at the operations is in the trucks used to transport ore extracted from the mine site to the plant for processing, as well as to move waste rock from the mine site to the waste dumps. Improving fuel efficiency is a strategic priority for the Group with the number of litres of fuel consumed per tonne of material extracted being a key measure for the operations. During 2011 the Antofagasta Minerals corporate centre entered into a new contract to cover the fuel needs of the current operations.

Exchange rate

The Group's costs are also impacted by the Chilean peso exchange rate, as on average across the Group's mining operations approximately 40% of costs are denominated in Chilean pesos. However, the economic exposure to fluctuations in the Chilean peso exchange rate is partly mitigated by a natural hedge, as the copper industry is a major component of the Chilean economy, and movements in the copper price and Chilean peso tend to be correlated. The Chilean peso remained strong during the year averaging Ch$486.8/US$, compared to an average rate of Ch$483.4/US$ in 2011.

Michilla has hedged a portion of its operating costs denominated in Chilean pesos to limit its exposure to the effect of movements in the exchange rate.

Other purchasing and service contracts

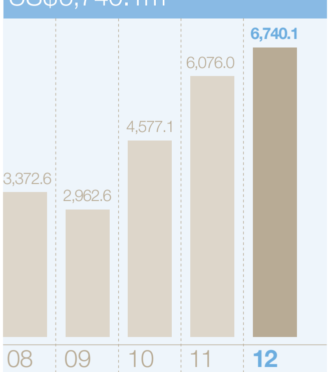
The Group has a range of other longer-term purchasing contracts and service agreements, with the supply of tyres being one of the most significant. The operations typically have five-year supply contracts in place to meet their tyre requirements. The operations also have contracts with a range of suppliers to subcontract certain services including vehicle and equipment maintenance as well as other logistical services. Although the contracts are normally with the individual operations, the tender and negotiation process is typically co-ordinated by the Antofagasta Minerals corporate centre to maximise the benefits of economies of scale.

Key performance indicators

The Group uses KPIs to assess progress against our strategy. We measure our performance against the following financial, operational and sustainability metrics:

Financial KPIs

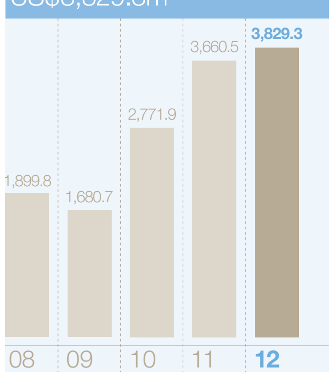
Revenue
US$6,740.1m



Why it is important to us: Revenue represents the income from sales, principally from the sale of copper as well as the molybdenum, silver and gold by-product credits.

Performance in 2012: Revenue increased by 10.9% due to increased production of copper, gold and molybdenum. This was largely due to the higher plant throughput at Esperanza.

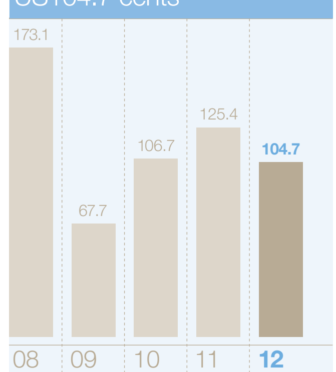
EBITDA
US$3,829.3m



Why it is important to us: A measure of the Group's underlying profitability.

Performance in 2012: EBITDA increased by 4.6% driven by higher turnover which was partly offset by higher exploration and evaluation spend and increased mining unit costs.

Earnings per share
US104.7 cents



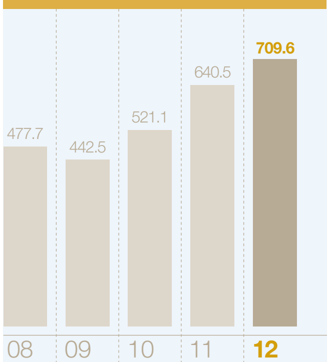
Why it is important to us: A measure of the profit attributable to shareholders of the Company.

Performance in 2012: The decrease in EPS reflects the impairment charge relating to the Antucoya project. EPS excluding exceptional items increased marginally to 140.2 cents, compared with 139.7 cents in 2011.

An analysis of Financial KPIs is included within the Financial review on pages 64 to 69.

Operational KPIs

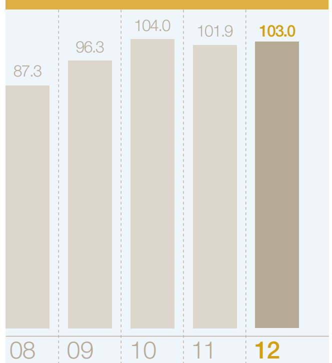
Copper production
709,600 tonnes



Why it is important to us: Copper is the Group's main product and its production is a key operational parameter.

Performance in 2012: The Group's copper production increased by 11% reflecting the further increase in production at Esperanza.

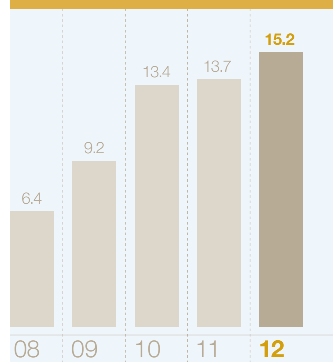
Net cash costs[2]
US103.0 cents/lb



Why it is important to us: A key indicator of operational efficiency and profitability.

Performance in 2012: Net cash costs were broadly in line with last year at 103.0c/lb.

Mineral resources[3]
15.2 bn tonnes



Why it is important to us: Growth to our mineral resources base has supported our strong organic growth pipeline.

Performance in 2012: The mineral resources of the Group's subsidiaries grew by 1.5 bn tonnes, largely driven by the completion of a mineral resource estimate at our Twin Metals project.

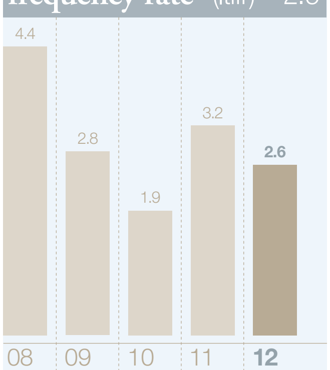
An analysis of the Group's copper production is included within the review of each operation in the Operational review on pages 38 to 45 and within the Financial review on pages 64 and 69.

An analysis of the Group's cash costs is included within the review of each operation in the Operational review on pages 38 to 45 and within the Financial review on page 65.

Mineral resources – a review of the Group's exploration activities is set out in the Operational review on pages 46 and 49, and the ore reserves and mineral resources estimates, along with supporting explanations, are set out on pages 156 to 164.

Sustainability KPIs

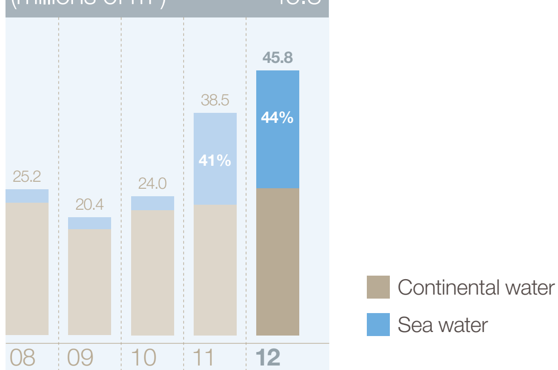
Lost time injury frequency rate[1] (ltifr) 2.6



Why it is important to us: Safety is a key priority for the Group with the LTIFR being one of the principal measures of our safety performance.

Performance in 2012: The LTIFR in 2012 was 2.6 accidents with lost time per million hours worked, with the mining division having its best ever performance. We regret the fatality of a worker at Michilla in January 2012 and have strengthened health and safety guidelines and awareness raising across the Group.

Water consumption[4]
(millions of m^3) 45.8



Why it is important to us: We acknowledge water as a precious resource and are focused on maximising the efficient use of water and utilising the most sustainable sources as we grow production.

Performance in 2012: Across the Group in 2012, sea water was used in 44% of all activities, up from 41% in 2011.

1 The lost time injury frequency rate is the number of accidents with lost time during the year per million hours worked.
2 Cash costs are an industry measure of the cost of production and are further explained in Note (iii) on page 167.
3 Mineral resources relating to the Group's subsidiaries
4 Water consumption relates to mining division only.

Further information on health and safety is provided in the Sustainability section on page 56.

Risk management

Effective risk management is an essential element of the Group's operations and strategy. The accurate and timely identification, assessment and management of risk are key to the operational and financial success of the Group.

Risk management framework

The Group's risk management framework can be divided into three tiers:

Governance

Ensuring that the Group's vision, strategy and objectives are communicated throughout the organisation, and that appropriate governance structures and policies and procedures are in place to embed those key aims and objectives.

Risk management

Ensuring that there are appropriate structures and processes in place to identify and evaluate risks, and that appropriate controls and mitigating actions are developed to address those risks. Ensuring that details of the key risks, and the performance in managing those risks, are reported on a timely basis to the relevant individuals.

Compliance

Ensuring that the Group's internal policies and procedures and control activities, as well as all relevant external laws and regulations, are adhered to.

The Board has ultimate responsibility for determining the nature and extent of the significant risks that the Group is willing to take to achieve its strategic objectives and for maintaining sound risk management and internal control systems. The Directors receive a detailed analysis of the key matters for consideration in advance of each Board meeting. They also receive regular reports which include analysis of key metrics in respect of operational performance, including health and safety, financial, environmental and social performance, as well as key developments in the Group's exploration and business development activities, information on the commodity markets, the Group's talent management activities and analysis of the Group's financial investments. This facilitates the timely identification of potential key issues and any necessary mitigating actions. The Audit and Risk Committee assists the Board with its review of the effectiveness of the risk management process, and monitoring of key risks and mitigations. The chairman of the Audit and Risk Committee reports to the full Board following each committee meeting, allowing the Board to understand and if necessary further discuss the matters considered in detail by the Committee. These processes allow the Board to monitor the Group's major risks and related mitigations, and assess the acceptability of the level of risks which arise from the Group's operations and development activities.

The Group's Ethics Code sets out our commitment to undertaking business in a responsible and transparent manner. The Code demands honesty, integrity and responsibility from all employees and contractors, and includes guidelines to identify and manage potential conflicts of interest. An Ethics Committee, comprising members of senior executive management, is responsible for implementing, developing and updating the Ethics Code and monitoring compliance with the Code. An updated version of the Ethics Code was rolled out to the Group's employees in 2011, and during 2012 this roll-out was extended to contractors working at the Group's operations.

Risk management function

There is a central risk management function which has overall responsibility for risk management activities across the Group. The risk management function maintains the Group's risk register, which includes the strategic risks that cover the most significant threats to the Group's performance and the achievement of its strategy, along with mitigation activities. The risk register is updated on a continuous basis, and strategic risk workshops are held at least once a year, in which senior management from across the business perform a comprehensive review of the Group's key strategic risks and related mitigation activities. The risk management function presents to the Executive Committee (which comprises the Antofagasta Minerals CEO and senior management – see page 74 for further details) at least twice a year, reporting on the development of the Group's key risks and mitigations and the risk management process.

The risk management function reports to the Audit and Risk Committee at least twice a year, with updates on the key risks and mitigations, summaries of internal audit reviews which have been undertaken in the period, and details of the progress of implementation of previous internal audit recommendations. Specific matters are reported by the risk management function to the Audit and Risk Committee on an immediate basis if necessary.

The General Managers of each of the operations have overall responsibility for risk management within their business. There are also risk co-ordinators within each business, who have direct responsibility for the risk management processes within that business, and for the ongoing maintenance of the individual business risk registers, which include relevant mitigation activities. There are risk workshops for each business held at least annually, in which the business unit's risks and corresponding mitigation activities are reviewed in detail to allow a thorough updating of the business risks. There is an Operational Performance Review ("OPR") process whereby the individual mining operations report to the Antofagasta Minerals corporate centre. Risk is typically reviewed in detail as part of this process on a quarterly basis, with the operations reporting on the development of their key risks and mitigations.

The mitigation activities in relation to the most significant strategic and business unit risks are reviewed by the risk management function at least annually, through direct on-site review.

Board

Audit and Risk Committee

Risk management function

- Overall responsibility for risk management activities
- Maintenance of risk register
- Oversight of risk workshops to update risk register
- Oversight of business risk registers
- Review of effectiveness of mitigating actions
- Co-ordination with Internal Audit

Areas of focus during 2012 and development of key risks

Particular areas of focus in risk management during 2012 included:

- the roll-out of the updated Ethics Code to contractors working at the Group's operations, following the roll-out to employees during 2011;
- an analysis of potential corruption risks in the most relevant areas of the business in order to ensure appropriate mitigating activities are in place;
- the implementation of a Crime Prevention Model which is in accordance with local anti-corruption regulations. The model has been subject to a third-party review to ensure that it is in accordance with the regulatory requirements.

The following is a summary of risks which have seen a particular increase in significance over time. In general, this has reflected trends across the mining industry in Chile and elsewhere, rather than factors which are purely specific to the Group and its operations:

- pressures over strategic resources in Chile, in particular electricity and water, especially in terms of the expected growth in the Chilean mining industry over the remainder of this decade;
- continuing cost pressures on both operating costs and the capital costs of developing new projects;
- the increasing trend for third parties to seek judicial review over permitting and other decisions in respect of infrastructure and other project developments in Chile; and
- the management of relations with local communities in Chile related to mining operations and development projects.

Further information

Further information about the Group's risk management systems are given in the Corporate governance report on pages 75 to 83 and in the Sustainability report on page 54. Further detailed disclosure in respect of financial risks relevant to the Group are set out in Note 25 to the financial statements.

Risk management

Principal risks and uncertainties

Set out below are the Group's principal risks and related mitigations.

Risk	Mitigation
Community relations Failure to adequately manage relations with local communities could have a direct impact on the Group's reputation and ability to operate at existing operations and the progress and viability of development projects.	The Group engages with its local communities, looking to establish relations based on trust and mutual benefit. The Group firstly seeks to identify and minimise any potentially negative operational impacts and risks through responsible behaviour – acting transparently and ethically, prioritising the health and safety of its workers, promoting dialogue and complying with commitments to stakeholders and establishing mechanisms to prevent or address crisis. The Group also contributes to the local development of the communities in the areas of influence which it operates, in particular through human capital development – education, training and employment of the local population. The Group endeavours to ensure clear and transparent communication with local communities, including through the use of local perception surveys, local media and community meetings. Details of the Group's community relations activities are included in the Sustainability section on page 58.
Strategic resources Disruption to the supply of any of the Group's key strategic inputs such as electricity, water, sulphuric acid and mining equipment could have a negative impact on production volumes. Longer-term restrictions on key strategic resources such as water and electricity could impact opportunities for the growth of the Group. A significant portion of the Group's input costs are influenced by external market factors and are not entirely within the control of the Group.	Contingency plans are in place to address potential short-term disruptions to strategic resources such as electricity. The Group enters into medium and long-term supply contracts for a range of key inputs to help ensure continuity of supply. Technological solutions, such as increased use of sea water in the Group's mining processes, can help address long-term limitations on scarce resources such as fresh water. Information on the Group's arrangements for the supply of key inputs are included within the Our marketplace section on pages 24 to 27, and details of significant operational or cost factors related to key inputs are included within the Operational review on pages 36 to 45.
Operational risks Mining operations are subject to a number of circumstances not wholly within the Group's control, including damage to or breakdown of equipment or infrastructure, unexpected geological variations or technical issues, extreme weather conditions and natural disasters, which could adversely affect production volumes and costs.	The key operational risks relating to each operation are identified as part of the regular risk review process undertaken by the individual operations. This process also identifies appropriate mitigations for each of these specific operational risks. Monthly Board reports provide a variance analysis of operational and financial performance, allowing potential key issues to be identified on a timely basis, and any necessary actions, monitoring or control activities to be established. The Group has appropriate insurance to provide protection from some, but not all, of the costs that may arise from such events. Details of the operational performance of each of the Group's operations are included within the Operational review on pages 36 to 45.
Development projects A failure to effectively manage the Group's development projects could result in delays in the commencement of production and cost overruns. Demand for supplies, equipment and skilled personnel could affect capital and operating costs. Increasing regulatory and environmental approvals and litigation could result in delays in construction or increases in project costs.	Prior to project approval a detailed feasibility process is followed to assess the technical and commercial viability of the project. Detailed progress reports on the ongoing development projects are regularly reviewed, including assessments of the progress of the key project milestones and actual performance against budget. Details of the progress of the Group's development projects are included within the Operational review on pages 46 to 49.
Political, legal and regulatory risks The Group may be affected by political instability and regulatory developments in the countries in which it is operating, pursuing development projects or conducting exploration activities. Issues with the granting of permits, or the withdrawal or variation of permits already granted, and changes to the legal environment, regulations or taxation could adversely affect the Group's operations and development projects.	The Group assesses political risk as part of its evaluation of potential projects, including the nature of foreign investment agreements in place. Political, legal and regulatory developments affecting the Group's operations and projects are monitored closely. The Group utilises appropriate internal and external legal expertise to ensure its rights are protected. Details of any significant political, legal or regulatory developments impacting the Group's operations are included within the Operational review on pages 36 to 51.
Health and safety Health and safety incidents could result in harm to the Group's employees, contractors or communities. Ensuring safety and wellbeing is first and foremost an ethical obligation for the Group. Poor safety records or serious accidents could have a serious impact on the Group's production and reputation.	The Group focuses on identifying, mitigating and managing the safety risks inherent in its different operations and development projects. The Group's goal is to create a safety culture through regular training and awareness campaigns for employees and contractors. It also aims to reach workers' families and local communities particularly on issues of road safety. The Group requires all contractors to comply with its Occupational Health and Safety Plan, and this is monitored through monthly audit processes. Further information in respect of the Group's activities in respect of health and safety is set out in the Sustainability section on page 56.

Risk	Mitigation
Environmental management An operational incident which damages the environment could affect the Group's relationship with local stakeholders and the Group's reputation, and ultimately undermine its social licence to operate and to grow. The Group operates in challenging environments, including the Atacama desert where water scarcity is a key issue.	The Group has a comprehensive approach to incident prevention. Relevant risks have been mapped and are monitored. The Group's approach includes raising awareness among employees and providing training to promote operational excellence. Potential environmental impacts are key considerations when assessing projects, including the integration of innovative technology in the project design where it can help to mitigate those effects. The Group has pioneered the use of sea water for mining operations in Chile and strives to ensure maximum efficiency in water use, achieving high rates of reuse and recovery. Further information in respect of the Group's activities in respect of the environment is set out in the Sustainability section on pages 58 to 61.
Growth opportunities The Group may fail to identify attractive acquisition opportunities, or may select inappropriate targets. The long-term commodity price forecasts used when assessing potential projects and other investment opportunities are likely to have a significant influence on the forecast return on investment.	The Group assesses a wide range of potential growth opportunities, both from its internal portfolio and external opportunities, to maximise its growth profile. A rigorous assessment process is followed to evaluate all potential business acquisitions. Details of the Group's growth opportunities are set out in the Operational review on pages 46 to 49.
Commodity prices The Group's results are heavily dependent on commodity prices – principally copper and to a lesser extent molybdenum. The prices of these commodities are strongly influenced by world economic growth, and may fluctuate widely and have a corresponding impact on the Group's revenues.	The Group considers exposure to commodity price fluctuations within reasonable boundaries to be an integral part of the Group's business, and its usual policy is to sell its products at prevailing market prices. The Group monitors the commodity markets closely to determine the effect of price fluctuations on earnings and cash flows, and uses derivative instruments to manage its exposure to commodity price fluctuations where appropriate. The sensitivity of Group earnings to movements in commodity prices is set out in the Financial review on page 68. Details of hedging arrangements put in place by the Group are included within the Financial review on page 68 and in Note 25 to the financial statements.
Identification of new mineral resources The Group needs to identify new mineral resources in order to ensure continued future growth. The Group seeks to identify new mineral resources through exploration and acquisition. There is a risk that exploration activities may not identify viable mineral resources.	The Group has teams conducting active exploration programmes both within Chile and elsewhere. The Group has entered into early-stage exploration agreements with third parties in a number of countries throughout the world, and has also acquired interests in companies with known geological potential. A review of the Group's exploration activities is set out in the Operational review on pages 46 to 49.
Ore reserves and mineral resources estimates The Group's ore reserves and mineral resources estimates are subject to a number of assumptions and estimations, including geological, metallurgical and technical factors, future commodity prices and production costs. Fluctuations in these variables may result in lower grade reserves or resources being deemed uneconomic, and could lead to a reduction in reserves or resources.	The Group's reserves and resources estimates are updated annually to reflect material extracted during the year, the results of drilling programmes and updated assumptions. The Group follows the JORC code in reporting its ore reserves and mineral resources which requires that the reports are based on work undertaken by a Competent Person. The Group's reserves and resources estimates are subject to a comprehensive programme of internal and external audits. The ore reserves and mineral resources estimates, along with supporting explanations, are set out on pages 156 to 164.
Talent The Group's highly skilled workforce and experienced management team is critical to maintaining its current operations, implementing its development projects, and achieving longer-term growth. The loss of key individuals and the failure to recruit appropriate staff may have a negative impact on the performance of the existing operations and the growth of the Group. Labour disputes could result in disruption to operations.	The Group's performance management system is designed to provide reward and remuneration structures and personal development opportunities appropriate to attract and retain key employees. The Group has in place a talent management system to identify and develop internal candidates for critical management positions, as well as processes to identify sustainable external candidates where appropriate. There are long-term labour contracts in place at each of the Group's mining operations which help to ensure labour stability. The Group seeks to identify and address labour issues which may arise throughout the period covered by existing long-term labour agreements. Contractors' employees are an important part of the Group's workforce, and under Chilean law are subject to the same duties and responsibilities as the Group's own employees. The Group's approach is to treat contractors as strategic associates. Details of the Group's relations with its employees and contractors are set out within the Sustainability section on pages 55 to 57 and within the Operational review on pages 36 to 51.

Operational review

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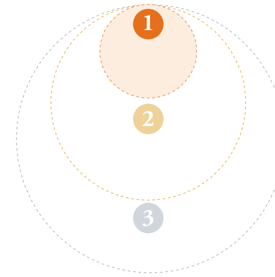
Operational review

Our existing operations are located in Chile. In 2012 we achieved a record year of production, with significant production growth at Esperanza reflecting the ongoing optimisation of the operation.

The focus of the Group's growth opportunities is firstly to ensure that the potential production from existing operations is maximised through debottlenecking or incremental plant expansions and the Group also has a number of opportunities in its current growth pipeline which are expected to increase production beyond current levels.


Antofagasta's mining operations and projects
Other mines and projects
Towns and cities
Plants
80–90 Pound Rail
65–75 Pound Rail
50–60 Pound Rail
Other railways
National highway
ADASA facilities
Distribution line for untreated water
Distribution line for potable water
PERU
BOLIVIA
ARGENTINA
CHILE
A GUAQUI
LA PAZ
VIACHA
COCHABAMBA
ORURO
SUCRE
POTOSI
RIO MULATO
UYUNI
ATOCHA
TUPIZA
VILLAZON
LAQUIACA
UJINA
AMINCHA
OLLAGÜE
TOCOPILLA
ANTUCOYA
MICHILLA
CALAMA
EL TESORO
ESPERANZA
MEJILLONES
ANTOFAGASTA
PRAT
BAQUEDANO
AUGUSTA VICTORIA
SOCOMPA
TALTAL
CHÃNARAL
COPIAPO
LA SERENA
OVALLE
COMBARBALA
ILLAPEL
LOS VILOS
LOS PELAMBRES
TOCOPILLA
Water Catchment Lequena
Water Catchment Quinchamale
Water Catchment Toconce
Chuquicamata
Filter Plant Cerro Topater
Mixer Tank
Water Catchment Puente Negro
ANTUCOYA
MICHILLA
Spence
SQM
EL TESORO
ESPERANZA
MEJILLONES
Mantos Blancos
Desalination Plant
ANTOFAGASTA
Filter Plant Salar del Carmen
CENTINELA MINING DISTRICT
CHILE
TALTAL
Desalination Plant
Agua Verde Wells
Filter Plant Taltal

Mining



The existing core business

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

Los Pelambres (60% owned)

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

2012 Production

Copper tonnes (2011 411,800)	**Molybdenum** tonnes (2011 9,900)	**Gold** ounces (2011 39,800)
-2.0%	+23.2%	+29.4%
403,700	12,200	51,500

2012 Financials

Cash costs US cents per pound (2011 US78.3 cents)	**Operating profit** (2011 US$2,457.4m)
+9.7%	-6.8%
US85.9 cents	US$2,289.9m

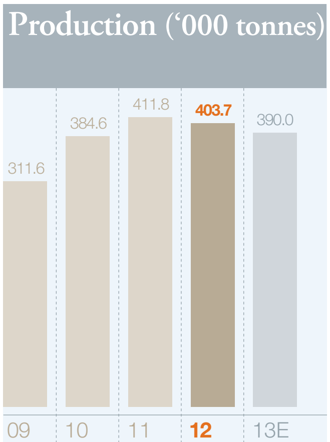
2013 Forecast

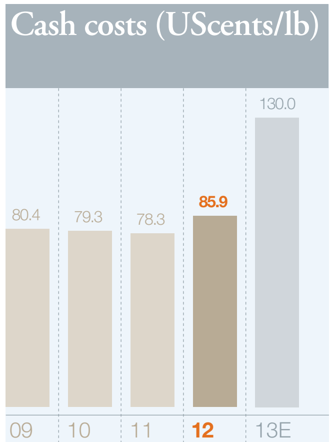
Copper tonnes	**Molybdenum** tonnes	**Gold** ounces
390,000	8,000	30,000

Start of operation: **2000**
End of mine life: **2037**
Years of operation: **13/38**

Position within mining lifecycle

Exploration | Evaluation | Construction | **Production**





Los Pelambres is a sulphide deposit located in Chile's Coquimbo Region, 240 km north-east of Santiago. It produces copper concentrate (containing gold and silver) and molybdenum concentrate, through a milling and flotation process.

2012 Performance

Operating profit

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

Production

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

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

Costs

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

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

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

Outlook

Production

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

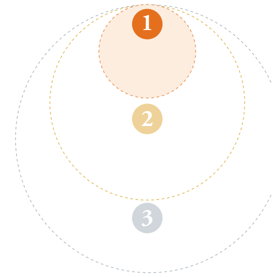
Cash costs before by-products for 2013 are forecast to be approximately 165 cents per pound, compared to the 139.1 cents achieved in 2012 reflecting various factors including an increase in energy costs compared with 2012. For indicative purposes only, cash costs (net of by-product credits) would be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

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

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

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

Mining: The existing core business



Esperanza (70% owned)

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

2012 Production

Copper tonnes (2011 90,100)	Gold ounces (2011 157,100)
+81.1%	+58.1%
163,200	248,400

2012 Financials

Cash costs US cents per pound (2011 US83.2 cents)	Operating profit (2011 US$384.1m)
-20.8%	+129.1%
US65.9 cents	US$880.1m

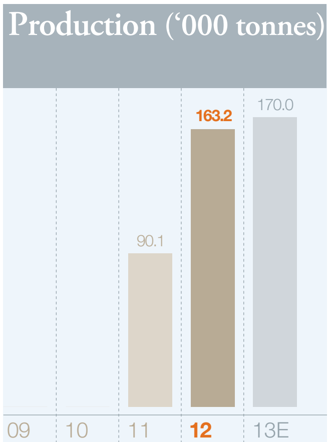
2013 Forecast

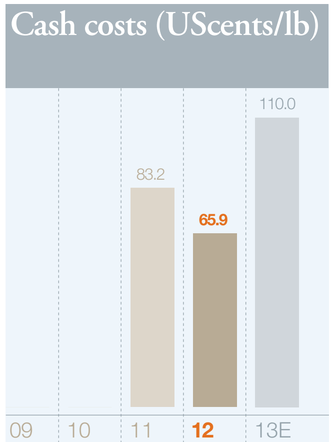
Copper tonnes	Gold ounces
170,000	230,000

Start of operation: **2011**
End of mine life: **2026**
Years of operation: **2/16**

Position within mining lifecycle

Exploration | Evaluation | Construction | **Production**





Esperanza is a sulphide deposit located in Chile's Antofagasta Region, 1,350 km north of Santiago. It produces copper concentrate (containing gold and silver) through a milling and flotation process.

2012 Performance

Production

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

Esperanza produced 163,200 tonnes of payable copper in 2012, an 81.1% increase compared with 2011, reflecting both a 45.6% increase in plant throughput levels compared with the prior year when Esperanza was ramping-up, as well as a 19.6% increase in copper grades from 0.56% in 2011 to 0.67% in 2012. Gold production in 2012 was 248,400 ounces compared with 157,100 ounces in 2011 as a result of the higher plant throughput.

Costs

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

Ramp-up activities

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

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

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

Outlook

Production

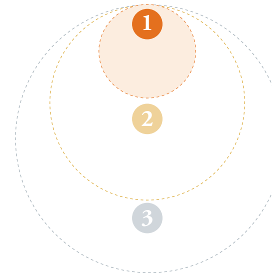
As announced in the Q4 production report, the initial forecast for 2013 production is for approximately 170,000 tonnes of payable copper and 230,000 ounces of gold. This production forecast is based on an average plant throughput of 86,000 tonnes per day and expected average copper and gold grades of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

Costs

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

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

Mining: The existing core business



El Tesoro (70% owned)

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

2012 Production

Copper cathode
tonnes (2011 97,100)

+8.1%
105,000

2012 Financials

Cash costs
US cents per pound
(2011 US171.6 cents)

-13.0%
US149.3 cents

Operating profit
(2011 US$379.4m)

+16.7%
US$442.7m

2013 Forecast

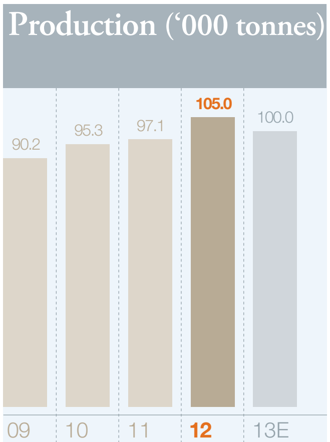
Copper cathode
tonnes

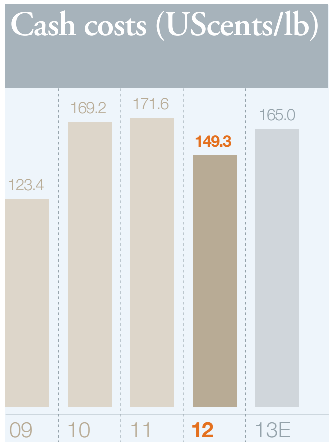
100,000

Start of operation: **2001**
End of mine life: **2022**
Years of operation: **12/22**

Position within mining lifecycle

Exploration | Evaluation | Construction | **Production**





El Tesoro is a deposit located in Chile's Antofagasta Region, 1,350 km north of Santiago, which produces copper cathodes using a solvent-extraction electro-winning process ("SX-EW"). It currently comprises three open pits – Tesoro Central, Mirador and Tesoro North-East – which, along with oxide ore from Esperanza, feed a heap-leach operation and a Run-of-Mine ("ROM") leaching operation.

2012 Performance

Operating profit

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

Production

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

Costs

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

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

Outlook

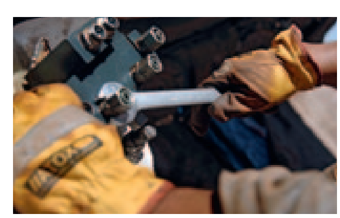
Production

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

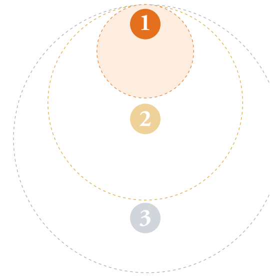
As previously announced, during the three-year period from 2012 to 2014 El Tesoro's production is expected to come primarily from the Mirador pit with the balance of the production coming from the Tesoro North-East and Tesoro Central pits. Once the ore from the Mirador deposit has been utilised by the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

Costs

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



Mining: The existing core business



Michilla (74.2% owned)

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

2012 Production

Copper cathode
tonnes (2011 41,600)

-9.4%
37,700

2012 Financials

Cash costs
US cents per pound
(2011 US213.3 cents)

+49.2%
US318.3 cents

Operating profit
(2011 US$147.4m)

-78.9%
US$31.1m

2013 Forecast

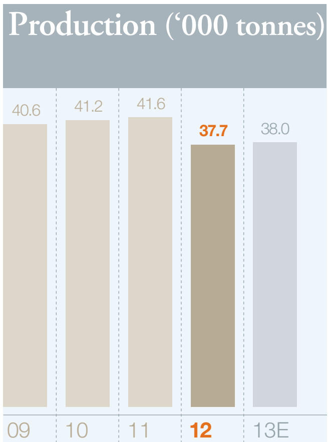
Copper cathode
tonnes

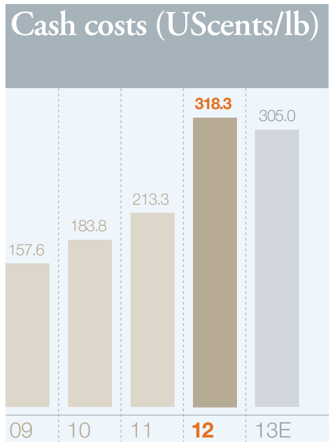
38,000

Start of operation: **1959**
End of mine life: **2015**
Years of operation: **54/57**

Position within mining lifecycle

Exploration | Evaluation | Construction | **Production**





Michilla is a leachable sulphide and oxide deposit located in Chile's Antofagasta Region, 1,500 km north of Santiago. It produces copper cathodes using a heap-leach and SX-EW process. The ore which is processed by the Michilla plant comes from a variety of sources – from underground and open pit mines which are operated by Michilla itself, from other underground operations which are owned by Michilla and leased to third-party operators, and also from ENAMI, the Chilean state organisation which represents small and medium-sized mining companies. The price paid for material purchased from ENAMI is in some cases linked to the market copper price.

2012 Performance

Operating profit

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

Production

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

Costs

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

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

Outlook

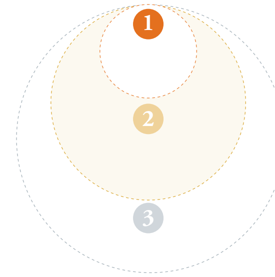
Production

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

Costs

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

Mining



Organic and sustainable growth of the core business

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

Centinela Mining District

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

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

The Encuentro oxides deposit provides the opportunity to continue to maximise the use of the existing SX-EW plant at El Tesoro. It is currently envisaged that a new crushing unit and heap-leach facilities would be located at the Encuentro mine site, with a pipeline to take the leach solution to the existing El Tesoro plant for processing. Construction could potentially commence in 2014 for a two-year period, followed by first production in 2016. The project could produce approximately 50,000 tonnes of copper cathode per year over an eight-year period utilising the existing capacity at the El Tesoro SX-EW plant. This could potentially enable the plant to continue to produce at its capacity of 100,000 tonnes per annum for a number of years from 2015, thereby helping to offset a decline in production that would otherwise occur when the high-grade Mirador deposit is fully mined. Preliminary indications of the potential capital cost of the Encuentro oxide project are that it could be approximately US$600 million at today's prices. In December 2012 the Environmental Impact Assessment in respect of the Encuentro oxide project was submitted to the relevant authorities for review.

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

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

Los Pelambres

Resources

5.6 billion tonnes at 0.52% copper, 0.013% molybdenum and 0.03g/tonne gold

Position within mining lifecycle

Exploration | **Evaluation** | Construction | Production

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

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

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

Reserves	Potential annual copper cathode production
642 million tonnes of 0.35% copper	80,000 tonnes

Position within mining lifecycle

Exploration | Evaluation | **Construction** | Production

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

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

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

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

United States – Twin Metals

Position within mining lifecycle

Exploration | **Evaluation** | Construction | Production

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

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

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

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

Mining: Growth beyond the core business

Other exploration and evaluation activities

Chile

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

International

The Group has also continued to expand its portfolio of early-stage international exploration interests through a number of strategic alliances and earn-in agreements. During 2012 the Group incurred US$33.5 million of exploration and evaluation expenditure in relation to its international early-stage exploration activities. During 2012 the Group entered into new agreements in Finland, Zambia, Australia, Canada, Peru and Brazil.

Reko Diq

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

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

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

Energy opportunities

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

Energía Andina

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

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

El Arrayan

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

The Group is responsible for its 30% share of the development costs. El Arrayan started construction of the 115MW plant in early 2012 and has an estimated total cost of approximately US$300 million, of which it is expected that approximately US$210 million will be funded through project financing. The plant is currently expected to start operating in the second half of 2014.

Inversiones Hornitos

The Antofagasta Railway Company ("FCAB") group owns a 40% interest in Inversiones Hornitos S.A. ("Inversiones Hornitos"), which operates the 165MW Hornitos thermoelectric power plant located in Mejillones, in Chile's Antofagasta Region. The main offtakers of the Energy are the mining operations of Esperanza and El Tesoro.

Mulpun

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

Transport

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

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

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

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

FCAB also owns Forestal S.A., which manages the Group's forestry assets. Forestal's two properties, Releco-Puñir and Huilo-Huilo, comprise 26,295 hectares of native forest near the Panguipulli and Neltume lakes, in Chile's Region de Los Lagos. During 2012, Forestal continued with its ongoing forestation, fertilisation and thinning programme to maintain these assets.

Transport

FCAB typically provides services to customers under long-term contracts, often with agreed pricing levels which are subject to adjustments for inflation and movements in fuel prices. The division also offers cargo transfer, shipment and storage services both domestically and internationally.

2012 Volume transported

Rail tonnage
'000 tonnes
(2011 6,419)

-4.4%
6,137

Combined tonnage
'000 tonnes
(2011 8,315)

-7.6%
7,680

Road tonnage
'000 tonnes
(2011 1,896)

-18.6%
1,543

2012 Financials

Operating profit
(2011 US$62.8m)

+3.0%
US$64.7m

Water

Aguas de Antofagasta ("ADASA") operates a 30-year concession for the distribution of water in Chile's Antofagasta Region which it acquired from the state-owned Empresa Concesionaria de Servicios Sanitarios S.A. ("ECONSSA") in 2003. The division provides potable desalinated water to domestic and commercial customers in the Antofagasta region, obtaining water from mountain catchments and the sea and distributing it through its 1,140 km pipe network.

The division's activities in Chile are regulated by the Superintendencia de Servicios Sanitarios (SISS).

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

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

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

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

Water

ADASA's operation consists of two main businesses, a regulated water business supplying domestic customers and an unregulated business serving mines and other industrial users. Sales to domestic customers are priced in accordance with regulated tariff structures, while sales to industrial customers are generally priced in accordance with contractually agreed levels.

2012 Volume sold

Water
million cubic metres (2011 48.3)

+5.2%
50.8

2012 Financials

Operating profit
(2011 US$56.1m)

+16.0%
US$65.1m

Sustainability

The Group aims to develop its business in a sustainable way. Taking account of social and environmental factors supports operational efficiency and helps secure access to resources.

About our sustainability reporting

In addition to the information in this Annual Report, further information on sustainability performance is available in the Group's Sustainability Report and on the website of Antofagasta Minerals at www.aminerals.cl and Antofagasta plc at www.antofagasta.co.uk

For 2012 the Group's Sustainability Report will be independently verified by a third party in accordance with the international ISAE 3000 standard. The content in this section of the Annual Report is not externally verified.

Sustainability in 2012

The Group continued to embed sustainability across its business during 2012. Highlights included:

- Safety performance for the mining division substantially improved in 2012, although we deeply regret the death of a worker at Michilla in January 2012. The lost time injury frequency rate (LTIFR) and all injury frequency rate (AIFR) for the mining division reached their best levels in five years. A division-wide health and safety policy was formalised to ensure consistency across mining operations, projects and explorations.
- Code of Ethics updated and launched to employees, contractors and vendors. The Group introduced an online training programme on the Code and anti-bribery policies and procedures, completed by 96% of the employees.
- Social KPI matrix implemented in all operations will allow reporting on social performance and setting targets.
- Renewable energy projects of the Group include a thermo-solar plant at El Tesoro's electro-winning plant, opened in November 2012, that will reduce diesel consumption at the plant by 55% and save 8,000 tonnes of CO_2 emissions each year.
- New environmental guidelines provide guidance on water, air, biodiversity, climate change, waste, heritage and land use in its mining division.

Managing sustainability performance through effective policies and procedures supports the Group's business strategy in the following ways:

Operational efficiency

- **Good labour relations** – Antofagasta Minerals' focus on training, employee satisfaction and positive relations with its workers and contractors, supports productivity and helps to prevent disruptions from strikes. As there is a growing shortage of skilled mining professionals in Chile, Antofagasta Minerals' focus on recruitment and attracting talented workers helps it to access the labour it needs to operate and to grow.
- **Innovation** – meeting challenges such as climate change and water scarcity requires new processes, technologies and ideas. The Group is developing innovative responses to sustainability challenges such as renewable energy projects, pioneering the use of non-desalinated sea water in mining and new tailings solutions.

Access to resources

- **Complying with regulations** – carefully monitoring and managing the social and environmental impacts of the Group's operations helps it to meet current commitments and future regulatory requirements.
- **Maintaining a social license to operate** – maintaining positive relationships with the communities near to the Group's sites as well as with the government and other stakeholders is critical to the smooth operation of the business and its future growth. Having explicit social guidelines and engaging regularly with community members helps to avoid conflicts and maintain the Group's social license to operate.

Managing sustainability

Antofagasta Minerals has a social and environmental strategy that defines how it intends to generate economic, social and environmental value.

Sustainable Development Principles

Environmental Policy

Social Relations Policy

Antofagasta Minerals' social strategy

To build relationships of trust and mutual benefit with stakeholders by taking action in three areas:

Responsible behaviour

- Promote the health and safety of employees and contractors
- Maintain a beneficial work environment
- Reduce negative impacts on society
- Engage with key stakeholders
- Monitor progress against commitments

Managing risk

- Identify, reduce and manage socio-political risks
- Be adequately prepared to manage any crises or incidents that occur
- Promote ethical behaviour among our workers and contractors

Developing local human capital

- Promote job creation
- Support local education
- Improve local quality of life and support the development and growth of other economic activities

Antofagasta Minerals' environmental strategy

To protect the environment and natural resources by taking action in three areas:

Operational efficiency

- Efficient use of water
- Efficient use of electricity and fuel
- Land use (territory)
- Waste management

Controlling environmental impacts

- Safeguard quality and availability of water
- Protection of biodiversity and cultural heritage
- Safeguard air quality
- Reduce risk of environmental incidents

Environmental benefits

- Use of renewable energy
- Enhancement of biodiversity
- Enhancement of cultural heritage

Sustainability

The Group's 10 Sustainable Development Principles and its Environmental and Social Relations Policies guide employees and contractors, encouraging them to meet high standards and helping to embed sustainability into the business. As well as a Group-wide Code of Ethics, Antofagasta Minerals has detailed social standards outlining procedures for managing community grievances, crisis, community investments, gifts and invitations, and a policy prohibiting facilitation payments. A set of seven environmental guidelines were approved and rolled out in 2012.

Sustainability performance is linked to individual bonuses through annual performance agreements between the mining companies and the corporate centre. The agreements include social and environmental indicators and goals, and a percentage of the bonuses awarded to the companies are linked to these goals including safety, talent development, environmental and social performance.

The Group's businesses have management systems based on the international ISO standards in place, see table.

Certification	ISO 14001	ISO 9001	OHSAS 18001
Los Pelambres	✓	✓	✓
El Tesoro	✓	✓	✓
Michilla*	–	✓	✓
Esperanza**	–	–	–
Antofagasta Railway Company***	–	✓	✓
Aguas de Antofagasta****	✓	–	–

Notes to table:
* Michilla's environmental management system is based on ISO 14001.
** Esperanza will assess its readiness to gain a combined certification for the ISO 9001, ISO 14001 and OHSAS 18001 standards during 2013.
*** Antofagasta Railway Company aims to achieve certification to ISO 14001 in 2013.
**** Aguas de Antofagasta uses a management system based on ISO 9001 and is in the process of extending its ISO 14001 certification to all facilities. It will assess its readiness to gain the OHSAS 18001 certification in 2013.

Material issues and risks

The Group's strategy focuses on the risks and opportunities that are most material to its business and its stakeholders. Social and environmental risks to each division are identified, monitored and managed through the Group's central risk management system, see pages 32 and 33. The key sustainability risks and mitigating measures are included on pages 32 and 33 of this report.

The sustainability issues considered most material to the Group, and therefore covered in its sustainability reporting, are:

- Health and safety
- Talent
- Community relations
- Environmental management

In 2012 the Group introduced a materiality process to formalise its risk assessment and prioritise the financial, regulatory, operational and reputational issues that could have the highest impact on the business.

The divisions regularly conduct internal audits to assess compliance with the law and the Group's health and safety, labour relations, employment standards and policies. External auditors monitor contractor compliance with the Group´s safety, human rights and labour standards.

Sustainability governance

The Antofagasta plc Board has ultimate responsibility for sustainability and is supported by the Sustainability and Stakeholder Management Committee, see page 83.

Key activities of the Committee in 2012 included:

- **Reporting:** the Committee reviewed and approved the sustainability chapter of the 2011 Annual Report and the 2011 Sustainability Report and requested external verification of the 2012 Sustainability Report.
- **Audit and risk:** the Committee requested that all operation and project sites are audited regularly by the Control Risk team and Board members. The Committee reviewed the Environmental Risk Management System for evaluating, classifying and controlling environmental risks.
- **Health and safety:** the Committee reviewed and approved the new Health and Safety policy to ensure a consistent approach is taken across the mining division. It also reviewed health and safety performance reports for the operations, projects and explorations.

Ethics and human rights

High ethical standards are essential for maintaining stakeholders' trust, our licence to operate and reputation. The Group complies with anti-bribery and anti-corruption laws in the United Kingdom and in Chile. In 2012 the Group's ethical procedures were independently audited by a third party in Chile to verify compliance with Chilean anti-bribery regulations. The verification covered anti-bribery systems at Antofagasta Minerals, Antofagasta Railway Company and Aguas de Antofagasta and will be renewed annually.

The Group is committed to meeting high ethical standards and its Code of Ethics covers:

- Compliance with laws and regulations in the United Kingdom and Chile
- Avoiding conflicts of interest
- Anti-bribery, anti-corruption and tackling fraud
- Ensuring good working conditions
- Protecting confidential company information
- Instructions for employees to report concerns about unethical behaviour
- Responsibilities of the Group Ethics Committee

In 2012 the updated Code of Ethics was rolled out across the Group and also communicated to the Group's main contractors and vendors. Employees were required to complete an online training programme covering the Code of Ethics as well as the anti-bribery policies and procedures. The Group's whistleblowing procedures were also strengthened in 2012 and employees, contractors and external parties are encouraged to raise concerns about unethical behaviour via the intranet or internet. In 2012 seven incidents were reported. More information will be available in the Group's Sustainability Report 2012.

Stakeholder engagement

Openly engaging with stakeholders helps the Group to understand their needs, avoid conflict and build relationships based on trust and mutual benefits. The Group's key stakeholders are investors, employees, contractor companies and contracted workers, communities, local and national governments and regulators, and the media. Examples of formal engagement include the mining division's annual stakeholder perception survey covering employees, contractors, workers' families, local people, NGOs and politicians, and Aguas de Antofagasta's annual customer survey conducted by the Chilean Sanitary Services Commission. The mining companies also participate in several joint community-company committees that meet regularly to discuss issues of common interest such as water quality, air quality and local development. More information will be available in the Sustainability Report.

Employees and contractors

In 2012 there were approximately 16,000 workers (including contractors) across Antofagasta plc's three divisions. Contractors are an important part of our workforce, making up more than 70% of total workers on average across our mines. In order to work with Antofagasta, contractor companies must adhere to high employment standards. Sustainability is part of the contract between each of our operations and the contractor companies they use, including standards for health and safety and environmental performance.

Sustainability

Safety

What is the issue?

Extracting and processing copper creates a number of health and safety risks that the mining division must manage carefully to prevent injuries and fatalities. Contractors' workers make up the majority of Antofagasta Minerals' workforce, so ensuring they are properly trained to understand and meet the division's health and safety standards is a priority.

In the railway division the focus is on the safety of workers, and the communities near railway lines and crossings.

Supplying good quality, safe drinking water to customers and collecting and disposing of waste water safely is the focus of the water division's safety management programme as well as ensuring the health and safety of its workers and contractors.

Protecting the health and safety of employees, contractors and local communities is Antofagasta's first Sustainable Development Principle and the Group's goal is to have zero fatalities. Embedding a safety culture among employees and contractors is central to achieving this goal. The Group focuses its training effort in raising its workers' and contractors' awareness so each person is able to identify, mitigate and manage the safety risks inherent in different operations and projects. Regular safety management workshops held with employees and contractors' workers are used to review near miss incidents and risks, develop skills, share best practice and agree management plans and reporting procedures.

In order to work with Antofagasta, contractors must comply with the Group's Occupational Health and Safety Plan. Contractor companies' compliance with these standards at the mining, railway and water divisions is monitored through internal and external audits.

The Board deeply regrets the death of one worker at Michilla in January 2012. The incident occurred underground when a supervisor was killed by falling rock as he assisted a drilling operator. As a consequence, Michilla strengthened its health and safety guidelines and awareness raising to workers and lessons were shared with the other operations.

In 2012 Antofagasta Minerals formalised a division-wide health and safety policy to ensure the mining operations, projects and exploration programmes take a consistent approach. At the end of 2011, the mining division created an operational risk management function, focused on standardising a safety policy, strengthening reporting procedures and achieving a safety culture. During 2013 a safety management process will be implemented.

The Group continued to improve both its Lost Time Injury Frequency Rate (LTIFR) and All Injury Frequency Rate (AIFR). Despite the fatality at Michilla, the mining division had its best safety results in five years. Its LTIFR was 1.3 and the AIFR was 5.4. Antofagasta Railway Company (FCAB), the LTIFR increased in 2012 compared with the previous year. Nevertheless, the severity of accidents, measured by the number of lost days, has decreased significantly. In the third quarter of 2012, FCAB implemented a number of measures to improve operational safety, some of which were included in the collective agreements signed with its unions. At ADASA, the LTIFR and AIFR remained similar to 2011 and significantly below the levels of earlier years.

These figures include each division's own employees, as well as short and long term contractors.

	Lost Time Injury Frequency Rate (LTIFR)					All Injury Frequency Rate (AIFR)					Number of fatalities				
	2012	2011	2010	2009	2008	**2012**	2011	2010	2009	2008	**2012**	2011	2010	2009	2008
Chilean mining industry*	**2.9**	3.1	3.6	4.0	5.8	**N/A**	N/A	N/A	N/A	N/A	**25**	26	45	35	43
Mining Council**	**N/A**	N/A	1.9	2.3	3.2	**N/A**	N/A	N/A	N/A	N/A	**N/A**	5	8	8	6
Los Pelambres	**0.7**	1.8	0.9	1.3	1.3	**2.3**	4.6	2.6	3.6	6.6	**–**	–	2	4	–
El Tesoro	**0.7**	2.1	0.5	1.7	2.0	**2.7**	5.6	4.6	6.0	6.6	**–**	–	–	1	–
Michilla	**3.1**	3.1	4.2	3.2	4.4	**7.3**	6.7	8.8	9.9	12.1	**1**	–	–	–	–
Esperanza	**1.0**	2.4	1.6	1.5	1.6	**9.8**	16.8	14.7	15.0	8.2	**–**	–	–	–	–
AMSA including exploration and projects	**1.8**	1.3	3.2	6.0	5.4	**9.0**	24.9	13.6	23.0	13.1	**–**	–	–	–	1
Mining	**1.3**	2.1	1.6	1.7	2.2	**5.4**	9.2	10.1	8.5	8.2	**1**	–	2	5	1
Antofagasta Railway Company	**13.0**	9.6	9.5	12.0	14.1	**28.6**	28.3	25.9	33.9	37.1	**–**	1	–	–	–
Aguas de Antofagasta	**5.1**	5.5	5.6	7.0	11.5	**8.3**	8.2	22.4	16.8	21.6	**–**	–	–	–	–
Group	**2.6**	3.2	1.9	2.8	4.4	**7.9**	11.5	11.0	11.0	12.9	**1**	1	2	5	1

* Chilean mining industry source – Servicio Nacional de Geología y Minería.
** Data from the Chilean Mining Council (Consejo Minero), an industry association which represents a number of large mining companies in Chile.
(Data includes workers and contractors.)

Definitions:
Figures for Chilean Mining Industry and Mining Council 2012 are not currently available.
LTIFR – Number of accidents with lost time during the year per million hours worked.
AIFR – Number of accidents with and without lost time during the year per million hours worked.

Health and wellbeing

Occupational health and safety plans are in place to help employees and contractors stay healthy and avoid common injuries or illnesses. All Antofagasta Minerals workers are encouraged to take a yearly preventative health check, paid for by the Company. All operations have healthy living programmes in place to encourage healthy eating, regular exercise and to support workers with smoking cessation and relieving stress. Sites are designed with workers' health and wellbeing in mind, including gyms, sport facilities and healthy eating options in cafeterias.

Talent and job creation

What is the issue?

The predicted shortage of skilled workers in Chile is an issue for the mining sector. With around US$90bn of planned investment in mining in Chile from 2012 to 2020, the industry will need to hire around 44,000 workers to meet the total predicted demand[1]. A lack of trained mining professionals can push labour costs up significantly or prevent projects going ahead. Attracting and retaining staff from truck drivers to plant managers is an ongoing challenge for Antofagasta Minerals, its contractors and its peers.

The situation is less critical than a year ago as some mining projects have been delayed, providing more time for the sector's initiatives to attract and train more workers to develop.

1 Chile Foundation – Labour Force in Chile's major mining industry. Diagnosis and recommendations, 2011-2020.

Since 2011 the Group has made efforts to attract new people to the Company and to retain and develop existing workers. It has a graduate scheme to recruit new graduates and has implemented an apprenticeship programme for training and recruiting mining operators, with a strong emphasis on attracting people from local communities and, increasingly, women. In 2012 the Board's Remuneration and Talent Committee continued to oversee initiatives to widen the talent pool and secure skilled workers for its operations and projects.

Antofagasta also takes part in industry-wide initiatives to increase the number of qualified mining workers. Recent initiatives to attract new talent include partnering with the Chilean government and other mining companies to train 12,500 new mine operators through a five-year programme; and the founding of a national Council for Mining Skills.

Training and development

Enabling workers to fulfil their potential and progress their careers and capabilities is important for retaining employees and ensuring Antofagasta has skilled labour to meet future business needs. In 2012 the Group continued its partnership with the Adolfo Ibanez University School of Business to develop employees' leadership capabilities through the Antofagasta Minerals Management Diploma. The Group also restructured the way employees are rewarded, to offer greater rewards for high achievers (see Employee engagement, below).

Labour relations

Good relationships with employees, contractors and the labour unions that represent them is important for securing the labour resources that the Group needs and maintaining operational efficiency.

The Group recognises workers' rights to union membership and collective bargaining and takes a proactive approach to dialogue with workers and their representatives, who are involved in discussions about the future of the workforce as early as possible. Collective agreements signed in 2011 and 2012 covering remuneration and terms and conditions of employment will continue until at least 2014.

There were no strikes with workers or contractors in 2012, continuing the Group's strong labour relations track record.

Diversity

The Group promotes equal opportunities across the workforce and does not tolerate discrimination.

Women currently make up 6% of the mining workforce in Chile. In 2012 the percentage of female workers in Antofagasta´s mining division was 10%, well above the national average. Increasing the number of female employees in the mining sector can help to tackle the skills shortage. Our initiatives to encourage women to join the Company include our work with SERNAM, the national agency devoted to promoting women's rights. In 2012, Esperanza and El Tesoro offered training courses tailored for women.

Employee engagement

Employees are kept up to date on business matters through face-to-face meetings, the intranet, newsletters and bulletin boards. The Group also seeks formal feedback from workers at all levels of the mining companies through an Annual Labour Climate survey. In 2012, 97% of employees participated in the climate survey and the satisfaction score was 83%. In response to employee feedback received in 2011, the Group made changes to the way workers are rewarded for individual performance.

In 2012 the Group made a particular effort to engage with supervisors and with union leaders and increase communication on plans for the future of the business.

Sustainability

Community relations and engagement

What is the issue?
Having a good relationship with the people who co-exist with the Group's mining operations is critical to its capacity to operate and grow. This is particularly important at its largest mine, Los Pelambres, which comes into contact with around 40 communities, from the mine situated at Cordillera de los Andes, to its port at Los Vilos in the Pacific Ocean. The Group's other three mining operations, located in the sparsely populated Atacama desert, engage regularly with only two communities: Sierra Gorda (El Tesoro and Esperanza) and Caleta Michilla (Esperanza and Michilla).

The Group aims to maintain positive relationships with communities through regular and open communication. Every mining company conducts an annual stakeholder perception survey to get feedback from employees, contractors' workers, workers' families, local people, and local authorities. Engagement with local stakeholders includes face-to-face meetings, newsletters and radio broadcasts.

The mining companies also participate in several joint community-company committees that meet regularly to discuss issues of common interest such as water quality, air quality and local development. More information will be available in the Sustainability Report.

In 2012 the Group continued to formalise its community relations procedures. Data collection systems were improved and the mining companies began to regularly collect and report data on a set of social indicators including community relations and investment.

Community investment and development

The Group contributes to socio-economic development through taxes paid, employment created, products and services purchased and through its social investments to develop local human capital. Charitable donations improve the lives of people living close to the Group's operations.

In 2012 the Group continued to formalise its community investment procedures, recording and categorising its contributions with the aim of making a smaller number of more strategic and impactful investments to benefit local people. The Group understands that closing a mining site can have a significant impact on local people. It continues to work towards widening local people's skills and sources of income to develop social and economic opportunities for communities beyond mining. The Group seeks to understand the impact of its investments and in 2012 Antofagasta Minerals completed a social impact assessment of Esperanza's programme to train and hire local people with little or no previous experience of mining between 2010 and 2011. More information will be available in the Sustainability Report.

Environment

Constructing, operating and closing mining sites uses substantial amounts of energy and water and can affect water quality, air quality, biodiversity and land use. Antofagasta's environmental strategy is to reduce the negative impact of its operations, use resources efficiently and provide environmental benefits such as renewable energy. This helps the Group to reduce business costs, ensure compliance with regulations, mitigate its greenhouse gas ("GHG") emissions and build good relationships with local stakeholders.

Antofagasta Minerals has an environmental management system and monitors performance by tracking indicators through the Assessment of Environmental Performance (AEP) tool. In 2012, a set of seven environmental guidelines were approved by the Executive Committee covering water, air, biodiversity, climate change, waste, heritage and land use. They help our workers manage environmental impacts throughout the mining cycle, from exploration to closure. Mining companies are required to put action plans in place to address all the criteria and commitments in the seven areas.

In 2012 the Group developed an environmental risk matrix for the four mining operations and explorations to identify risks of non-compliance with environmental permits and develop mitigation plans. High and medium risks were internally audited. From 2013, compliance with mitigation plans will be part of the annual performance agreements between each mining company and the corporate centre.

Energy security and climate change

What is the issue?

Despite Antofagasta's continuous effort to improve its energy efficiency, the Group's consumption is likely to increase for several reasons: growth, decreasing of mineral ore at the current operations and the use of sea water which requires more energy to be pumped to the mining sites.

At a national level, carbon emissions increase as Chile's energy grids on which our operations rely, are becoming growingly dependent on fossil fuel sources.

Climate change could impact weather patterns and water availability. Chile contributes 0.2% of the world's GHG emissions[2]. The Group intends to play its part in helping to reduce the carbon footprint and climate change through energy efficiency, the use of renewable energy such as solar and wind power, and the exploration of alternative energy sources such as geothermal.

[2] Subsecretaría Nacional de Energía. Chilean grid emission factors as of May 2011.

The Group has prioritised energy efficiency for many years and seeks every opportunity to reduce its consumption. In 2012 the Group created a new Energy unit within Antofagasta Minerals to develop and secure affordable energy supplies and explore new technologies. Our investments to date in renewable energy make us one of the leaders within the Chilean mining sector.

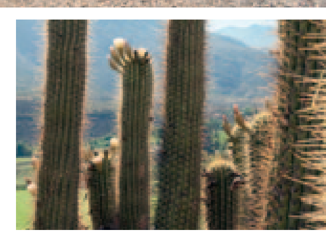
Antofagasta acknowledges the risks and opportunities of climate change and the need to measure and mitigate GHG emissions. Our goal is to mitigate GHG emissions at our sites where possible while promoting the use of clean energy. The Group has been reporting its carbon emissions according to the Carbon Disclosure Project's methodology since 2009. More detailed information will be available in the 2012 Sustainability Report.

Clean energy sources

The Group has invested heavily in renewable energy projects to address rising energy costs and contribute to the mitigation of climate change. It is presently involved in wind and solar projects, as well as exploring geothermal energy. These investments make Antofagasta plc a leader in renewable energy in the Chilean mining sector, supporting technical innovation and building the capacity of the renewable energy sector in Chile.

Renewable energy developments in 2012 include:

- Opening a thermo-solar plant at El Tesoro in November 2012 that will reduce diesel consumption at the electro-winning plant by 55% and will annually save 8,000 tonnes of CO_2 emissions. El Tesoro is also piloting photovoltaic technology to further reduce its CO_2 emissions.
- Investing in a 30% share of the El Arrayan wind farm, due to be operational in 2014. The wind farm will be the largest of its kind in Chile, generating 115 megawatts, and sourcing 20% of Los Pelambres energy needs. Energia Andina S.A. is a joint venture between Antofagasta Minerals and Origin Energy Australia, which is exploring geothermal energy prospects in Chile.
- In addition, in 2012 Los Pelambres won the Benjamin Teplizky award for energy efficiency for its efforts sourcing 9% of total energy needs from mineral conveyor belts.



Sustainability

Water resources

What is the issue?

Continental or terrestrial water is a scarce resource with social, environmental and economic value and it's threatened by increasing demand, unsustainable practices and climate change. Our mining activities can affect both the availability and the quality of continental water.

Two of the Group's four mining operations, Esperanza and Michilla, use sea water. Los Pelambres, located in the centre of the country, uses both surface and groundwater from the Choapa basin. El Tesoro uses groundwater and also buys from a third party.

We use water efficiently, recycling up to 85% of all water used. The Group has pioneered the use of non-desalinated sea water and more water-efficient thickened tailings deposit technology in Chile.

Sites have water management plans and maintain detailed water accounting records based on the methodology of the Water Accounting Framework developed by the Minerals Council of Australia and the Sustainable Minerals Institute. In 2012, international consultants Halcrow created a water risk register for each of our operations including the potential effects of climate change to help ensure water risks are identified and managed appropriately.

To protect water quality, the Group minimises the use of high-quality continental water and monitors ground and surface water quality at its operations. Our mining operations recirculate most of the water used in their process. More than 40% of water used by the mining division is sea water. Los Pelambres and El Tesoro do not discharge any water. Esperanza and Michilla use non-desalinated water for most of their process, however, they both desalinate a portion for human consumption and specific production stages. They discharge brine to the ocean and within the mining tenement respectively.

We monitor compliance with environmental permits and check local community supplies are not affected by accidental discharge of industrial water, or from filtration or leaching of heavy metals or sulphates. The Group also monitors the quality of sea water at its two port facilities.

Water availability and water quality are important social issues, and each mining company engages with local communities to understand their concerns and evaluates how to reduce its impact on local water demands. This is most relevant for Los Pelambres because of its proximity to agricultural communities. A community-company committee addresses local water issues and jointly monitors water resources. Results are published on its website on a quarterly basis at **www.pelambres.cl/contenidos/monitoreo**. The Group also participates in the CDP Water Disclosure report.

Waste

What is the issue?

Finding solutions for storing and disposing of mining waste so it remains both physically and chemically stable is a key responsibility. Waste includes material moved to reach copper deposits, spent ore from the leaching process at El Tesoro and Michilla and tailings from the flotation processes at Los Pelambres and Esperanza.

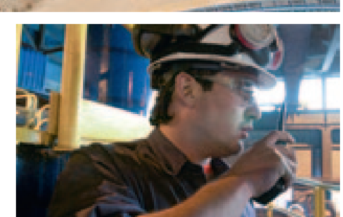
Tailings

Los Pelambres is the only Group operation that stores tailings in dams. These are designed to resist extreme weather and high-magnitude earthquakes. Its Quillayes dam is in the process of closure while the larger El Mauro dam is authorised to operate until 2034. A range of measures ensure the safety of workers and communities as well as preventing pollution of water courses. More information will be available in the Group's Sustainability Report.

Taking advantage of its geographical location, Esperanza has introduced thickened tailings technology that reduces water consumption, and makes the tailings more stable during operation and after closure. It also reduces dust levels. This innovation had never been used at such scale before and its operation has presented challenges as the tailings system did not fully meet its initial design specifications. In 2012 Esperanza submitted a new plan to address this challenge which was approved by the environmental authorities.

Hazardous and non-hazardous waste

The Group aims to reduce waste, to reuse resources where possible, and to dispose of waste according to legal requirements. Antofagasta Minerals' environmental guidelines outline its approach to waste. Mining operations produce industrial hazardous waste consisting mainly of used oils, rags and containers with the remains of oil, lead-contaminated sediment and used batteries.



Air quality and dust

Mining operations involve moving large amounts of earth, causing dust. Air quality is constantly monitored and dust control methods, such as sprinkling and dust suppressants, are in place at our operations. This is a particularly relevant issue at Los Pelambres because of its proximity to local communities. Since 2011, the Company has developed an early warning system, which is now in place so that operations can be adjusted if climatic conditions cause an increase of dust.

Biodiversity

The Group recognises its responsibility to protect biodiversity and reduce the effects of its operations on local ecosystems. Antofagasta Minerals aims to have a net positive impact on biodiversity. The mining division's environmental guidelines commit the mining companies to work with local communities and biodiversity experts to draw up Biodiversity Action Plans to mitigate the impact of operations.

Los Pelambres faces the greatest biodiversity challenges due to its scale and location in an agricultural valley. It restored the Laguna Conchali coastal wetland with significant biological diversity, which is a Ramsar wetland of international importance. Los Pelambres and Esperanza carefully manage impacts on the marine ecosystems at their port facilities in Los Vilos and Caleta Michilla.

Esperanza, El Tesoro and Michilla sites are located in the Atacama Desert which hosts few animal or plant species.

Closure provisions

Since November 2011, Chilean legislation requires existing operations to submit closure plans and update them annually. New projects must factor in the cost of closure from the start and have adequate funds to pay for the plans in order to obtain an environmental permit. Antofagasta Minerals aims to close and decommission its mining facilities safely and in ways that protect the environment and the interests of local people. It has closure plans and provisions in place for all its operations which are updated in accordance with regulations.

Environmental incidents and fines

Chilean environmental law requires companies to report operational incidents that have a significant impact on the environment but it provides no definition of "significant". Antofagasta Minerals has defined a corporate protocol for identifying, classifying and reporting incidents. In 2012 the mining division was not fined and had no operational incidents considered significant by the Chilean environmental authority.

Antofagasta plc aims to develop its business in a sustainable way, operating efficiently, controlling environmental and social impacts and building relationships of trust and mutual benefit with its stakeholders.

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Financial review

Results

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

A detailed segmental analysis of the components of the income statement is contained in Note 6 to the financial statements.

The following table reconciles between the 2011 and 2012 EBITDA:

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

Turnover

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

Turnover from the mining division

Turnover from copper concentrate and copper cathodes

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

(i) Copper volumes

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

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

(ii) Realised copper prices

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

Realised copper prices are determined by comparing turnover (gross of tolling charges for concentrate sales) with sales volumes in the year. Realised copper prices differ from market prices mainly because, in line with industry practice, concentrate and cathode sales agreements generally provide for provisional pricing at the time of shipment with final pricing based on the average market price for future periods (normally about 30 days after delivery to the customer in the case of cathode sales and up to 150 days after delivery to the customer in the case of concentrate sales). Realised copper prices also reflect the impact of realised losses or gains of commodity derivative instruments hedge accounted for in accordance with IAS 39 "Financial Instruments: Recognition and Measurements".

The significant increase in the copper price in the first half of 2012 resulted in positive mark-to-market adjustments from the settlement of invoices for sales initially invoiced in the final months of the prior year, partially offset by negative mark-to-market adjustments for sales in the third quarter of 2012 when the copper price decreased from the higher levels of September 2012. Pricing adjustments increased initially invoiced sales (before adjusting for tolling charges) by US$81.3 million in 2012, compared with a decrease of US$286.2 million in 2011. Further details of provisional pricing adjustments are given in Note 25(d) to the financial statements.

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

In 2012 turnover also includes a net gain of US$0.4 million (2011 – net loss of US$15.1 million). This relates to commodity derivatives at Los Pelambres which were entered into in the first half of 2012 in order that finally priced sales volumes were more evenly spread through the period, largely offset by gains on commodity derivatives at Michilla and to a lesser extent El Tesoro which matured during the year. Further details of hedging activity in the year are given in Note 25(e) to the financial statements.

(iii) Tolling charges

Tolling charges for copper concentrate increased by US$9.6 million to US$181.8 million in 2012. This reflected increased tolling charges at Esperanza, mainly due to increased production volumes as well as an increase in average tolling charges. This impact was partly offset by a decrease in tolling charges at Los Pelambres. Tolling charges are deducted from concentrate sales in reporting turnover and hence the increase in these charges has had a negative impact on turnover.

Turnover from molybdenum, gold and other by-products

Turnover from by-products at Los Pelambres and Esperanza relate mainly to molybdenum and gold, and a lesser extent silver. Turnover from by-products increased by US$220.4 million or 31.6% to US$917.6 million in 2012, compared with US$697.2 million in 2011.

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

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

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

Turnover from the transport and water divisions

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

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

Operating costs (excluding depreciation, amortisation and impairments)

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

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

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

Of this increase, US$208.7 million is attributable to the higher mining production and sales volumes described above. As explained in more detail above, the additional turnover (including by-product revenues) associated with these increased volumes was US$798.6 million.

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

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

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

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

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

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

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

Financial review

EBITDA and operating profit from subsidiaries and joint ventures

EBITDA

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

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

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

Depreciation and amortisation

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

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

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

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

Operating profit from subsidiaries and joint ventures

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

Share of net profit from associates

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

Net finance expense

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

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

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

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

Other finance items comprised a loss of US$29.6 million (2011 – gain of US$48.7 million). A loss of US$12.4 million (2011 – gain of US$49.1 million) has been recognised in respect of the time value element of changes in the fair value of commodity derivative options, which is excluded from the designated hedging relationship, and is therefore recognised directly in profit or loss. Foreign exchange losses included in finance items were US$4.8 million in 2012, compared with a gain of US$14.2 million in the previous year. In 2012 no loss on foreign exchange derivatives was incurred (2011 – loss of US$3.3 million was included in other finance items). An expense of US$12.4 million (2011 – US$11.3 million) has been recognised in relation to the unwinding of the discount on provisions.

Profit before tax

As a result of the factors set out above, profit before tax decreased by US$322.0 million or 10.5% to US$2,754.2 million in 2012 compared with US$3,076.2 million in 2011. Excluding exceptional items, profit before tax increased marginally by US$37.5 million or 1.2% to US$3,254.2 million in 2012 compared with US$3,216.7 million in 2011.

Income tax expense

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

	Year ended 31.12.12 US$'m	**%**	Year ended 31.12.11 US$'m	%
Profit before tax	**2,754.2**		3,076.2	
Taxes (Current and deferred)				
Corporate tax	**(701.6)**	**25.6**	(617.6)	20.1
Royalty	**(177.6)**	**6.4**	(199.6)	6.5
Withholding tax	**(141.7)**	**5.1**	(126.9)	4.1
Exchange rate	**0.3**	**0.0**	(2.1)	0.1
Effective tax rate	**(1,020.6)**	**37.1**	(946.2)	30.8
Effective tax rate excluding exceptional items		**31.4**		29.4

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

First category tax

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

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

Mining tax

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

Withholding taxes

In addition to first category tax and the mining tax, the Group incurs withholding taxes on any remittance of profits from Chile and deferred tax is provided on undistributed earnings to the extent that remittance is probable in the foreseeable future. Withholding tax is levied on remittances of profits from Chile at 35% less first category tax already paid in respect of the profits to which the remittances relate. Accordingly, withholding tax will be levied at a rate of 18% in respect of remittances of profits earned in recent years when the first category (i.e. corporation) tax rate was 17%. Withholding tax will be levied at a rate of 15% in respect of remittances of profits earned when the current rate of first category (i.e. corporation) tax of 20% is applied.

Non-controlling interests

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

Earnings per share

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

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

Profit for the 2012 financial year attributable to equity holders of the Company excluding exceptional items was US$1,382.0 compared with US$1,377.1 million in 2011. Basic earnings per share excluding exceptional items (detailed in Note 5 to the financial statements) were 140.2 cents in 2012 compared with 139.7 cents in 2011, an increase of 0.3%.

Dividends

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

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

*Excluding exceptional items for 2012.

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

The Board has recommended a final dividend for 2012 of 90 cents per ordinary share, which amounts to US$887.3 million and if approved at the Annual General Meeting, will be paid on 13 June 2013 to shareholders on the Register at the close of business on 10 May 2013. This final dividend comprises an ordinary dividend of 12.5 cents and a special dividend of 77.5 cents. This gives total dividends for the year of 98.5 cents, including the interim dividend of 8.5 cents.

In 2011 total dividends were 44 cents, representing a pay-out ratio of 35%.

Financial review

Capital expenditure

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

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

Derivative financial instruments

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

At 31 December 2012 the Group had min/max instruments for 57,000 tonnes of copper production at Michilla covering a total period up to 31 December 2014. The weighted average remaining period covered by the min/max hedges calculated with effect from 1 January 2013 was 14.3 months. The instruments had a weighted average floor of 353.0 cents per pound and a weighted average cap of 470.8 cents per pound. The portion maturing in 2013 represents approximately 80% of Michilla's forecast production, and approximately 5% of Group copper production for that year. The Group's exposure to the copper price will be limited by the extent of these instruments.

At 31 December 2012 the Group had futures contracts for 9,300 tonnes of copper production at El Tesoro covering a total period up to 31 January 2014. The weighted average remaining period covered by the arbitrage hedges calculated with effect from 1 January 2013 was 6.9 months. The instruments had a weighted average price of 372.3 US cents per pound.

Details of the mark-to-market position of these instruments at 31 December 2012, together with details of any interest and exchange derivatives held by the Group, are given in Note 25(e) to the financial statements.

The Group periodically uses foreign exchange derivatives to cover expected operational cash flow needs. At 31 December 2012 the Group had cross-currency swaps with a principal value of US$63.0 million relating to Michilla to swap Chilean pesos for US dollars, at an average rate of Ch$542.3/US$1, covering a total period up to 16 September 2013. The weighted average remaining period covered by these hedges calculated with effect from 1 January 2013 is 5.0 months. Between 31 December 2012 and 31 January 2013 US$7.0 million of cross-currency swaps matured.

The Group also periodically uses interest rate swaps to swap the floating rate interest for fixed rate interest. At 31 December 2012 the Group had entered into contracts in relation to the Esperanza financing for a maximum notional amount of US$395.2 million at a weighted average fixed rate of 3.372% maturing in August 2018.

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

Commodity price sensitivities

Based on 2012 production volumes and without taking into account the effects of provisional pricing and any hedging activity, a change in commodity prices would affect turnover and profit before tax and earnings per share as follows:

	Amount of increase in price	Increase in turnover and profit US$m before tax	Increase in earnings per share US cents/share
Copper	US$c10/Lb	156.4	7.6
Molybdenum	US$1/Lb	26.9	1.2
Gold	US$100/ounce	30.0	1.6

Cash flows

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

	Year ended 31.12.12 US$'m	Year ended 31.12.11 US$'m
Cash flows from operations	**3,890.0**	3,552.5
Income tax paid	**(901.2)**	(1,018.1)
Net interest paid	**(63.3)**	(47.6)
Acquisition of associates	**–**	(4.5)
Contributions to associates	**(19.6)**	–
Sale of non-controlling interest in subsidiary	**351.8**	–
Capital increase from non-controlling interest	**26.8**	–
Acquisition of available for sale investments	**(1.5)**	(27.3)
Disposal of available for sale investment	**1.4**	–
Purchase of property, plant and equipment	**(873.5)**	(666.6)
Disposal of property, plant and equipment	**9.3**	–
Purchase of intangible assets	**(3.9)**	–
Dividends paid to equity holders of the Company	**(438.7)**	(1,183.0)
Dividends paid to non-controlling interests	**(702.5)**	(741.0)
Other items	**0.9**	1.0
Changes in net cash relating to cash flows	**1,276.0**	(134.6)
Exchange and other non-cash movements	**(8.4)**	(70.8)
Movement in net cash in the year	**1,267.6**	(205.4)
Net cash at the beginning of the year	**1,139.7**	1,345.1
Net cash at the end of the year	**2,407.3**	1,139.7

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

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

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

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

Dividends (including special dividends) paid to ordinary shareholders of the Company this year were US$438.7 million (2011 – US$1,183.0 million), which related to the final dividend declared in respect of the previous year and the interim dividend in respect of the current year.

Dividends paid by subsidiaries to non-controlling shareholders were US$702.5 million (2011 – US$741.0 million), consisting mainly of distributions by Los Pelambres and El Tesoro.

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

Financial position

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

At 31 December 2012 the Group had combined cash, cash equivalents and liquid investments of US$4,296.5 million (2011 – US$3,280.0 million). Excluding the non-controlling interest share in each partly-owned operation, the Group's attributable share of cash, cash equivalents and liquid investments was US$3,864.8 million (2011 – US$3,041.1 million).

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

Total Group borrowings at 31 December 2012 were US$1,889.2 million (2011 – US$2,140.3 million). Of this, US$1,295.6 million (2011 – US$1,456.3 million) is proportionally attributable to the Group after excluding the non-controlling interest shareholdings in partly-owned operations.

Balance sheet

Long-term provisions increased from US$321.1 million at 31 December 2011 to US$384.6 million at 31 December 2012, mainly due to the capitalisation of US$49.9 million relating to the decommissioning provision at Esperanza following an updated review of the provision at the operation.

Foreign currency exchange differences

The principal subsidiaries with a functional currency other than the US dollar are Chilean peso denominated, of which the most significant is Aguas de Antofagasta S.A. Exchange rates used to translate the results of such subsidiaries are given in Note 36 to the financial statements.

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

Cautionary statement about forward-looking statements

This annual report contains forward-looking statements. All statements other than historical facts are forward-looking statements. Examples of forward-looking statements include those regarding the Group's strategy, plans, objectives or future operating or financial performance; reserve and resource estimates; commodity demand and trends in commodity prices; growth opportunities; and any assumptions underlying or relating to any of the foregoing. Words such as "intend", "aim", "project", "anticipate", "estimate", "plan", "believe", "expect", "may", "should", "will", "continue" and similar expressions identify forward-looking statements.

Forward-looking statements involve known and unknown risks, uncertainties, assumptions and other factors that are beyond the Group's control. Given these risks, uncertainties and assumptions, actual results could differ materially from any future results expressed or implied by these forward-looking statements, which speak only as of the date of this annual report. Important factors that could cause actual results to differ from those in the forward-looking statements include: global economic conditions; demand, supply and prices for copper; long-term commodity price assumptions, as they materially affect the timing and feasibility of future projects and developments; trends in the copper mining industry and conditions of the international copper markets; the effect of currency exchange rates on commodity prices and operating costs; the availability and costs associated with mining inputs and labour; operating or technical difficulties in connection with mining or development activities; employee relations; litigation; and actions and activities of governmental authorities, including changes in laws, regulations or taxation. Except as required by applicable law, rule or regulation, the Group does not undertake any obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

Past performance cannot be relied on as a guide to future performance.

Governance

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Board of Directors

Jean-Paul Luksic

Executive Chairman 48

Committees: Nomination (C)

Appointed to the Board 1990

Jean-Paul Luksic has over 20 years of experience with Antofagasta. Prior to his appointment as Chairman in 2004 he was Chief Executive Officer of Antofagasta Minerals S.A., in which capacity he oversaw the development of the Los Pelambres and El Tesoro mines. He plays a key role in shaping the strategic direction of the Group, and leading the Board. He chairs the Business Development Committee, which focuses on the mining division's growth opportunities.

He holds a B.Sc. degree in management and science from the London School of Economics.

He is chairman of the Consejo Minero, the industry body representing the largest international mining companies operating in Chile, and is a non-executive director of Quiñenco S.A.

William Hayes

Non-Executive Director & Senior Independent Director 68

Committees: Audit and Risk (C), Remuneration and Talent, Nomination

Appointed to the Board 2006

William Hayes is the Senior Independent Director. He has held a wide range of finance and operational roles in the copper and gold mining industries, in Chile and North America. He was previously a senior executive with Placer Dome Inc. from 1988 to 2006. He is a former president of the Consejo Minero, the industry body representing the largest international mining companies operating in Chile, and former president of the Gold Institute in Washington, D.C.

He holds an M.A. degree in International Management from the Thunderbird School of Global Management.

He is a director of Royal Gold Inc.

Gonzalo Menéndez

Non-Executive Director 64

Appointed to the Board 1985

Gonzalo Menéndez has extensive experience in commercial and financial businesses across Latin America.

He holds a degree in business administration from the Universidad de Chile and is a public accountant.

He is a director of several companies including Quiñenco S.A. and Banco de Chile and is chairman of the board of directors of Banco Latinoamericano de Comercio Exterior S.A. (Bladex).

Ramón Jara

Non-Executive Director 59

Committees: Sustainability and Stakeholder Management (C)

Appointed to the Board 2003

Ramón Jara is a lawyer with wide-ranging legal and commercial experience in Chile.

He is a director of several companies including Empresa Nacional del Petróleo. He is chairman of the Fundación Minera Los Pelambres and a director of the Fundación Andrónico Luksic A., which are charitable foundations in Chile.

Guillermo Luksic

Non-Executive Director 57

Appointed to the Board 2005

Guillermo Luksic has considerable experience across a range of commercial and industrial sectors in Chile.

He is a director of several companies including Nexans S.A. and Banco de Chile and chairman of Quiñenco S.A.

Juan Claro

Non-Executive Director 62

Committees: Remuneration and Talent, Nomination, Sustainability and Stakeholder Management

Appointed to the Board 2005

Juan Claro has extensive industrial experience in Chile, and has played an active role in the representation of Chilean industrial interests within the country and internationally.

He is a former chairman of the Sociedad de Fomento Fabril (Chilean Society of Industrialists), the Confederación de la Producción y del Comercio (Confederation of Chilean Business) and the Consejo Binacional de Negocios Chile-China (Council for Bilateral Business Chile-China).

He is currently chairman of Embotelladora Andina S.A. and Energia Coyanco S.A., and is a director of several other companies in Chile, including Entel Chile S.A. and Empresas CMPC S.A. He is also a member of the governing boards of Universidad Adolfo Ibáñez and Centro de Estudios Públicos, a non-profit academic foundation in Chile.

Hugo Dryland

Non-Executive Director 57

Appointed to the Board 2011

Hugo Dryland has extensive expertise in corporate finance and mergers and acquisitions within the mining sector, with over 25 years of investment banking experience in natural resources with Rothschild. Prior to joining Rothschild he practised law in the United States, specialising in the natural resources and infrastructure sectors.

He holds Masters Degrees in Business and Comparative Law from the University of Warwick (UK) and the George Washington University (US) respectively.

He is a vice-chairman at Rothschild and is global head of Rothschild's investment banking activities in the mining and metals sector.

Tim Baker

Non-Executive Director 60

Committees: Audit and Risk, Remuneration and Talent (C), Sustainability and Stakeholder Management

Appointed to the Board 2011

Tim Baker has significant mining operational experience, across North and South America and Africa. He was previously executive vice-president and chief operating officer at Kinross Gold Corporation, and prior to that was executive general manager of Placer Dome Chile. He has previously managed mining operations in Chile, the United States, Tanzania and Venezuela and held geological and production roles in Kenya and Liberia.

He has a B.Sc. in Geology from Edinburgh University.

He is executive chairman of Golden Star Resources Ltd., and a director of Augusta Resource Corporation and Pacific Rim Mining Corporation.

Manuel Lino Silva De Sousa-Oliveira (Ollie Oliveira)

Non-Executive Director 61

Committees: Audit and Risk

Appointed to the Board 2011

Ollie Oliveira has over 30 years' experience in the mining industry, in corporate finance, operational and strategic roles. He held various senior executive positions within the Anglo American group and the De Beers group, including Executive Director – Corporate Finance and Head of Strategy and Business Development of De Beers S.A.

He holds a B.Com degree from the University of Natal (Durban) with postgraduate qualifications in Accounting and Economics. He is a Chartered Accountant ("CA(SA)") and Chartered Management Accountant ("FCMA").

He is a director of several companies including Ferrous Resources Limited.

Nelson Pizarro

Non-Executive Director 72

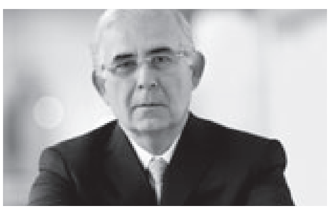
Appointed to the Board 2012

Nelson Pizarro is a mining engineer and has held various senior executive positions in the mining sector in Chile, both in project and operational roles. Previous roles include CEO of Division Andina and Chuquicamata (both for Codelco). Between 1997 and 2003 he worked for the Antofagasta Group, firstly as CEO of Minera Los Pelambres during its construction and start-up, and then as mining vice-president of Antofagasta Minerals S.A.

He is currently CEO of Minera Lumina Copper Chile S.A. and is in charge of the construction of the Caserones Project.

Management team

The activities of the mining division are managed by the Antofagasta Minerals corporate centre, under the leadership of Diego Hernández, the Antofagasta Minerals CEO. The management team at the Antofagasta Minerals corporate centre comprises eight vice-presidents with core areas of responsibility as set out below.



Diego Hernández
CEO AMSA

Gonzalo Sánchez
Vice-President – Sales

Hernán Menares
Vice-President – Operations

Isaac Aránguiz
Vice-President – Projects

Ricardo Muhr
Vice-President – Exploration

Alejandro Rivera
Vice-President – Business Development

Alfredo Atucha
Vice-President – Finance

Francisco Veloso
Vice-President
External Affairs

Ana Maria Rabagliati
Vice-President
Human Resources

Further details on the Group's governance and management structures are provided within the Corporate governance report on pages 75 to 83.

Corporate governance report

Overview

"The Board is committed to good governance. We believe that good governance is central to the Group's success and ongoing development – it is about having the right people, culture and structures in place to make sure we make the right decisions for our business and for our shareholders. We strive to instil a culture throughout the Group which reflects our core principles of respect, honesty and transparency within a framework that promotes good governance. In this report we discuss the key features of the Group's governance structures, processes and people we have in place in order to achieve our objectives."

Jean-Paul Luksic
Chairman

Key Board activities in 2012

Appointment of Nelson Pizarro to the Board, who brings extensive knowledge of the mining industry, both in development projects and operations.

Appointment of Diego Hernández as Chief Executive Officer of Antofagasta Minerals ("Antofagasta Minerals"), who brings considerable mining experience, having previously held various senior executive positions in the industry in South America in operational, strategic and corporate roles.

Approval of key steps in the Group's growth plans, with approval of additional expenditure on the Centinela District feasibility study and pre-feasibility study for the Twin Metals Project.

Approval of a Group-wide corporate health and safety policy.

Ongoing review and monitoring of operational performance, including continued progress at Esperanza to reach design capacity and additional investment as part of the plan to debottleneck the operation during 2013 and 2014.

Temporary suspension of development of the Antucoya Project to enable a full review of the project.

Review of the Group's ongoing capital management, including paying total dividends of US$439 million to shareholders during 2012.

Corporate governance report

Compliance with the UK Corporate Governance Code

The UK Corporate Governance Code issued by the Financial Reporting Council in June 2010 ("the Code") (available on the Financial Reporting Council website) sets out governance principles and provisions which applied to the Company during the 2012 financial year. The Company is committed to a culture of good governance, as embodied in the Code, and reports here on the extent to which it has applied the principles and complied with the provisions of the Code and explains the reasons for any non-compliance. In September 2012, the Financial Reporting Council released a revised version of the Code ("the New Code") which will apply to reporting periods beginning on or after 1 October 2012. The Company will report under the New Code in the 2013 Annual Report.

The Company complied with the detailed code provisions contained in the Code throughout 2012 except as follows:

– the Board did not have a separately identified Chief Executive and hence at Board level there is no formal separation of the functions of Chairman and Chief Executive (provision A.2.1). The Board considers that its predominantly non-executive composition combined with the delegation of significant responsibility for operational management to a divisional level achieves an appropriate balance and prevents a concentration of power in its Executive Chairman. The Chairman also assumed the responsibilities of Chief Executive Officer of Antofagasta Minerals on an interim basis, while also continuing in his role as Chairman, during the period between Marcelo Awad's resignation on 7 March 2012 and the subsequent appointment of Diego Hernández from 1 August 2012. Having regard to his experience and the fact that he had previously performed in the role, the Board considered the Chairman to be the most appropriate person to act as interim Chief Executive Officer of Antofagasta Minerals during this intervening 147-day period; and

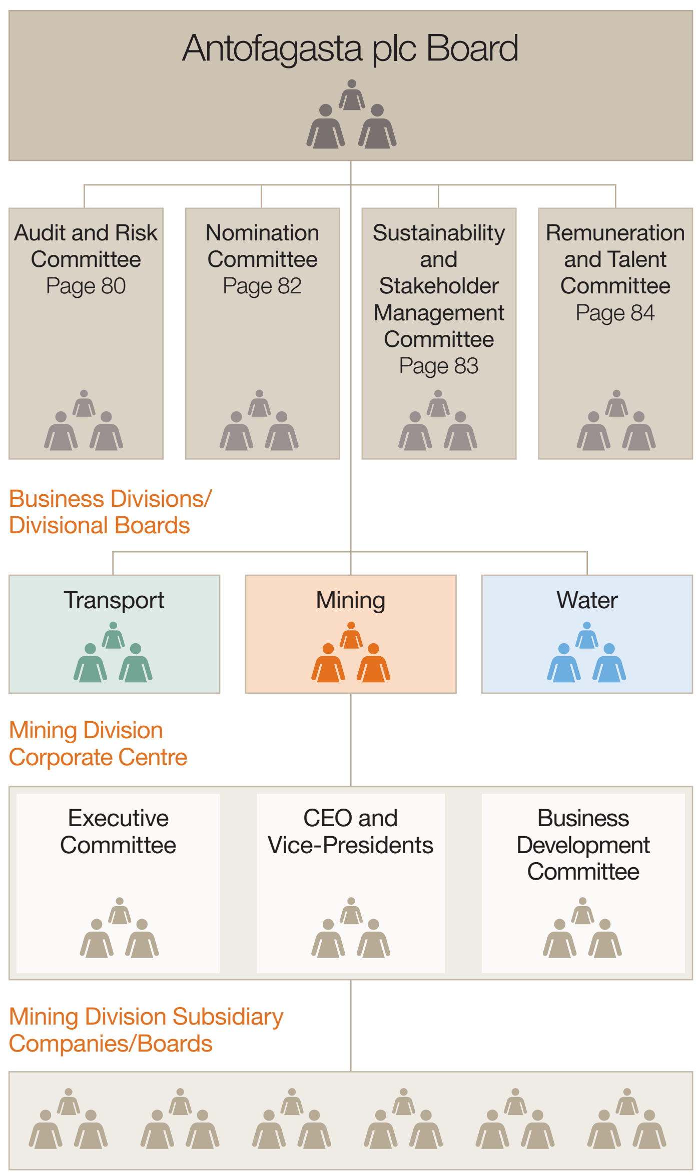
– performance-related pay measures did not apply to Board members (principle D1 and provision D.1.1). The Board considers this appropriate given its predominantly non-executive composition and the role of the only Executive Director, who is a member of the controlling family, as Chairman of the Board. Performance-related remuneration structures are in place for senior executive management in the Group.

Our governance structure

The Antofagasta plc board ("the Board") is collectively responsible for the long-term success of the Group. It is responsible for the leadership and strategic direction of the Group, and for oversight of the Group's performance, its risks and internal control systems. The Board is assisted in the performance of its responsibilities by its four committees – the Audit and Risk Committee, the Remuneration and Talent Committee, the Nomination Committee and the Sustainability and Stakeholder Management Committee. More detail of the role of the Board and its committees is set out below.

The Group's businesses are divided into three divisions – mining, transport and water. The mining division represents over 90% of the Group's earnings before taking into account any exceptional items.

Antofagasta plc Board and Committees



The activities of the mining division are managed by the Antofagasta Minerals corporate centre, under the leadership of Diego Hernández, the Antofagasta Minerals CEO.

Marcelo Awad resigned as Chief Executive Officer of Antofagasta Minerals on 7 March 2012. Diego Hernández was subsequently appointed as Chief Executive Officer of Antofagasta Minerals from 1 August 2012. Diego Hernández is a mining engineer and has held various senior executive positions in the mining sector in South America in operational, strategic and corporate roles. In addition to the appointment of Diego Hernández, there have also been a number of management appointments and changes at individual operations and at the Vice-President level since the start of 2012, which have further strengthened the Group's senior management team and further improved the Group's management structure. These appointments and changes are discussed in more detail within the CEO's Statement on page 10.

The management team at the Antofagasta Minerals corporate centre comprises eight Vice-Presidents. Details of each of the Vice-Presidents and their core areas of responsibility are set out on page 74.

Within the mining division there is a monthly Operational Performance Review process whereby the individual mining operations report to the Antofagasta Minerals corporate centre, providing a regular formalised process for monitoring and control of the operations by the corporate centre.

An Executive Committee, comprising the Antofagasta Minerals CEO and Vice-Presidents, the General Managers of the four mining operations and the General Manager of the Antucoya development project, reviews significant matters in respect of the mining division. The Executive Committee approves capital expenditures by the mining operations and the corporate centre within designated authority levels, leads the annual budgeting and planning processes, monitors the performance of the mining operations and promotes the sharing of best practices across the operations.

A Business Development Committee, comprising the Group's Chairman, the Antofagasta Minerals CEO and a number of the Antofagasta Minerals Vice-Presidents focuses on the mining division's growth opportunities. The Business Development Committee reviews potential growth opportunities – both internal projects and potential transactions, approves transactions and project expenditures within designated authority levels, recommends transactions in excess of those levels to the Board for approval, and monitors ongoing projects.

Given the core role which Antofagasta Minerals plays in the management of the mining operations and projects, and that the mining division represents the large majority of the Group's business, the Antofagasta plc Directors also serve as directors of Antofagasta Minerals.

There are divisional boards for the transport division (Antofagasta Railway Company plc) and the water division (Aguas de Antofagasta S.A.), which consider matters specific to those divisions which are not reserved for the main Antofagasta plc Board.

Business model

The Strategic review includes a section on pages 18 to 20 outlining our business model to achieve sustainable growth and provides an explanation of how the Group generates value for its shareholders.

The role of the Board

The Board met nine times during 2012.

The Board is collectively responsible for the long-term success of the Group. The Chairman encourages an open culture where healthy challenge and debate are encouraged within the Board. He will always attempt to persuade the Board to act as a single team by obtaining consensus at Board meetings but, in exceptional circumstances, decisions may be taken by majority. There is a schedule of matters specifically reserved for the Board.

The Board is responsible for:

- providing leadership;
- setting the Group's strategic objectives and key policies;
- ensuring that appropriate resources are in place to enable the Group to meet its objectives;
- approving significant transactions and capital investments;
- reviewing the Group's performance;
- approving the Group's annual budgets;
- reviewing the Group's capital management including approval of dividends; and
- determining the nature and extent of the significant risks that the Group is willing to take to achieve its strategic objectives and for maintaining sound risk management and internal control systems.

As examples of the way in which the above items were reflected in the Board's activities during 2012:

- the Board continued to review and monitor the Group's operational performance with particular focus on the continued progress at Esperanza to reach design capacity and additional investment as part of the plan to debottleneck the operation during 2013 and 2014;
- the Board approved the Group's 2013 annual budget;
- the Board approved key steps in the Group's growth plans, with approval of additional expenditure on the Centinela District feasibility study and pre-feasibility study for the Twin Metals Project;
- the Board approved a Group-wide corporate health and safety policy;
- the Board continued to review and monitor costs with particular focus on the development of the Antucoya Project, leading to a temporary suspension of the project to enable a full review to be undertaken; and
- the Board continued to review the Group's ongoing capital management including approving dividends of US$439 million which were paid out to shareholders during 2012.

The Board has delegated responsibility for implementing the Group's strategic and financial objectives to the senior management within the Group.

The Board has delegated authority to its Committees to perform certain activities as set out in their terms of reference. They are the Audit and Risk Committee, the Remuneration and Talent Committee, the Nomination Committee and the Sustainability and Stakeholder Management Committee. The activities of these Committees are set out in further detail on pages 80 to 83 of this Corporate governance report and pages 84 to 88 of the Remuneration report. The terms of reference of these Committees are available on the Company's website at **www.antofagasta.co.uk**.

Corporate governance report

Board composition

Board balance

As at the date of this report the Board has ten Directors, comprising an Executive Chairman and nine Non-Executive Directors. The Board considers six of those Non-Executive Directors to be independent. The Board considers that this predominance of Non-Executive Directors is valuable, both in terms of providing a range of outside perspectives to the Group, and also in encouraging robust debate with, and challenge of, the Group's executive management.

The Board is also satisfied that the balance of the Board limits the scope for an individual or small group of individuals to dominate the Board's decision-making.

During 2012, Nelson Pizarro was appointed to the Board. He brings an extensive knowledge of the mining industry both in development projects and operations.

Of the ten Directors, six are based in Chile, three are based in North America and one is based in the United Kingdom. Biographies of each of the Directors as at the date of this report are shown on pages 72 and 73 and demonstrate a detailed knowledge of the mining industry as well as significant international business experience. Their biographies also provide details of their Board Committee memberships as well as other principal directorships and external roles.

Chairman

Jean-Paul Luksic is Chairman of the Board. His role is that of a full-time Executive Chairman, and he has no other significant commitments that prevent him from devoting sufficient time to this role. He is responsible for leadership of the Board and for ensuring its effectiveness. He sets the agenda for Board meetings (in consultation with the other Directors) and is responsible for chairing the Board meetings.

The Group does not have a Board member who is designated as Chief Executive. The Board believes that the Company is not at risk from a concentration of power by Jean-Paul Luksic having executive responsibilities as Chairman. In reaching this conclusion, it has taken into consideration the strong presence of independent Non-Executive Directors on the Board, the structure of the four Board Committees designed to devolve away from the Chairman the responsibility and control of certain key areas of Board responsibility, and the delegation of operational management to a divisional level. As explained above, the Chairman assumed the responsibilities of the Chief Executive Officer of Antofagasta Minerals on an interim basis for 147 days between Marcelo Awad's resignation and Diego Hernández's appointment.

Senior Independent Director

William Hayes is the Senior Independent Director. The Senior Independent Director provides a sounding board for the Chairman, if required. Where necessary, the Senior Independent Director can act as an intermediary between the Chairman and the other members of the Board. He is also an additional point of contact for shareholders: he provides a particular focus for shareholders on the Group's governance and strategy, and also gives shareholders a means of raising concerns other than with the Chairman or senior executives. Since his appointment, William Hayes has met with a number of the Group's largest shareholders, allowing him to provide his perspective on the Group's governance and strategy, and to obtain their direct feedback on the Group.

Independent Non-Executive Directors

Of the nine Non-Executive Directors, six are considered by the Board to be independent – Gonzalo Menéndez, Juan Claro, William Hayes, Tim Baker, Ollie Oliveira and Nelson Pizarro. Juan Claro, William Hayes, Tim Baker, Ollie Oliveira and Nelson Pizarro meet the independence criteria set out in the Code and the Board is satisfied as to their independence. The Board is satisfied that Gonzalo Menéndez remains independent in character and judgement, notwithstanding that he has served on the Board for more than nine years and notwithstanding that he is a non-executive director of Quiñenco S.A. (a Chilean-listed company also controlled by the Luksic family) and some of its subsidiaries. This is because he does not receive any remuneration from the Group other than in a non-executive capacity, and his position in the Quiñenco group is also solely as a non-executive director. The Board considers Gonzalo Menéndez's length of service is of considerable benefit to the Board given his wealth of knowledge and experience of the Group, Latin America and the mining industry, and therefore proposes him for re-election.

The Board does not consider Ramón Jara, Guillermo Luksic or Hugo Dryland to be independent. Ramón Jara provides advisory services to the Group, as explained in the Remuneration report on page 86. Guillermo Luksic is the brother of Jean-Paul Luksic, the Chairman of Antofagasta plc. Guillermo is chairman of Quiñenco S.A. and chairman or a director of Quiñenco's other listed subsidiaries. Jean-Paul Luksic and Gonzalo Menéndez are also non-executive directors of Quiñenco and some of its listed subsidiaries. Like Antofagasta plc, Quiñenco is also controlled by the Luksic family. Hugo Dryland has provided advisory services to the Group in his capacity as a senior managing director at Rothschild, which remains a financial advisor to the Group.

Information and professional development

All new Directors receive an induction on joining the Board. This typically includes briefings on the Group's operations and projects, meetings with the Chairman, other Directors and senior executives, briefings on the legal, regulatory and other duties and requirements of a director of a UK listed company, and visits to the Group's key operations.

The Company provides Directors with the necessary resources to develop and update their knowledge and capabilities. In particular, the Directors are regularly updated on the Group's business, the competitive and regulatory environment in which it operates and other changes affecting the Group as a whole.

The Directors based outside Chile visit the country regularly, both to attend Board meetings and other meetings with management, and for site visits to the Group's operations. The Directors based outside the United Kingdom also regularly visit this country, normally at least once a year to attend the Company's Annual General Meeting held in London. During the year the Board receives briefings from external advisors on key changes to the regulatory and legal environment impacting the Group.

The Board and its Committees receive an analysis of the key matters for consideration in advance of each Board or Committee meeting. They also receive regular reports which include analysis of key metrics in respect of operational, financial, environmental and social performance, as well as key developments in the Group's exploration and business development activities, information on the commodity markets, the Group's talent management activities and analysis of the Group's financial investments.

All Directors have access to management and to such further information as is needed to carry out their duties and responsibilities fully and effectively. Relevant management will present to the Board and its Committees on the operational or development matters under consideration, allowing close interaction between the Board members and a wide range of executive management.

All Directors are entitled to seek independent professional advice concerning the affairs of the Group at the Company's expense. The Company has appropriate insurance in place to cover the Directors against any legal action against them.

Board meeting attendance

	Board	
	Number attended	Maximum possible
Jean-Paul Luksic	9	9
William Hayes	9	9
Gonzalo Menéndez	9	9
Ramón Jara	8	9
Guillermo Luksic[1]	1	9
Juan Claro	9	9
Hugo Dryland	9	9
Tim Baker	9	9
Ollie Oliveira	9	9
Nelson Pizarro[2]	4	4

Nine meetings were held in the year.
[1] Guillermo Luksic has been unable to attend eight of the meetings and has forgone his fees since 1 October 2012 due to a leave of absence approved by the Board.
[2] Nelson Pizarro was appointed to the Board on 24 July 2012.
Each Director withdrew from any meeting when his own position was being considered.
Guillermo Luksic was unable to attend the Annual General Meeting in June 2012. All other Directors in office at the time of the Annual General Meeting attended that meeting.

Performance evaluation

During the year an internal evaluation was conducted of the performance of the Board, its Committees and the individual Directors. This principally comprised interviews with the Directors, considering factors including the effectiveness of Board meetings, the level and nature of information provided to Directors, the composition of the Board and the contribution of individual Directors. The Senior Independent Director evaluated the Chairman as part of this process.

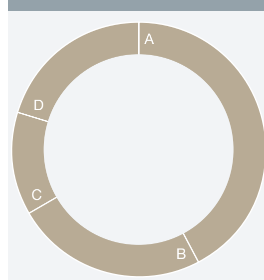
The results of the evaluation process are used by the Chairman in further developing the effective operation of the Board, and are used by the Nomination Committee when considering the overall composition of, and appointments to, the Board.

In line with the requirements set out in the Code (provision B.6.2), an externally facilitated Board evaluation will be conducted at least every three years. Externally facilitated evaluations of the Audit and Risk Committee and the Nomination Committee are in progress and are scheduled to conclude in 2013. Recommendations arising from these evaluations will be considered once the evaluations have concluded.

Relations with shareholders

The shares of Antofagasta plc are listed on the London Stock Exchange. The E. Abaroa Foundation, in which members of the Luksic family are interested, controls 60.65% of the ordinary share capital and 94.12% of the preference share capital of the Company. Aureberg Establishment, which is controlled by the Company's Chairman, Jean-Paul Luksic, holds 4.26% of the ordinary share capital of the Company. The majority of the remaining approximately 35% of the Company's ordinary shares are held by institutional investors, mainly based in the UK and North America.

Institutional shareholder location



	%
A UK	43
B North America	24
C Rest of Europe	13
D Rest of World	20

Analysis of free-float investors by geographical location as at 31 December 2012.

Corporate governance report

The Company maintains a dialogue with institutional shareholders and sell-side analysts as well as potential shareholders. This communication is managed by the Investor Relations team, and includes a formal programme of presentations to update institutional shareholders and analysts on developments in the Group following the announcement of the half-year and full-year results. The Group also issues quarterly production figures and financial results. Copies of these results and production announcements, presentations and other press releases issued by the Company are available on its website. As noted above, the Group also publishes a separate Sustainability Report to provide further information on its social and environmental performance. The Board receives regular summaries and feedback in respect of the meetings held as part of the investor relations programme as well as receiving analysts' reports on the Company. The Company's Annual General Meeting is also used as an opportunity to communicate with both institutional and private shareholders.

The Company held regular meetings with institutional investors and sell-side analysts throughout the year which included an international investor road show programme, presenting at industry conferences, hosting sell-side analyst events as well as individual investor meetings. These were attended by various members of the management team including Jean-Paul Luksic, the Chairman of the Group, Diego Hernández, the CEO of Antofagasta Minerals and Alejandro Rivera, the Vice-President of Development. Other Non-Executive Directors are given the opportunity to meet with major shareholders and attend meetings if requested to do so by shareholders.

Issues of particular focus for investors during the year included:

- the resignation of Marcelo Awad and appointment of Diego Hernández as Chief Executive Officer of Antofagasta Minerals;
- continued progress at Esperanza to reach design capacity;
- the progress and status of the Antucoya Project;
- the Group's growth pipeline;
- the capital distribution policy of the Group;
- industry and Group-specific trends in operating and capital cost inflation;
- potential issues around the availability of key strategic resources for the mining sector in Chile such as water, labour and energy; and
- general commodity market conditions.

Audit and Risk Committee

Membership and meeting attendance

	Number attended	Maximum possible
Current members		
William Hayes (C)	5	5
Tim Baker	4	5
Ollie Oliveira	5	5
Members who stepped down during the year		
Juan Claro[1]	–	–

Five meetings were held in the year.

Key activities in 2012

Review of the Group's annual results and its half-yearly and interim management statements.

Review of the continued independence and effectiveness of the external auditors.

Review of the activities and key findings of Internal Audit during the year, and review of the 2013 Internal Audit work plan.

Review of the effectiveness of the risk management function and the Group's system of internal control, including reviews of the Group's key risks and related mitigations.

General Managers of a number of the Group's operations presented to the Audit and Risk Committee, allowing a focused discussion on their specific key risks and control activities.

[1] Juan Claro rotated off the Audit and Risk Committee on 25 January 2012.

Role and responsibilities of the Audit and Risk Committee

The Audit and Risk Committee's purpose is to assist the Board in meeting its responsibilities relating to financial reporting and control matters.

The Audit and Risk Committee monitors the integrity of the financial statements and Directors' statements on internal controls and reviews the going concern basis prior to its endorsement by the Board. The Audit and Risk Committee also reviews the preliminary results announcement, the half-yearly financial report and the interim management statements.

The Audit and Risk Committee plays a key role in assisting the Board with its responsibilities in respect of risk and related controls. The Audit and Risk Committee assists the Board with its review of the effectiveness of the risk management process, and monitoring of key risks and mitigations.

The Audit and Risk Committee also reviews the scope and nature of the audit and issues arising from it and is responsible for ensuring the independence of the external auditors.

The terms of reference of the Audit and Risk Committee are available on the Company's website – **www.antofagasta.co.uk**. The terms of reference reflect the increasing focus of the Audit and Risk Committee on risk, including the Audit and Risk Committee's role in assisting the full Board to review the major risks facing the Group.

The Audit and Risk Committee is authorised by the Board to investigate any activity within its terms of reference. It is authorised to seek any information it requires from any employees and all employees are directed to co-operate with any request made by the Audit and Risk Committee. The Audit and Risk Committee meets at least three times a year with the external auditors in attendance.

Audit and Risk Committee membership

The Audit and Risk Committee members are considered by the Board to be independent Non-Executive Directors. William Hayes and Ollie Oliveira are considered to have recent and relevant financial experience.

External audit

As described above, the Audit and Risk Committee is responsible for reviewing the scope and nature of the audit and issues arising from it and is responsible for ensuring the independence of the external auditor (including its objectivity and effectiveness), monitoring the provision of any non-audit services by the external auditor and for making recommendations to the Board for the appointment, re-appointment or removal of the external auditor. The Audit and Risk Committee periodically reviews if it is necessary to re-tender the audit engagement.

The Company has a policy in place which aims to safeguard the independence and objectivity of the external auditor. This includes policies in respect of the potential employment of former auditors, the types of non-audit services which the external auditors may and may not provide to the Group, and the approval process in respect of permitted non-audit services. Non-audit services which the external auditors are not permitted to provide under the policy include internal audit outsourcing, valuation services which would be used for financial accounting purposes, preparation of the Group's accounting records or financial statements, and financial information systems design and implementation. Certain permitted non-audit services always require prior approval by the Audit and Risk Committee, whereas other such services require prior approval by the Audit and Risk Committee when the related fees are above specified levels. In addition to this approval process for specific non-audit services, the Audit and Risk Committee monitors the total level of non-audit services to ensure that neither the objectivity nor the independence of the auditor is put at risk.

A breakdown of the audit and non-audit fees is disclosed in Note 7 to the financial statements. The Company's external auditor, Deloitte LLP, has provided non-audit services (excluding audit-related services) which amounted to US$0.8 million. This mainly related to assistance in Chile with the preparation of an environmental management model and the development of an inventory of environmental compliance obligations given its expertise compared with alternative providers in Chile. The Audit and Risk Committee has reviewed the level of these services in the course of the year and is confident that the objectivity and independence of the auditor is not impaired by reason of such non-audit work.

The Audit and Risk Committee has also considered the effectiveness and independence of the external audit through meetings with Deloitte LLP, a review of its audit plan, a consideration of the results of work performed by the external auditor prior to release of the half-year and full-year results, and the past performance of Deloitte LLP which was first appointed in 2000. The Audit and Risk Committee has reviewed and approved the external auditor's fees and terms of engagement, having satisfied itself as to its qualifications, expertise, resources and independence and the effectiveness of the audit process and the Audit and Risk Committee has recommended to the Board, for approval by shareholders, the re-appointment of Deloitte LLP as the Company's external auditor.

Risk management and internal control

The Board has ultimate responsibility for determining the nature and extent of the significant risks that the Group is willing to take to achieve its strategic objectives and for maintaining sound risk management and internal control systems. The Audit and Risk Committee plays a key role in assisting the Board with its responsibilities in respect of risk and related controls. The section above which discusses information flows to the Board explains the type of information and analysis provided to the Board, which facilitates the timely identification of potential key issues and any necessary mitigating actions. As discussed in the Risk management section on page 30, the Audit and Risk Committee assists the Board with its review of the effectiveness of the risk management process, and monitoring of key risks and mitigations. The chairman of the Audit and Risk Committee reports to the Board following each Audit and Risk Committee meeting, allowing the Board to understand and if necessary further discuss the matters considered in detail by the Audit and Risk Committee. These processes allow the Board to monitor the Group's major risks and related mitigations, and to assess the acceptability of the level of risks which arise from the Group's operations and development activities.

Each year the Board, with the support of the Audit and Risk Committee, performs a review of the effectiveness of the Group's risk management and internal control systems, covering all material controls over financial, operational and sustainability related risks, compliance controls and risk management systems. There is a continuous process for identifying, evaluating and managing the significant risks that the Group faces. This process is regularly reviewed and it is an ongoing activity throughout the year. The Group's system of internal control is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

During 2012, a detailed review of the risk management and internal control systems was performed by the Audit and Risk Committee, with the Chairman of the Audit and Risk Committee reporting back to the Board on the findings of the review, which were considered by the Board.

Corporate governance report

The review of internal control systems included the controls over financial, operational and sustainability related risks and compliance controls, and is based principally on reviewing reports from management to consider whether significant risks are identified, evaluated, managed and controlled and whether any significant weaknesses are promptly remedied and indicate a need for more extensive monitoring. The review of the risk management and internal control systems considers all significant aspects of internal control, including a review of the effectiveness of the internal audit function. The internal audit function is responsible for reviewing the adequacy of the internal control environment across the Group and for reporting the findings of the internal audit work to the Audit and Risk Committee on a regular basis.

During 2012 the General Managers of a number of the Group's operations presented to the Audit and Risk Committee on their key risks and control activities undertaken during the year, providing an opportunity for a focused discussion on the major controls implemented at those sites.

During the course of the review of the system of internal control, the Audit and Risk Committee has not identified nor been advised of any failings or weaknesses which it has determined to be significant. Therefore a confirmation in respect of necessary actions is not required.

Further information relating to the Group's risk and management systems is given in the Risk management section of the Strategic review on pages 30 to 33.

"Whistleblowing" procedures

The Audit and Risk Committee is also responsible for reviewing "whistleblowing" arrangements.

An updated version of the Group's Ethics Code was rolled out to the Group's employees in 2011, and during 2012 this roll-out was extended to contractors working at the Group's operations. The Code includes a procedure to enable employees to raise concerns, anonymously if necessary. A Corporate Ethics Committee, comprising members of senior management, is responsible for implementing, developing and updating the Ethics Code and investigating allegations of impropriety. Additionally, each Business Unit has an Ethics Committee to investigate allegations made locally. The Corporate Ethics Committee reports directly to the CEO of Antofagasta Minerals. The Audit and Risk Committee considers the results of this work and the operation of the Ethics Code as part of its annual review of the effectiveness of internal control.

The Ethics Code also sets out the Group's whistleblowing procedures, which enable staff, in confidence, to raise concerns about possible improprieties or non-compliance with the Ethics Code. Procedures are communicated throughout the Group, which provide staff with additional guidance and enable them to report matters in a language with which they are comfortable. The Audit and Risk Committee receives quarterly reports on whistleblowing incidents. It remains satisfied that the procedures in place incorporate arrangements for the proportionate and independent investigation of matters raised and for the appropriate follow-up action.

Nomination Committee

Membership and meeting attendance

	Number attended	Maximum possible
Jean-Paul Luksic (C)	3	3
William Hayes	3	3
Juan Claro	3	3

Three meetings were held in the year.

Key activities in 2012

Appointment of Nelson Pizarro as a new Non-Executive Director.

Appointment of Diego Hernández as CEO of Antofagasta Minerals.

Ongoing review of the composition and balance of the Board, and Board succession.

Role and responsibilities of the Nomination Committee

The Nomination Committee is responsible for the process for new Board appointments. It makes recommendations to the Board on the appointment of new Directors and is responsible for ensuring that appointments are made on merit and against objective criteria. The Nomination Committee also periodically reviews the composition of the Board including the balance between Executive and Non-Executive Directors and considers succession planning for the Board.

The Nomination Committee's terms of reference are available on the Company's website – **www.antofagasta.co.uk**.

The Nomination Committee meets as necessary and, in any event, at least once a year.

Appointments to the Board

In making appointments to the Board, the Nomination Committee considers the skills, experience and knowledge of the existing Directors and identifies potential candidates who would most benefit the Board. It considers the candidates' knowledge and experience of Chile, the mining industry, Latin America, capital markets and the regulatory environment, and whether they have sufficient time to devote to the role. The Chairman is responsible for ensuring that any new Directors are provided with a full induction on joining the Board.

During 2012, Nelson Pizarro was appointed to the Board on the recommendation of the Nomination Committee. In this selection process there was due regard to diversity including gender, skills, experience and other time commitments. Nelson Pizarro brings an extensive knowledge of the mining industry both in construction and operation.

The Nomination Committee is satisfied that it identified an appropriate candidate through its knowledge of the relevant industrial and geographical sectors and accordingly did not need to advertise the post or use a search agency.

Boardroom diversity

The Nomination Committee has considered the recommendations in Lord Davies' report "Women on Boards" published in February 2011. The Group supports boardroom diversity and will continue to be rigorous and transparent in its recruitment policies and will ensure that appointments are made on merit, taking into account the benefits of diversity including gender diversity.

Re-election

In accordance with the UK Corporate Governance Code (2010), all Directors will be standing for re-election at this year's Annual General Meeting on 12 June 2013. Having taken into account the results of the performance evaluation of the Board (see page 79), the Board is satisfied that each of the Directors continues to be effective and continues to demonstrate commitment to his role and is recommended for re-election.

Sustainability and Stakeholder Management Committee

Membership and meeting attendance

	Number attended	Maximum possible
Ramón Jara (C)	3	3
Juan Claro	3	3
Tim Baker	3	3

Three meetings were held in the year.

Key activities in 2012

Review and approval of the 2011 Sustainability Report and the corporate sustainability section of the 2011 Annual Report.

Request for external verification of the 2012 Sustainability Report.

Request for all operational and project sites to be audited regularly by the risk control team with a particular focus on health and safety.

Review and approval of the new Group Health and Safety policy and review of the health and safety performance reports for the Group's operations, projects and explorations.

Role and responsibilities of the Sustainability and Stakeholder Management Committee

The Board has ultimate responsibility for sustainability. The Board has put in place procedures and management structures at a Group and divisional level to ensure the implementation of its sustainable development principles and Antofagasta Minerals' social and environmental strategy. These arrangements are part of the overall Group governance arrangements described in the Corporate Governance Report. The Sustainability and Stakeholder Management Committee periodically visit the Group's operations to review performance and promote good practice, particularly in relation to safety.

The Directors' responsibilities, including those relating to risk management and control, are described in the statement of Directors' Responsibilities.

The Sustainability and Stakeholder Management Committee assists the Board in its responsibilities with respect to the Group's social responsibility. The Board takes into account the community, social, environmental and ethical impact of its decisions.

The Sustainability and Stakeholder Management Committee's responsibilities include providing guidance in relation to sustainability matters generally; reviewing and updating the Group's framework of sustainability policies and strategies including safety, health, environmental, social and stakeholder issues; monitoring and reviewing the Group's performance in respect of sustainability matters, indicators and targets; escalating matters of concern to the Board and reviewing and approving the Group's annual Sustainability Report which is published separately.

Key issues of social responsibility are identified and assessed through the Group's risk management processes described under "Risk management and internal control" above.

The Group's annual Sustainability Report provides further information on its social and environmental performance. More information on sustainability is given on pages 52 to 61.

Remuneration report

Remuneration and Talent Committee

Membership and meeting attendance

	Number attended	Maximum possible
Tim Baker (C)	6	6
William Hayes	6	6
Juan Claro	6	6

Three meetings were held in the year.

Key activities in 2012

Review of Directors' remuneration levels.

Review of the 2011 Directors' Remuneration report prior to its approval by the Board and subsequent approval by shareholders at the Annual General Meeting.

Review of the structure and level of senior management remuneration.

Approve the amount of senior management remuneration, including annual bonuses.

Review of the operation of the LTIP including grants of awards to new or promoted employees.

Review of succession planning for the senior management team.

Review of the Group's Talent Management Strategy and staff succession policy.

Basis of preparation of this report and compliance

This report has been prepared in accordance with Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008. It also meets the relevant requirements of the Listing Rules of the Financial Services Authority and describes how the Board has applied the principles of good governance as set out in the Code.

During the year under review, the Company complied with the detailed provisions set out in Section D of the Code except, as explained on page 76, the Chairman, who is the only Executive Director, did not receive any reward structured to vary with individual or corporate performance (principle D.1 and provision D.1.1).

Unaudited information

Role and responsibilities of the Remuneration and Talent Committee

The Remuneration and Talent Committee is responsible for setting remuneration policy and for reviewing the remuneration of any Executive Directors. The Remuneration and Talent Committee is also responsible for monitoring the level and structure of remuneration of Group senior management, reviewing succession planning for senior management, reviewing any major changes in compensation policies applying across the Group's companies that have a significant long-term impact on labour costs, and reviewing compensation and talent management strategies. The Remuneration and Talent Committee's terms of reference are available on the Company's website – **www.antofagasta.co.uk**. The remuneration of Non-Executive Directors is determined by the Board as a whole. No Director participates in the determination of his own remuneration.

Company policy on Directors' pay

As discussed above within the Corporate Governance Report, as at the date of this report the Board had ten Directors, comprising an Executive Chairman and nine Non-Executive Directors. The Company's approach to Directors' remuneration reflects this predominantly non-executive composition of the Board.

The Company's policy is to ensure that Directors are fairly rewarded with regard to responsibilities undertaken, and considers comparable pay levels in the United Kingdom, in Chile, and in the international mining industry. Corporate and individual performance is taken into account in setting the pay level for the Chairman as an Executive Director, and this is reviewed on an annual basis in comparison with companies of a similar nature, size and complexity. Remuneration levels for Non-Executive Directors are also reviewed in comparison with companies of a similar nature, size and complexity, and take into account specific responsibilities undertaken. The Remuneration and Talent Committee used benchmarking data from a number of sources, but did not appoint external consultants to advise on Directors' remuneration during the year. Pay and conditions for Group employees are rising in line with tight labour market conditions in Chile; however, the Remuneration and Talent Committee does not believe that this should be taken into account when determining Directors' remuneration, which was kept the same in 2012.

Given the predominantly non-executive composition of the Board, there are currently no arrangements for Directors to acquire benefits through the acquisition of shares in the Company or any of its subsidiary undertakings, to benefit through performance-related pay or to participate in long-term incentive schemes. The Code states that remuneration for Non-Executive Directors should not include share options or other performance-related elements. The Board does not consider it appropriate to make regular performance-related pay awards such as bonuses to the only Executive Director, Jean-Paul Luksic, given his role as Chairman of the Board and his interest in the Company's shares (both via a company controlled by him and as a member of the Luksic family).

No Director currently receives pension contributions, which again reflects the predominantly non-executive nature of the Board. The Code considers that the participation by a Non-Executive Director in a company's pension scheme could potentially impact on the independence of that Non-Executive Director.

Directors' and Committee fees

There has been no change to the level of Antofagasta plc Board fees in 2012:

- the base Non-Executive Director's fee in respect of the Antofagasta plc Board remains at US$130,000;
- given the core role which Antofagasta Minerals plays in the management of the mining operations and projects, and that the mining division represents the large majority of the Group's business, all Antofagasta plc Directors also serve as directors of the Antofagasta Minerals board. The fees payable to directors of Antofagasta Minerals remain at US$130,000 for members of the Board and US$260,000 for the Chairman. Therefore, the combined base fees payable to Non-Executive Directors of both Antofagasta plc and Antofagasta Minerals amount to US$260,000 per annum.

The overall fees payable to the Board in 2012 are higher than in 2011. This is primarily explained by the full-year impact of the new Antofagasta plc and Antofagasta Minerals Board fees which were revised with effect from 1 July 2011, and the full-year impact of the increase in Antofagasta Minerals' contract fees with effect from 1 September 2011 for Ramón Jara. This is further explained by the impact of new Board appointments during 2011 and 2012 which effectively resulted in the Board having an additional board member throughout 2012 and, to a lesser extent, the exchange rate impact of Chilean peso-denominated fees.

There was no change in the fees payable to the Executive Chairman in his role as a Director of Antofagasta plc between 2011 and 2012.

Antofagasta plc Directors may also be appointed as directors of subsidiary companies and joint venture companies within the Group, and they receive fees for these specific roles, in addition to their Antofagasta plc Board fees. These additional fees are included within the amounts attributable to the Directors within the table of Directors' remuneration that follows.

This table summarises Antofagasta plc Board Committee fees payable in 2012 and 2011:

	US$'000
Audit and Risk Committee chairman	20
Audit and Risk Committee member	10
Remuneration and Talent Committee chairman	16
Remuneration and Talent Committee member	10
Nomination Committee chairman	10
Nomination Committee member	4
Sustainability and Stakeholder Management Committee chairman	16
Sustainability and Stakeholder Management Committee member	10

Remuneration report

Service contracts and letters of appointment

During 2012, Jean-Paul Luksic had a contract for services with both the Antofagasta Railway Company plc dated 1 April 2008 and Antofagasta Minerals S.A. dated 2 November 2004. Neither contract has an expiry date, but each of them can be terminated by either party on one month's notice. There is also a contract between Antofagasta Minerals S.A. and Asesorías Ramón F Jara Ltda (formerly E.I.R.L.) dated 2 November 2004 for the provision of advisory services by Ramón Jara which also does not have an expiry date but can be terminated by either party on one month's notice. The amounts payable under these contracts for services are denominated in Chilean pesos and, as is typical for employment contracts or contracts for services in Chile, are adjusted in line with Chilean inflation, and are also reviewed periodically in line with the Company's policy on Directors' pay. Amounts paid during 2012 and 2011 under these contracts for services have been included in the table of Directors' remuneration.

As recommended by the Code, all Directors are submitted for annual re-election at each AGM. Each Non-Executive Director has a letter of appointment with the Company for an initial period of one year from the date of his appointment, subject to re-appointment at the Annual General Meeting following their appointment. These letters, which are renewed on their re-appointment at each AGM, require the Non-Executive Directors to undertake that they will have sufficient time to discharge their responsibilities. The appointments may be terminated by either party on one month's notice. The letters of appointment are available for inspection at the Company's registered office during normal business hours and at the AGM (for 15 minutes prior to and during the meeting).

The contracts for services and letters of appointment do not provide for any compensation for loss of office beyond payments in lieu of notice, and therefore the maximum amount payable upon termination of these contracts is limited to one month's payment.

No Director has a service contract with the Company which cannot be terminated within 12 months.

Directors' interests

The Directors who held office at 31 December 2012 had the following interests in the ordinary shares of the Company:

	Ordinary shares of 5p each	
	31 December 2012	1 January 2012
Jean-Paul Luksic[1]	**41,963,110**	41,963,110
Ramón Jara[2]	**5,260**	5,260

[1] Jean-Paul Luksic's interest relates to shares held by Aureberg Establishment, an entity which he controls.
[2] Ramón Jara's interest relates to shares held by a close family member.

There have been no changes to the Directors' interests in the shares of the Company between 31 December 2012 and the date of this report.

The Directors had no interests in the shares of the Company during the year other than the interests in the table set out above. No Director had any material interest in any contract (other than a service contract) with the Company or its subsidiary undertakings during the year other than in the ordinary course of business.

Talent management

The Remuneration and Talent Committee also reviews wider aspects of the Group's talent management programme, particularly in relation to senior management. The Remuneration and Talent Committee reviews the structure of senior management remuneration. The structure is designed to align management compensation with the Group's strategic aims and shareholders' interests. Senior management remuneration comprises a combination of base salary and other benefits, an annual cash bonus and conditional cash awards based on the price of ordinary shares of the Company granted pursuant to the Long Term Incentive Plan ("LTIP"). Directors are not eligible to participate in the LTIP, which reflects the predominantly non-executive nature of the Board. Under the terms of the LTIP, the Group may grant awards based on the price of ordinary shares of the Company and cannot grant awards over actual shares. Two types of awards may be granted pursuant to the LTIP:

– Restricted Awards: These awards are conditional rights to receive cash payment by reference to a specified number of the Company's ordinary shares subject to the relevant employee remaining employed by the Group when the Restricted Award vests; and
– Performance Awards: These awards are conditional rights to receive cash payment by reference to a specified number of the Company's ordinary shares subject to both the satisfaction of a performance condition and the relevant employee remaining employed by the Group when the Performance Award vests. The performance criteria reflect a number of factors including total shareholder return (as discussed further below), earnings levels, growth in the Group's reserves and resources and project delivery targets.

Further details of the LTIP are set out in Note 26 to the financial statements.

Diego Hernández has been granted awards under the LTIP and has also been granted an exceptional, long-term award ("One-off Award"). The One-off Award was granted to Diego Hernández for the same purpose as the awards granted under the LTIP but by reference to metrics which are specific to his role as Chief Executive Officer of Antofagasta Minerals. Awards granted under the One-off Award are conditional rights to receive a cash payment by reference to the market value of a number of ordinary shares at vesting. The One-off Award was not granted over actual shares and Directors are not eligible to receive a One-off Award. Vesting of the One-off Award will be as follows:

– Half of the One-off Award is subject both to certain performance conditions which are measured over a three-year period (ending on 1 August 2015, the three-year anniversary of the effective date of Diego Hernández's appointment) and to continued employment. That half of the award will normally vest only after the end of the three-year performance period and only to the extent that those performance conditions are met.
– The other half of the One-off Award is subject to continued employment and will normally vest on 1 August 2015.

The Remuneration and Talent Committee also conducted a review of the Group's succession planning in respect of the senior management team during 2012.

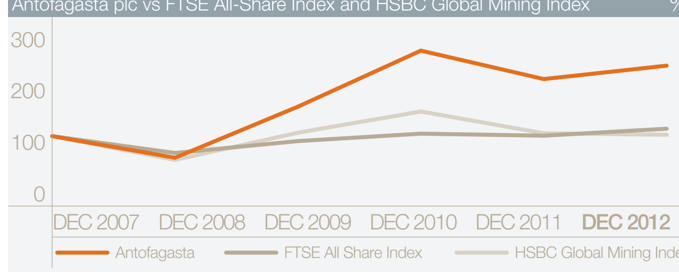
During 2012 the Remuneration and Talent Committee reviewed the Group's Talent Management Strategy, which is designed to attract and retain the key management and skilled workers required by the Group's existing operations and its growth projects. Further detail in respect of the Group's talent management programme is set out in the Sustainability Report on page 57.

Performance graph

The following graph shows the Company's performance compared to the performance of the FTSE All-Share Index and the HSBC Global Mining Index over a five-year period, measured by total shareholder return (as defined below). The FTSE All-Share Index has been selected as an appropriate benchmark as it is the most broadly-based index to which the Company belongs and which relates to the London Stock Exchange, the market where the Company's ordinary shares are traded. Total shareholder return performance in comparison with the HSBC Global Mining Index is one of the performance criteria for Performance Awards granted pursuant to the LTIP as described above.

Total shareholder return is calculated to show a theoretical growth in the value of a shareholding over a specified period, assuming that dividends are reinvested to purchase additional shares at the closing price applicable on the ex-dividend date. Total shareholder return for the FTSE All-Share Index and the HSBC Global Mining Index is calculated by aggregating the returns of all individual constituents of those indices at the end of the five-year period.

Total Shareholder Return*
Antofagasta plc vs FTSE All-Share Index and HSBC Global Mining Index %



*Total Shareholder Return represents share price growth plus dividends reinvested over the period
Total Return Basis Index – 1 January 2008 = 100
Source: Datastream

Remuneration report

Audited information

Directors' remuneration

The remuneration of the Directors in the year is set out below in US dollars. Amounts paid in Chilean pesos have been translated at average rates for the relevant year, which are set out in Note 36 to the financial statements.

As explained above, there were amendments to the amounts payable to all Directors as members of the Antofagasta plc Board and of the board of Antofagasta Minerals with effect from 1 July 2011, and the amounts payable to Ramón Jara under his service contract with effect from 1 September 2011, and accordingly the amounts disclosed below reflect these changes.

	Base salary and fees		Benefits		Total remuneration	
	2012 US$000	2011 US$000	**2012 US$000**	2011 US$000	**2012 US$000**	2011 US$000
Jean-Paul Luksic[1]	**3,524**	3,438	**74**	83	**3,598**	3,521
Charles Bailey[2]	**–**	69	**–**	–	**–**	69
William Hayes	**366**	301	**–**	–	**366**	301
Gonzalo Menéndez	**336**	322	**–**	–	**336**	322
Ramón Jara[3]	**1,014**	895	**4**	4	**1,018**	899
Daniel Yarur[4]	**–**	22	**–**	–	**–**	22
Guillermo Luksic[5]	**195**	192	**–**	–	**195**	192
Juan Claro	**333**	268	**–**	–	**333**	268
Hugo Dryland[6]	**260**	188	**–**	–	**260**	188
Tim Baker[7]	**296**	185	**–**	–	**296**	185
Ollie Oliveira[8]	**269**	46	**–**	–	**269**	46
Nelson Pizarro[9]	**115**	–	**–**	–	**115**	–
	6,708	5,926	**79**	87	**6,786**	6,013

1 During 2012, remuneration of US$1,010,000 for the provision of services by Jean-Paul Luksic was paid to Goldbeam Finance Limited (2011 – remuneration of US$1,005,000 was paid to Goldbeam Finance Limited). This amount is included in the amounts attributable to Jean-Paul Luksic of US$3,524,000 (2011 – US$3,438,000). The benefits expense represents the provision of car usage and life, accident and health insurance for Jean-Paul Luksic.
2 Charles Bailey resigned from the Board on 8 June 2011, and the amounts shown above for 2011 represent fees payable up to this date.
3 During 2012, remuneration of US$641,000 (2011 – US$571,000) for the provision of services by Ramón Jara was paid to Asesorías Ramón F Jara Ltda. This amount is included in the amounts attributable to Ramón Jara of US$1,014,000 (2011 – US$895,000). The benefits expense represents the provision of accident insurance to Ramón Jara.
4 Daniel Yarur resigned from the Board on 1 March 2011, and the amounts shown above for 2011 represent fees payable up to this date.
5 Guillermo Luksic has forgone his fees since 1 October 2012 due to a leave of absence approved by the Board.
6 Hugo Dryland was appointed to the Board on 20 January 2011 and the amounts shown above for 2011 represent fees payable from this date.
7 Tim Baker was appointed to the Board on 1 March 2011 and the amounts shown above for 2011 represent fees payable from this date.
8 Fees payable in respect of Ollie Oliveira's service as a Director are paid to Greengrove Capital LLP, a partnership in which Ollie Oliveria is a partner. Ollie Oliveira was appointed to the Board on 28 October 2011, and the amounts shown above for 2011 represent fees payable from this date.
9 Nelson Pizarro was appointed to the Board on 24 July 2012 and the amounts shown above for 2012 represent fees payable from this date.

Approved on behalf of the Board

Tim Baker
Chairman of the Remuneration and Talent Committee

11 March 2013

Directors' report

Principal group activities

The principal activities of the Group are copper mining (including exploration and development), the transportation of freight by rail and road and the distribution of water. These activities are mainly based in Chile. The Company's principal activity is to act as a holding company. The Company is incorporated in England and listed on the London Stock Exchange. Group operations are carried out through subsidiaries, associates and joint ventures. The principal subsidiaries, associates and joint ventures that make up the Group are set out in Notes 16 to 18 to the financial statements. One subsidiary, the Antofagasta Railway Company plc, has a branch in Chile (known as the FCAB) which provides rail freight services.

Business review

The Company is required by section 417 of the Companies Act 2006 to provide a business review in this report. The requirements of the business review are fulfilled in the disclosures contained within the Chairman's statement on pages 5 to 7, our marketplace section on pages 24 to 26, the Operational review (including information on expected future developments) on pages 34 to 61, the Financial review on pages 62 to 69 and the Corporate governance report on pages 70 to 93. A summary of the key performance indicators considered most relevant to the Group is on pages 28 and 29. Information on environmental, employee and social and community matters is included within the Sustainability section on pages 52 to 61. Information on significant contractual and other arrangements which are essential to the business of the Group is included within this Directors' report on pages 89 to 91. A description of the financial risk management objectives and policies of the Group, together with the principal risks and uncertainties facing the Group, is contained in the Risk management section on pages 30 to 33, and in Note 25 to the financial statements. There have been no significant events since the balance sheet date requiring disclosure in the financial statements. All the above matters are incorporated into this report by reference.

Going concern

The Group's business activities, together with those factors likely to affect its future performance, are set out in the Operational review on pages 34 to 61. Details of the cash flows of the Group during the year, along with its financial position at the year-end are set out in the Financial review on pages 62 to 69. The financial statements include details of the Group's cash, cash equivalent and liquid investment balances in Note 22 to the financial statements, and details of borrowings are set out in Note 23 to the financial statements. Details of the Group's financial risk management, including details of the management of liquidity and counterparty risk, are set out in Note 25 to the financial statements.

In assessing the Group's going concern status, the Directors, with detailed assistance from the Audit and Risk Committee, 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 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 financial statements.

Value of land

Land included within property, plant and equipment in the financial statements is mainly held at cost. It is not practicable to estimate the value of such land and mineral rights, since these principally depend on product prices over the long term and will vary with market conditions. Land included in investment properties relates to forestry properties which the Group maintains but does not use in any of its existing operations. This land is held for long-term real estate development and recreational potential and is held in the financial statements at cost. The fair value of such land is disclosed in Note 15 to the financial statements.

Results and dividends

The consolidated profit before tax has decreased from US$3,076.2 million in 2011 to US$2,754.2 million in 2012.

The Board has recommended a final dividend of US 90.0 cents (2011 – US 36.0 cents) per ordinary share, comprising an ordinary dividend of US 12.5 cents (2011 – US 12.0 cents) and a special dividend of US 77.5 cents (2011 – US 24.0 cents). An ordinary interim dividend of US 8.5 cents was paid on 4 October 2012 (2011 ordinary dividend – US 8.0 cents). This gives total dividends per share proposed in relation to 2012 of US 98.5 cents (2011 – US 44.0 cents), including the special dividend. The total amount of dividends paid to ordinary shareholders (including special dividends) proposed in relation to 2012 will be US$971.1 million, compared with US$433.8 million in 2011.

Preference shares carry the right to a fixed cumulative dividend of 5% per annum. The preference shares are classified within borrowings, and preference dividends are included within finance costs. The total cost of dividends paid on preference shares and recognised as an expense in the income statement was US$0.2 million (2011 – US$0.2 million). Further information relating to dividends is set out in the Financial review on page 67, and in Note 12 to the financial statements.

Political contributions

The Group made political donations of US$1.2 million during the year ended 31 December 2012 in relation to municipal elections in Chile (2011 – nil). These donations were made via the Chilean Electoral Management Body, which anonymously transfers funds to political parties and candidates.

Charitable contributions

The Group made charitable contributions of US$3.6 million during the year ended 31 January 2012 (2011 – US$11.2 million). The donations include amounts paid to a variety of local initiatives in the regions surrounding the Group's operations. This amount also includes US$40,000 (2011 – US$52,000) of charitable donations in the United Kingdom, principally related to educational studies with a focus on Chile.

Directors' report

Supplier payment policy and creditor days

The Company acts as a holding company and does not trade in the United Kingdom or elsewhere. Creditor days for the Group have been calculated at 32 days (2011 – 46 days). Each operating company is responsible for agreeing terms of payment with each of their suppliers. It is Group policy that payments to suppliers are made in accordance with agreed terms.

Significant relationships

The Group has a number of significant contractual or other arrangements which are essential to its operations and projects:

- the Group holds a number of mining and exploration rights in Chile and other countries in which it has exploration or development activities, normally granted by the relevant national government;
- a significant proportion of the Group's sales of copper concentrate (and other payable elements) and molybdenum concentrate are made under long-term framework agreements with a number of customers. These framework contracts will typically set out the minimum annual volumes to be supplied, with the processing charges determined annually and the pricing of contained material to be in accordance with market prices. A significant proportion of the Group's copper cathode sales are made under annual contracts with a number of customers. These contracts will typically specify the volumes to be supplied, with the pricing to be in accordance with market prices. Further details of such arrangements are given in Note 25 to the financial statements;
- there are collective labour agreements with each of the labour unions at the Group's operations. These agreements are typically of between three and four years' duration. Several of these labour unions are affiliated with the Federación Minera de Chile;
- the Group has contracts with a number of suppliers to sub-contract certain services at each of its mine sites, including vehicle and equipment maintenance and other logistical services. In addition, the Group has a number of medium-term and long-term contracts for the supply of key inputs such as electricity, sulphuric acid, oil and explosives with a number of suppliers;
- tax invariability agreements are in place in respect of the Group's mining operations which provide that specified rates will apply in respect of the mining royalty for specified periods;
- in 2003 the Group was awarded a 30-year concession to operate the water rights and facilities in the Antofagasta Region of Chile, supplying domestic and industrial users. The domestic tariffs are controlled by the Chilean Water Regulator. Further details are given in Note 35 to the financial statements;
- the transport division has long-term contracts with a number of customers, which typically govern volumes and pricing structures; and
- the Group has shareholder agreements in place governing its relationship with its partners at its operations and development and exploration projects. The Group also has a number of "earn-in" agreements in respect of exploration and development projects.

Capital structure

Details of the authorised and issued ordinary share capital, including details of any movements in the issued share capital during the year, are shown in Note 30 to the financial statements. The Company has one class of ordinary shares, which carry no right to fixed income. Each ordinary share carries one vote at any general meeting of the Company. Details of the preference share capital are shown in Note 23 to the financial statements. The preference shares are non-redeemable and are entitled to a fixed cumulative dividend of 5% per annum. Each preference share carries 100 votes on a poll at any general meeting of the Company. The nominal value of the issued ordinary share capital is 96.1% of the total sterling nominal value of all issued share capital, and the nominal value of the issued preference share capital is 3.9% of the total sterling nominal value of all issued share capital.

There are no specific restrictions on the transfer of shares or on their voting rights beyond those standard provisions set out in the Company's Articles of Association and other provisions of applicable law and regulation (including, in particular, following a failure to provide the Company with information about interests in shares as required by the Companies Act 2006). The Company is not aware of any agreements between holders of the Company's shares that may result in restrictions on the transfer of securities or on voting rights.

The Company has the authority to purchase up to 98,585,669 of its own ordinary shares, representing 10% of the issued ordinary share capital. With regard to the appointment and replacement of Directors, the Company is governed by its Articles of Association, the UK Corporate Governance Code 2010, the Companies Act 2006 and related legislation. The Articles of Association may be amended by special resolution of the shareholders. There are no significant agreements in place which take effect, alter or terminate upon a change of control of the Company. There are no agreements in place between the Company and its Directors or employees which provide for compensation for loss of office resulting from a change of control of the Company.

Directors' interests and indemnities

Details of Directors' contracts and letters of appointment, remuneration and emoluments, and their interests in the shares of the Company as at 31 December 2012 are given in the Remuneration report. No Director had any material interest in a contract of significance (other than a service contract) with the Company or any subsidiary company during the year.

In accordance with the Company's Articles of Association and to the extent permitted by the laws of England and Wales, Directors are granted an indemnity from the Company in respect of liabilities personally incurred as a result of their office. In respect of those matters for which the Directors may or may not be indemnified, the Company maintained a Directors' and Officers' liability insurance policy throughout the financial year. This policy has been renewed for the current financial year.

Conflicts of interest

The Companies Act 2006 requires that a Director must avoid a situation where he has, or can have, a direct or indirect interest that conflicts, or possibly may conflict, with the Company's interests. The Company has undertaken a process to identify, and, where appropriate, authorise and manage potential and actual conflicts. Each Director has identified his interests which may constitute conflicts including, for example, directorships in other companies. The Board has considered the potential and actual conflict situations of each of the Directors and decided in relation to each situation whether to authorise it and the steps, if any, which need to be taken to manage it. The authorisation process is not regarded as a substitute for managing an actual conflict of interest if one arises. The monitoring and, if appropriate, authorisation of actual and potential conflicts of interest is an ongoing process. Directors are required to notify the Company of any material changes in those positions or situations that have already been considered, as well as to notify the Company of any other new positions or situations that may arise. In addition to considering any new situations as they arise, the Board considers the conflict position of all Directors formally each year.

Substantial shareholdings

As at 31 December 2012 and 11 March 2013, the following significant holdings of voting rights in the share capital of the Company had been disclosed to the Company under Disclosure and Transparency Rule 5:

Table of substantial shareholdings	Ordinary share capital %	Preference share capital %	Total share capital %
Metalinvest Establishment	50.72	94.12	58.04
Kupferberg Establishment	9.94	–	8.27
Blackrock Inc.	5.10	–	4.24
Aureberg Establishment	4.26	–	3.54

Metalinvest Establishment and Kupferberg Establishment are both controlled by the E. Abaroa Foundation, in which members of the Luksic family are interested. As explained in Note 40 to the Financial statements, Metalinvest Establishment is the immediate parent company of the Group and the E. Abaroa Foundation is the ultimate parent company. Aureberg Establishment is controlled by Jean-Paul Luksic, the Chairman of the Company.

By order of the Board

For and on behalf of

Petershill Secretaries Limited
Company Secretary

11 March 2013

Directors' responsibilities

Directors' responsibilities in relation to the financial statements

The Directors are responsible for preparing the Annual Report and the financial statements. Company law requires the Directors to prepare financial statements for each financial year. The Directors are required to prepare financial statements for the Group in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union and Article 4 of the IAS Regulation and have chosen to prepare Company financial statements in accordance with United Kingdom Generally Accepted Accounting Principles ("UK GAAP").

In the case of the Group's IFRS financial statements, International Accounting Standard 1 requires that financial statements present fairly for each financial year the Group's financial position, financial performance and cash flows. This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's "Framework for the Preparation and Presentation of Financial Statements". In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable IFRS. Directors are also required to:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRS are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the Company's ability to continue as a going concern.

In the case of the Company's UK GAAP financial statements, the Directors are required to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and of the profit and loss of the Company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Directors' declaration in relation to relevant audit information

In the case of each of the persons who is a Director at the date of approval of this Annual Report:

- so far as he is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- he has taken all steps that he ought to have taken as a Director in order to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

For these purposes, "relevant audit information" means information needed by the Company's auditors in connection with preparing their report. This statement is made and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

Directors' responsibility statement

We confirm to the best of our knowledge that:

- the Group financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union, and give a true and fair view of the assets, liabilities, financial position and profit of the Company and the undertakings included in the consolidation taken as a whole;
- the Company's financial statements have been prepared in accordance with UK GAAP, and give a true and fair view of the assets, liabilities, financial position and profit of the Company; and
- the Directors' report, including those sections incorporated therein by reference, includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

By order of the Board

Jean-Paul Luksic
Chairman

William Hayes
Director

11 March 2013

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Independent auditors' report to the members of Antofagasta plc

We have audited the financial statements of Antofagasta plc for the year ended 31 December 2012 which comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated Balance Sheet, the Consolidated Cash Flow Statement, the Consolidated Statement of Changes in Equity, and the related Notes 1 to 40 and the Parent Company Balance Sheet and related information in Note 41. The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the Parent Company financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and auditor

As explained more fully in the Directors' Responsibilities Statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and the Parent Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2012 and of the Group's profits for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the Parent Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the group financial statements, Article 4 of the IAS Regulation.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Under the Listing Rules we are required to review:

- the Directors' statement, contained within the financial review in relation to going concern;
- the part of the Corporate Governance Statement relating to the Company's compliance with the nine provisions of the UK Corporate Governance Code specified for our review; and
- certain elements of the report to shareholders by the Board on directors' remuneration.

James Leigh
(Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London, United Kingdom

11 March 2013

Consolidated income statement

For the year ended 31 December 2012

	Notes	2012 US$m	2011 US$m
Group revenue	4,6	**6,740.1**	6,076.0
Total operating costs (including exceptional items*)	5	**(3,901.7)**	(3,002.6)
Operating profit from subsidiaries and joint ventures	4,6	**2,838.4**	3,073.4
Share of net profit from associates	4,6,17	**6.7**	24.0
Total profit from operations and associates	4,6	**2,845.1**	3,097.4
Investment income		**24.6**	23.3
Interest expense		**(85.9)**	(93.2)
Other finance items		**(29.6)**	48.7
Net finance expense	9	**(90.9)**	(21.2)
Profit before tax	7	**2,754.2**	3,076.2
Income tax expense	10	**(1,020.6)**	(946.2)
Profit for the financial year	6	**1,733.6**	2,130.0
Attributable to:			
Non-controlling interests	31	**701.6**	893.4
Equity holders of the Company (net earnings)	11	**1,032.0**	1,236.6
		US cents	US cents
Basic and diluted earnings per share	11	**104.7**	125.4
Dividends to ordinary shareholders of the Company			
Per share	12	**US cents**	US cents
Dividends per share proposed in relation to the year			
– ordinary dividend (interim)		**8.5**	8.0
– ordinary dividend (final)		**12.5**	12.0
– special dividend (final)		**77.5**	24.0
		98.5	44.0
Dividends per share paid in the year and deducted from net equity			
– ordinary dividend (interim)		**8.5**	8.0
– ordinary dividend (final)		**12.0**	12.0
– special dividend (final)		**24.0**	100.0
		44.5	120.0
In aggregate	12	**US$m**	US$m
Dividends proposed in relation to the year		**971.1**	433.8
Dividends paid in the year and deducted from net equity		**438.7**	1,183.0

Revenue and operating profit are derived from continuing operations.

* The exceptional item included within "Total operating costs" in respect of the year ended 31 December 2012 is a US$500.0 million provision against the carrying value of property, plant and equipment relating to the Antucoya Project. Excluding this exceptional item, operating profit from subsidiaries and joint ventures was US$3,338.4 million, profit before tax was US$3,254.2 million and earnings per share was US 140.2 cents.

* The exceptional item included within "Total operating costs" in respect of the year ended 31 December 2011 was a US$140.5 million provision against the carrying value of intangible assets and property, plant and equipment relating to the Group's joint venture Tethyan Copper Company Pty. Ltd. Excluding this exceptional item, operating profit from subsidiaries and joint ventures was US$3,213.9 million, profit before tax was US$3,216.7 million and earnings per share was US 139.7 cents.

Further details of these exceptional items are set out in Note 5.

Consolidated statement of comprehensive income

For the year ended 31 December 2012

	Notes	2012 US$m	2011 US$m
Profit for the financial year	7	**1,733.6**	2,130.0
Items that may be reclassified subsequently to profit or loss[1]			
Net (loss)/gain on cash flow hedges	25	**(0.3)**	50.6
Losses in fair value of cash flow hedges deferred in reserves of associates	17	**(1.8)**	–
Net gain/(loss) in fair value of available for sale investment	19	**5.4**	(12.3)
Net gain/(loss) currency translation adjustment		**14.4**	(25.1)
Net gain/(loss) on deferred tax effects arising on cash flow hedges		**0.1**	(9.6)
Total gain recognised in equity		**17.8**	3.6
Losses in fair value of cash flow hedges transferred to the income statement	25	**12.6**	36.4
Deferred tax effects arising on cash flow hedges transferred to the income statement		**(2.5)**	(7.3)
Total loss transferred to the income statement		**10.1**	29.1
Total comprehensive income for the year		**1,761.5**	2,162.7
Attributable to:			
Non-controlling interests	31	**709.4**	912.1
Equity holders of the Company		**1,052.1**	1,250.6

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

Consolidated statement of changes in equity

For the year ended 31 December 2012

	Share capital US$m	Share premium US$m	Hedging reserves US$m	Fair value reserves US$m	Translation reserves US$m	Retained earnings US$m	**Net equity US$m**	Non-controlling interests US$m	**Total US$m**
At 1 January 2011	89.8	199.2	(55.3)	4.2	57.2	5,875.5	**6,170.6**	1,355.2	**7,525.8**
Total comprehensive income/(loss) for the year	–	–	51.4	(12.3)	(25.1)	1,236.6	**1,250.6**	912.1	**2,162.7**
Capital increase of non-controlling interest	–	–	–	–	–	(42.0)	**(42.0)**	42.0	**–**
Capital contribution from non-controlling interest	–	–	–	–	–	–	**–**	42.9	**42.9**
Dividends	–	–	–	–	–	(1,183.0)	**(1,183.0)**	(741.0)	**(1,924.0)**
At 31 December 2011 and 1 January 2012	89.8	199.2	(3.9)	(8.1)	32.1	5,887.1	**6,196.2**	1,611.2	**7,807.4**
Total comprehensive income for the year	–	–	0.3	5.4	14.4	1,032.0	**1,052.1**	709.4	**1,761.5**
Change in ownership interest in subsidiaries	–	–	–	–	–	332.1	**332.1**	18.2	**350.3**
Capital increase of non-controlling interest	–	–	–	–	–	(31.1)	**(31.1)**	31.1	**–**
Capital contribution from non-controlling interest	–	–	–	–	–	–	**–**	26.8	**26.8**
Dividends	–	–	–	–	–	(438.7)	**(438.7)**	(702.5)	**(1,141.2)**
At 31 December 2012	**89.8**	**199.2**	**(3.6)**	**(2.7)**	**46.5**	**6,781.4**	**7,110.6**	**1,694.2**	**8,804.8**

Consolidated balance sheet

At 31 December 2012

	Notes	2012 US$m	2011 US$m
Non-current assets			
Intangible assets	13	**157.6**	155.3
Property, plant and equipment	14	**6,513.2**	6,443.0
Investment property	15	**3.5**	3.1
Inventories	20	**162.5**	104.7
Investment in associate	17	**107.6**	84.8
Trade and other receivables	21	**108.3**	67.7
Derivative financial instruments	25	**8.0**	47.6
Available-for-sale investments	19	**44.5**	36.5
Deferred tax assets	28	**103.8**	83.2
		7,209.0	7,025.9
Current assets			
Inventories	20	**494.9**	435.8
Trade and other receivables	21	**801.9**	924.9
Current tax assets		**32.3**	27.2
Derivative financial instruments	25	**35.3**	11.4
Liquid investments	22	**2,480.6**	1,944.9
Cash and cash equivalents	22	**1,815.9**	1,335.1
		5,660.9	4,679.3
Total assets		**12,869.9**	11,705.2
Current liabilities			
Short-term borrowings	23	**(447.0)**	(301.9)
Derivative financial instruments	25	**(6.2)**	(16.9)
Trade and other payables	24	**(710.2)**	(503.9)
Current tax liabilities		**(137.4)**	(162.6)
		(1,300.8)	(985.3)
Non-current liabilities			
Medium and long-term borrowings	23	**(1,442.2)**	(1,838.4)
Derivative financial instruments	25	**(13.1)**	(18.0)
Trade and other payables	24	**(7.4)**	(9.3)
Post-employment benefit obligations	27	**(81.9)**	(61.2)
Long-term provisions	29	**(384.6)**	(321.1)
Deferred tax liabilities	28	**(835.1)**	(664.5)
		(2,764.3)	(2,912.5)
Total liabilities		**(4,065.1)**	(3,897.8)
Net assets		**8,804.8**	7,807.4
Equity			
Share capital	30	**89.8**	89.8
Share premium	30	**199.2**	199.2
Hedging, translation and fair value reserves	30	**40.2**	20.1
Retained earnings	30	**6,781.4**	5,887.1
Equity attributable to equity holders of the Company		**7,110.6**	6,196.2
Non-controlling interests	31	**1,694.2**	1,611.2
Total equity		**8,804.8**	7,807.4

Approved by the Board and signed on its behalf on 11 March 2013.

Jean-Paul Luksic
Chairman

William Hayes
Director

Consolidated cash flow statement

For the year ended 31 December 2012

	Notes	2012 US$m	2011 US$m
Cash flows from operations	33	**3,806.2**	3,552.5
Interest paid		**(88.1)**	(69.3)
Dividends from associate	17	**1.1**	1.2
Income tax paid		**(901.2)**	(1,018.1)
Net cash from operating activities		**2,818.0**	2,466.3
Investing activities			
Capital contribution to associates	17	**(19.6)**	–
Acquisition of interest in associates	17	**–**	(4.5)
Acquisition of available-for-sale investments	19	**(1.5)**	(27.3)
Net increase in liquid investments	33	**(535.7)**	(1,138.0)
Proceeds from sale of available-for-sale investment		**1.4**	–
Proceeds from repayment of loan to associates		**83.8**	–
Proceeds from sale of property plant and equipment		**9.3**	3.9
Purchases of property, plant and equipment		**(873.5)**	(670.5)
Purchases of Intangible assets		**(3.9)**	–
Interest received		**24.8**	21.7
Net cash used in investing activities		**(1,314.9)**	(1,814.7)
Financing activities			
Dividends paid to equity holders of the Company	12	**(438.7)**	(1,183.0)
Dividends paid to preference shareholders of the Company	12	**(0.2)**	(0.2)
Dividends paid to non-controlling interests	31	**(702.5)**	(741.0)
Change in ownership interest in subsidiaries	32	**351.8**	–
Capital increase from minority interest		**26.8**	–
Net proceeds from issue of new borrowings	33	**104.9**	200.0
Repayments of borrowings	33	**(365.2)**	(304.3)
Repayments of obligations under finance leases	33	**(12.7)**	(10.2)
Net cash used in financing activities		**(1,035.8)**	(2,038.7)
Net increase/(decrease) in cash and cash equivalents		**467.3**	(1,387.1)
Cash and cash equivalents at beginning of the year		**1,335.1**	2,734.7
Net increase/(decrease) in cash and cash equivalents	33	**467.3**	(1,387.1)
Effect of foreign exchange rate changes	33	**13.5**	(12.5)
Cash and cash equivalents at end of the year	22,33	**1,815.9**	1,335.1

Notes to the financial statements

1 Basis of preparation

a) Accounting standards applied

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS. For these purposes, IFRS comprise the standards issued by the International Accounting Standards Board ("IASB") and Interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC") that have been endorsed by the European Union ("EU").

The financial statements have been prepared on the going concern basis. Details of the factors which have been taken into account in assessing the Group's going concern status are within the corporate governance report.

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

At the date of authorisation of these financial statements, the following Standards and Interpretations which have not been applied in these financial statements were in issue but not yet effective:

– IFRS 9	Financial instruments
– IFRS 10	Consolidated financial statements
– IFRS 11	Joint arrangements
– IFRS 12	Disclosure of Interests in other entities
– IFRS 13	Fair value measurement
– IAS 27 (as revised in 2011)	Separate financial statements
– IAS 28 (as revised in 2011)	Investments in associates and joint ventures
– IAS 32 (as revised in 2011)	Financial Instruments: Presentation
– IFRIC 20	Stripping costs in the production phase of a surface mine

The adoption of IFRS 9 will have an effect on the classification and measurement of the Group's financial assets in particular as the standard introduces new classifications of financial assets.

The Group will adopt IFRS 10, IFRS 11 and IFRS 12 in the consolidated financial statements for the annual period beginning 1 January 2013.

IFRS 10 replaces the parts of IAS 27 Consolidated and separate financial statements that deal with the consolidated financial statements. IFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from investment with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns. The Group is continuing with the assessment of the anticipated impact of adopting IFRS 10 but does not expect it to have a significant impact on the consolidation of investees in the Group.

IFRS 11 replaces IAS 31 Interests in Joint Ventures. IFRS 11 deals with how a joint arrangement in which two or more parties have joint control should be classified. Under IFRS 11, a jointly controlled arrangement that is classified as a joint venture cannot be accounted for using proportionate consolidation and must be accounted for using the equity method. The Group has previously used proportionate consolidation to account for joint ventures according to IAS 31, and following the adoption of IFRS 11 these amounts will be accounted for using the equity method. Although the assessment of the anticipated impact of the standard is continuing the Group does not expect this will have a significant impact.

IFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in IFRS 12 are more extensive than those in the current standards.

IFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The Standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The Group anticipates that IFRS 13 will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2013 and that the application of the new standard may affect the amounts reported in the financial statements and result in more extensive disclosures in the financial statements.

IFRIC 20 clarifies the requirements for stripping costs in the production phase of a surface mine and is effective for annual periods beginning on or after January 2013. The Group will adopt the interpretation across its operations for the annual period beginning 1 January 2013 and has assessed the impact of adoption on the treatment of operational stripping costs at each of its operations. The Group does not expect adoption of the interpretation to result in any significant change to the comparative figures to be included in the 2013 financial statements.

b) Adoption of new accounting standards

In the current financial year the Group has adopted the following standards that have affected the presentation and disclosure in these financial statements:

Amendments to IAS 1 Presentation of financial statements (amended June 2011). The amendments increase the required level of disclosure within the statement of comprehensive income. The amendment requires items within the statement of comprehensive income to be analysed between items that will not be reclassified subsequently to profit or loss and items that will be reclassified to profit or loss in accordance with the respective IFRS to which the item relates.

The following standards, interpretations and amendments are effective but have not had any significant impact on the financial statements:

- Amendments to IAS 12 Income Taxes: Deferred tax – Recovery of underlying assets
- Amendments to IFRS 1: Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters
- Amendments to IFRS 7: Disclosures – Transfers of Financial Assets and offsetting of Financial Assets and Financial Liabilities

Notes to the financial statements

2 Principal accounting policies

a) Accounting convention

These financial statements have been prepared under the historical cost convention as modified by the use of fair values to measure certain financial instruments, principally provisionally priced sales as explained in Note 2(f) and financial derivative contracts as explained in Note 2(y).

b) Basis of consolidation

The financial statements comprise the consolidated financial statements of Antofagasta plc ("the Company") and its subsidiaries (collectively "the Group").

(i) **Subsidiaries** – A subsidiary is an entity over which the Group has power to govern the operating and financial policies in order to obtain benefits from its activities. The consolidated financial statements include all the assets, liabilities, revenues, expenses and cash flows of the Company and its subsidiaries after eliminating inter-company balances and transactions. For partly-owned subsidiaries, the net assets and net earnings attributable to non-controlling shareholders are presented as "Non-controlling interests" in the consolidated balance sheet and consolidated income statement.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on an acquisition-by-acquisition basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another IFRS. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. When assets of the subsidiary are carried at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Group had directly disposed of the relevant assets (i.e. reclassified to profit or loss or transferred directly to retained earnings as specified by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39 Financial Instruments: Recognition and Measurement or, when applicable, the cost on initial recognition of an investment in an associate or a jointly controlled entity.

Acquisitions and disposals are treated as explained in Note 2(g) relating to business combinations and goodwill.

c) Investments in associates

An associate is an entity over which the Group is in a position to exercise significant influence, but not control or joint control, through the power to participate in the financial and operating policy decisions of that entity. The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. This requires recording the investment initially at cost to the Group and then, in subsequent periods, adjusting the carrying amount of the investment to reflect the Group's share of the associate's results less any impairment and any other changes to the associate's net assets such as dividends. When the Group's share of losses of an associate exceeds the Group's interest in that associate the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

d) Investments in jointly-controlled entities

A jointly-controlled entity is an entity in which the Group holds a long-term interest and shares joint control over the operating and financial decisions with one or more other venturers under a contractual arrangement. Jointly-controlled entities are accounted for using proportionate consolidation, which combines the Group's share of the results of the jointly-controlled entity on a line-by-line basis with similar items in the Group's financial statements.

When a Group entity transacts with its jointly-controlled entity, profits and losses resulting from the transactions with the jointly-controlled entity are recognised in the Group's consolidated financial statements only to the extent of interests in the jointly-controlled entity that are not related to the Group.

e) Currency translation

The functional currency for each entity in the Group is determined as the currency of the primary economic environment in which it operates. Transactions in currencies other than the functional currency of the entity are translated at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in currencies other than the functional currency are retranslated at year end exchange rates. Gains and losses on retranslation are included in net profit or loss for the period within other finance items.

The presentational currency of the Group and the functional currency of the Company is the US dollar. On consolidation, income statement items for entities with a functional currency other than the US dollar are translated into US dollars at average rates of exchange. Balance sheet items are translated at period-end exchange rates. Exchange differences on translation of the net assets of such entities are taken to equity and recorded in a separate currency translation reserve. Cumulative translation differences arising after the transition date to IFRS are recognised as income or as expenses in the income statement in the period in which an operation is disposed.

On consolidation, exchange gains and losses which arise on balances between Group entities are taken to reserves where that balance is, in substance, part of the net investment in a foreign operation, i.e. where settlement is neither planned nor likely to occur in the foreseeable future. All other exchange gains and losses on Group balances are dealt with in the income statement.

Fair value adjustments and any goodwill arising on the acquisition of a foreign entity are treated as assets of the foreign entity and translated at the period-end rate.

f) Revenue recognition

Revenue represents the value of goods and services supplied to third parties during the year. Revenue is measured at the fair value of consideration received or receivable, and excludes any applicable sales tax.

A sale is recognised when the significant risks and rewards of ownership have passed. This is generally when title and any insurance risk has passed to the customer, and the goods have been delivered to a contractually agreed location or when any services have been provided.

Revenue from mining activities is recorded at the invoiced amounts with an adjustment for provisional pricing at each reporting date, as explained below. For copper and molybdenum concentrates, which are sold to smelters and roasting plants for further processing, the invoiced amount is the market value of the metal payable by the customer, net of deductions for tolling charges. Revenue includes amounts from the sale of by-products.

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 based on the monthly average London Metal Exchange ("LME") copper price or the monthly average market molybdenum price for specified future periods. This normally ranges from 30 to 120 days after delivery to the customer. Such a provisional sale contains an embedded derivative which is required to be separated from the host contract. The host contract is the sale of metals contained in the concentrate or cathode at the provisional invoice price less tolling charges deducted, and the embedded derivative is the forward contract for which the provisional sale is subsequently adjusted. At each reporting date, the provisionally priced metal sales together with any related tolling charges are marked-to-market, with adjustments (both gains and losses) being recorded in revenue in the consolidated income statement and in trade debtors in the balance sheet. Forward prices at the period end are used for copper concentrate and cathode sales, while period-end average prices are used for molybdenum concentrate sales due to the absence of a futures market.

Interest income is accrued on a time basis, by reference to the principal outstanding and the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Dividend income from available-for-sale investments and associates is recognised when the shareholders' right to receive payment has been established.

g) Business combinations and goodwill

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. The results of businesses acquired during the year are brought into the consolidated financial statements from the effective date of acquisition. The identifiable assets, liabilities and contingent liabilities of a business which can be measured reliably are recorded at their provisional fair values at the date of acquisition. Provisional fair values are finalised within 12 months of the acquisition date. Acquisition-related costs are expensed as incurred.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the "measurement period" (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as "measurement period" adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with IAS 39, or IAS 37 Provisions, Contingent Liabilities and Contingent Assets, as appropriate.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

Goodwill arising in a business combination is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the next identifiable assets acquired and liabilities assumed. Any goodwill on the acquisition of subsidiaries is separately disclosed, while any goodwill on the acquisition of associates is included within investments in equity accounted entities. Internally generated goodwill is not recognised. Where the fair values of the identifiable net assets acquired exceed the sum of the consideration transferred, the surplus is credited to the profit or loss in the period of acquisition as a bargain purchase gain.

Notes to the financial statements

2 Principal accounting policies continued

g) Business combinations and goodwill continued

The Group often enters into earn-in arrangements whereby the Group acquires an interest in a project company in exchange for funding exploration and evaluation expenditure up to a specified level of expenditure or a specified stage in the life of the project. Funding is usually conditional on the achievement of key milestones by the partner. Typically there is no consideration transferred or funding liability on the effective date of acquisition of the interest in the project company and no goodwill is recognised on this type of business combination.

The results of businesses sold during the year are included in the consolidated financial statements for the period up to the effective date of disposal. Gains or losses on disposal are calculated as the difference between the sales proceeds (net of expenses) and the net assets attributable to the interest which has been sold. Where a disposal represents a separate major line of business or geographical area of operations, the net results attributable to the disposed entity are shown separately in the income statement.

h) Exploration and evaluation expenditure

Exploration and evaluation costs, other than those incurred in acquiring exploration licences, are expensed in the year in which they are incurred. When a decision is taken that a mining project is commercially viable (normally when the project has reached the feasibility stage) all further directly attributable pre-production expenditure is capitalised. Capitalisation of pre-production expenditure ceases when commercial levels of production are achieved.

Costs incurred in acquiring exploration licences are accounted for as intangible assets in accordance with the policy in Note 2(j) and are stated at cost less accumulated amortisation.

i) Stripping costs

Pre-stripping and operational stripping costs are incurred in the course of the development and operation of open-pit mining operations.

Pre-stripping costs relate to the removal of waste material as part of the initial development of an open-pit, in order to allow access to the ore body. These costs are capitalised within mining properties within property, plant and equipment. The capitalised costs are depreciated once production commences on a unit of production basis, in proportion to the volume of ore extracted in the year compared with total proven and probable reserves for that pit at the beginning of the year.

Operational stripping costs relate to the costs of extracting waste material as part of the ongoing mining process. The costs of extracting material from an open-pit mine are generally allocated between ore and waste stripping in proportion to the tonnes of material extracted. The waste stripping costs are generally absorbed into inventory, and therefore expensed as that inventory is processed and sold. Where the stripping costs relate to a significant stripping campaign which is expected to provide benefits for an extended period of time, the costs will be capitalised within mining properties within property, plant and equipment. The capitalised costs will then be amortised on a unit of production basis, in proportion to the volume of ore extracted compared with the total ore contained in the area of the pit to which the stripping campaign relates.

j) Intangible assets

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Intangible assets include the cost of acquiring exploration licences. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

Infrastructure assets relating to the Water concession are recorded within intangible assets, as part of concession rights. Concession rights also include an amount recognised in respect of the right to use those assets not recognised as their lives extend substantially beyond the period of the concession. Concession rights are measured as the difference between the cost of the concession and the fair values of the assets and liabilities recognised on acquisition plus the fair value of any further assets transferred to the Group by way of concession subsequent to acquisition.

Intangible assets acquired in a business combination and recognised separately from goodwill are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

k) Property, plant and equipment

The costs of mining properties and leases, which include the costs of acquiring and developing mining properties and mineral rights, are capitalised as property, plant and equipment in the year in which they are incurred, when a decision has been taken that a mining project is commercially viable (normally when the project has reached the feasibility stage).

The cost of property, plant and equipment comprises the purchase price and any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended. Once a project has been established as commercially viable, related development expenditure is capitalised. This includes costs incurred in preparing the site for mining operations, including pre-stripping costs. Capitalisation ceases when the mine is capable of commercial production, with the exception of development costs which give rise to a future benefit.

Interest on borrowings directly related to construction or development of projects is capitalised, until such time as the assets are substantially ready for their intended use or sale which, in the case of mining properties, is when they are capable of commercial production.

l) Depreciation of property, plant and equipment and amortisation of intangible assets

Property, plant and equipment is depreciated over its useful life, or over the remaining life of the operation if shorter, to residual value. The major categories of property, plant and equipment are depreciated as follows:

(i) **Land** – freehold land is not depreciated. Any leasehold land is depreciated on a straight-line basis over the life of the lease.

(ii) **Mining properties** – mining properties, including capitalised financing costs, are depreciated on a unit of production basis, in proportion to the volume of ore extracted in the year compared with total proven and probable reserves at the beginning of the year.

(iii) **Buildings and infrastructure** – straight-line basis over 10 to 25 years.

(iv) **Railway track (including trackside equipment)** – straight-line basis over 20 to 25 years.

(v) **Wagons and rolling stock** – straight-line basis over 10 to 20 years.

(vi) **Machinery, equipment and other assets** – straight-line basis over 5 to 10 years.

(vii) **Assets under construction** – no depreciation until asset is available for use.

(viii) **Assets held under finance lease** – are depreciated over the shorter of the lease term and their useful life.

Residual values and useful lives are reviewed, and adjusted if appropriate, at least annually, and changes to residual values and useful lives are accounted for prospectively.

The concession right is amortised on a straight-line basis over the life of the concession, or the useful life of any component part if less.

m) Impairment of property, plant and equipment and intangible assets (excluding goodwill)

Property, plant and equipment and finite life intangible assets are reviewed for impairment if there is any indication that the carrying amount may not be recoverable. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Any intangible asset with an indefinite useful life is tested for impairment annually and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value, using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which estimates of future cash flows have not been adjusted.

For mining properties, estimates of future cash flows are based on assumptions as to expected production levels, commodity prices, cash costs of production and capital expenditure. IAS 36 “Impairment of Assets” includes a number of restrictions on the future cash flows that can be recognised in respect of future restructurings and improvement-related expenditure. When calculating value in use, it also requires that calculations should be based on exchange rates current at the time of assessment. For operations with a functional currency other than the US dollar, the impairment review is conducted in the relevant functional currency.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount is reduced to the recoverable amount. An impairment charge is recognised in the income statement immediately. Where an impairment subsequently reverses, the carrying amount is increased to the revised estimate of recoverable amount, but so that the increased carrying amount does not exceed the carrying value that would have been determined if no impairment had previously been recognised. A reversal is recognised in the income statement immediately.

Notes to the financial statements

2 Principal accounting policies continued

n) Investment property

Investment property is property held to earn rentals and/or for capital appreciation and includes land held for a currently undetermined future use. The Group has elected to adopt the cost model in IAS 40 "Investment Property". Accordingly, investment property is measured initially at cost, which includes transaction costs for the acquisition of the property and, as detailed in Note 2(l) relating to property, plant and equipment, is not depreciated.

o) Inventory

Inventory consists of raw materials and consumables, work-in-progress and finished goods. Work-in-progress represents material that is in the process of being converted into finished goods. The conversion process for mining operations depends on the nature of the copper ore. For sulphide ores, processing includes milling and concentrating and results in the production of copper concentrate. For oxide ores, processing includes leaching of stockpiles, solution extraction and electro-winning and results in the production of copper cathodes. Finished goods consist of copper concentrate containing gold and silver at Los Pelambres and Esperanza and copper cathode at El Tesoro and Michilla. Los Pelambres also produces molybdenum as a by-product.

Inventory is valued at the lower of cost, on a weighted average basis, and net realisable value. Net realisable value represents estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution. Cost of finished goods and work-in-progress is production cost and for raw materials and consumables it is purchase price. Production cost includes:

- Labour costs, raw material costs and other costs directly attributable to the extraction and processing of ore;
- Depreciation of plant, equipment and mining properties directly involved in the production process;
- An appropriate portion of production overheads.

Stockpiles represent ore that is extracted and is available for further processing. Costs directly attributable to the extraction of ore are generally allocated as part of production cost in proportion to the tonnes of material extracted. Operational stripping costs are generally absorbed into inventory, and therefore expensed as that inventory is processed and sold. If ore will not be processed within 12 months of the statement of financial position date it is included within non-current assets. If there is significant uncertainty as to when any stockpiled ore will be processed it is expensed as incurred.

p) Taxation

Tax expense comprises the charges or credits for the period relating to both current and deferred tax.

Current tax is based on taxable profit for the year. Taxable profit may differ from net profit as reported in the income statement because it excludes items of income or expense that are taxable and deductible in different years and also excludes items that are not taxable or deductible. The liability for current tax is calculated using tax rates for each entity in the consolidated financial statements which have been enacted or substantively enacted at the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on temporary differences (i.e. differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of taxable profit). Deferred tax is accounted for using the balance sheet liability method and is provided on all temporary differences with certain limited exceptions as follows:

(i) tax payable on undistributed earnings of subsidiaries, associates and joint ventures is provided except where the Group is able to control the remittance of profits and it is probable that there will be no remittance of past profits earned in the foreseeable future;

(ii) deferred tax is not provided on the initial recognition of an asset or liability in a transaction that does not affect accounting profit or taxable profit and is not a business combination; nor is deferred tax provided on subsequent changes in the carrying value of such assets and liabilities, for example where they are depreciated; and

(iii) the initial recognition of any goodwill.

Deferred tax assets are recognised only to the extent that it is probable that they will be recovered through sufficient future taxable profit. The carrying amount of deferred tax assets is reviewed at each balance sheet date.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also taken directly to equity.

q) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

r) Provisions for decommissioning and restoration costs

An obligation to incur decommissioning and restoration costs occurs when environmental disturbance is caused by the development or ongoing production of a mining property. Costs are estimated on the basis of a formal closure plan and are subject to regular formal review.

Such costs arising from the installation of plant and other site preparation work, discounted to their net present value, are provided and capitalised at the start of each project, as soon as the obligation to incur such costs arises. These decommissioning costs are charged against profits over the life of the mine, through depreciation of the asset and unwinding or amortisation of the discount on the provision. Depreciation is included in operating costs while the unwinding of the discount is included as financing costs. Changes in the measurement of a liability relating to the decommissioning of plant or other site preparation work are added to, or deducted from, the cost of the related asset in the current period.

The costs for restoration of site damage, which is created on an ongoing basis during production, are provided for at their net present values and charged against operating profits as extraction progresses. Changes in the measurement of a liability relating to site damage created during production is charged against operating profit.

s) Provision for termination of Water concession

Under the terms of the Water concession from ECONSSA, certain items of working capital recognised by Aguas de Antofagasta are to be transferred to the state-owned operator ECONSSA at the end of the concession period for nil consideration. Provision is made for the estimated net present value of these assets and liabilities which are expected to be in existence when the concession comes to an end. The unwinding of the discount is charged within financing costs.

t) Share-based payment

For cash-settled share-based payments, a liability is recognised for the goods or services acquired, measured initially at the fair value of the liability. At the end of each reporting period until the liability is settled, and at the date of settlement, the fair value of the liability is remeasured, with any changes in fair value recognised in profit or loss for the year. The Group currently does not have any equity share-based payments to employees or third parties.

u) Post-employment benefits

The Group operates defined contribution schemes for a limited number of employees. For such schemes, the amount charged to the income statement is the contributions paid or payable in the year.

Employment terms may also provide for payment of a severance indemnity when an employment contract comes to an end. This is typically at the rate of one month for each year of service (subject in most cases to a cap as to the number of qualifying years of service) and based on final salary level. The severance indemnity obligation is treated as an unfunded defined benefit plan, and the calculation is based on valuations performed by an independent actuary using the projected unit credit method, which are regularly updated. The obligation recognised in the balance sheet represents the present value of the severance indemnity obligation. Actuarial gains and losses are immediately recognised in income statement within operating cost.

v) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, deposits held on call with banks, highly liquid investments that are readily convertible into known amounts of cash and which are subject to insignificant risk of changes in value, net of bank overdrafts which are repayable on demand. Cash and cash equivalents normally have a maturity period of 90 days or less.

w) Liquid investments

Liquid investments represent highly liquid current asset investments that do not meet the IAS 7 definition of cash and cash equivalents, normally because even if readily accessible, the underlying investments have an average maturity profile greater than 90 days from the date first entered into. These assets are designated as fair value through profit or loss.

x) Leases

Rental costs under operating leases are charged to the income statement account in equal annual amounts over the term of the lease.

Assets under finance leases are recognised as assets of the Group at inception of the lease at the lower of fair value or the present value of the minimum lease payments derived by discounting at the interest rate implicit in the lease. The interest element is charged within financing costs so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Notes to the financial statements

2 Principal accounting policies continued

y) Other financial instruments

Financial assets and financial liabilities are recognised on the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument.

(i) **Investments** – Investments which are not subsidiaries, associates or joint ventures are initially measured at cost, including transaction costs.

Investments are classified as either held for trading or available-for-sale, and are normally measured at subsequent reporting dates at fair value. Fair value is determined in the manner described in Note 25(b). Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost. Securities are classified as "held-for-trading" when they are acquired principally for the purpose of sale in the short term, and gains and losses arising from changes in fair value are included in profit or loss for the period. Other investments are classified as "available-for-sale", and gains and losses arising from changes in fair value are recognised directly in equity, within the "Fair value reserve", until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is included in profit or loss for the period. Dividends on available-for-sale equity investments are recognised in the income statement when the right to receive payment is established.

(ii) **Trade and other receivables** – Trade and other receivables do not generally carry any interest and are normally stated at their nominal value less any impairment. Impairment losses on trade receivables are recognised within an allowance account unless the Group considers that no recovery of the amount is possible, in which case the carrying value of the asset is reduced directly.

(iii) **Trade and other payables** – Trade and other payables are generally not interest-bearing and are normally stated at their nominal value.

(iv) **Borrowings (loans and preference shares)** – Interest-bearing loans and bank overdrafts are initially recorded at the proceeds received, net of direct issue costs. They are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis. The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accruals basis using the effective interest rate method. Amounts are either recorded as financing costs in profit or loss or capitalised in accordance with the accounting policy set out in Note 2(k). Finance charges are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise. The sterling-denominated preference shares issued by the Company carry a fixed rate of return without the right to participate in any surplus. They are accordingly classified within borrowings and translated into US dollars at period-end rates of exchange. Preference share dividends are included within finance costs.

(v) **Equity instruments** – Equity instruments issued are recorded at the proceeds received, net of direct issue costs. Equity instruments of the Company comprise its sterling denominated issued ordinary share capital and related share premium. As explained in Note 2(e), the presentational currency of the Group and the functional currency of the Company is US dollars, and ordinary share capital and share premium are translated into US dollars at historical rates of exchange based on dates of issue.

(vi) **Derivative financial instruments** – As explained in Note 25(e), the Group uses derivative financial instruments to reduce exposure to foreign exchange, interest rate and commodity price movements. The Group does not use such derivative instruments for trading purposes. The Group has applied the hedge accounting provisions of IAS 39 "Financial Instruments: Recognition and Measurement". The effective portion of changes in the fair value of derivative financial instruments that are designated and qualify as hedges of future cash flows have been recognised directly in equity, with such amounts subsequently recognised in profit or loss in the period when the hedged item affects profit or loss. Any ineffective portion is recognised immediately in profit or loss. Realised gains and losses on commodity derivatives recognised in profit or loss are recorded within revenue. The time value element of changes in the fair value of derivative options is excluded from the designated hedging relationship, and is therefore recognised directly in profit or loss within other finance items. Derivatives embedded in other financial instruments or other host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of host contracts and the host contracts are not carried at fair value. Changes in fair value are reported in profit or loss for the period. The treatment of embedded derivatives arising from provisionally-priced commodity sales contracts is set out in further detail in Note 2(f) relating to revenue.

(vii) **Impairment of financial assets** – Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that as a result of one or more events that occurred after the initial recognition of the financial asset the estimated future cash flows of the investment have been impacted. For loans and receivables the amount of the impairment is the difference between the asset's carrying value and the present value of estimated future cash flows, discounted at the original effective interest rate. Any impairment loss is recognised in profit or loss immediately.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables.

With the exception of available-for-sale equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss immediately to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised. In respect of available-for-sale equity instruments, any increase in fair value subsequent to an impairment loss is recognised directly in equity.

3 Critical accounting judgements and key sources of estimation uncertainty

Determining many of the amounts included in the financial statements involves the use of judgement and/or estimation. These judgements and estimates are based on management's best knowledge of the relevant facts and circumstances having regard to prior experience, but actual results may differ from the amounts included in the financial statements. Information about such judgements and estimates is included in the principal accounting policies in Note 2 or the other notes to the financial statements, and the key areas are set out below.

a) Useful economic lives of property, plant and equipment and ore reserves estimates

As explained in Note 2(l), mining properties, including capitalised financing costs, are depreciated in proportion to the volume of ore extracted in the year compared with total proven and probable reserves at the beginning of the year.

There are numerous uncertainties inherent in estimating ore reserves, and assumptions that were valid at the time of estimation may change when new information becomes available. These include assumptions as to grade estimates and cut-off grades, recovery rates, commodity prices, exchange rates, production costs, capital costs, processing and reclamation costs and discount rates. The actual volume of ore extracted and any changes in these assumptions could affect prospective depreciation rates and carrying values.

The majority of other items of property, plant and equipment are depreciated on a straight-line basis over their useful economic lives. Management reviews the appropriateness of useful economic lives at least annually and, again, any changes could affect prospective depreciation rates and asset carrying values.

b) Impairment of assets

As explained in Note 2(m), the Group reviews the carrying value of its intangible assets and property, plant and equipment to determine whether there is any indication that those assets are impaired. In making assessments for impairment, assets that do not generate independent cash flows are allocated to an appropriate cash-generating unit ("CGU"). The recoverable amount of those assets, or CGU, is measured at the higher of their fair value less costs to sell and value in use.

Management necessarily applies its judgement in allocating assets to CGUs, in estimating the probability, timing and value of underlying cash flows and in selecting appropriate discount rates to be applied within the value in use calculation. The key assumptions are set out in Note 2(m) and Note 5. Subsequent changes to CGU allocation, licencing status, reserves and resources, price assumptions or other estimates and assumptions in the value in use calculation could impact the carrying value of the respective assets.

c) Provisions for decommissioning and site restoration costs

As explained in Note 2(r), provision is made, based on net present values, for decommissioning and site rehabilitation costs as soon as the obligation arises following the development or ongoing production of a mining property. The provision is based on a closure plan prepared with the assistance of external consultants.

Management uses its judgement and experience to provide for and (in the case of capitalised decommissioning costs) amortise these estimated costs over the life of the mine. The ultimate cost of decommissioning and site rehabilitation cost is uncertain and cost estimates can vary in response to many factors including changes to relevant legal requirements, the emergence of new restoration techniques or experience at other mine sites.

The expected timing and extent of expenditure can also change, for example in response to changes in ore reserves or processing levels. As a result, there could be significant adjustments to the provisions established which would affect future financial results.

d) Deferred taxation

As explained in Note 2(p), deferred tax is not provided for future tax payable on undistributed earnings where the Group is able to control the remittance of profits and it is probable that there will be no remittance of past profits earned in the foreseeable future.

Management uses its judgement in estimating the probability of such remittances. These are based on Group forecasts and include assumptions as to future profits and cash flows (which depend on several factors including commodity prices, operating costs, production levels, capital expenditures, interest costs, debt repayment and tax rates) and cash requirements (which may also depend on several factors including future dividend levels). A change in the assumptions used or in the estimate as to the probability that past profits will be remitted would impact the deferred tax charge and balance sheet provision.

Notes to the financial statements

4 Revenue and total profit from operations and associates

An analysis of the Group's total revenue is as follows:

	2012 US$m	2011 US$m
Sales of goods	**6,558.3**	5,900.6
Rendering of services	**181.8**	175.4
Group revenue	**6,740.1**	6,076.0
Other operating income	**14.3**	10.7
Investment income	**24.6**	23.3
Total revenue	**6,779.0**	6,110.0

Operating profit from subsidiaries and joint ventures and total profit from operations and associates is derived from Group revenue by deducting operating costs as follows:

	2012 US$m	2011 US$m
Group revenue	**6,740.1**	6,076.0
Cost of sales	**(2,464.5)**	(2,139.9)
Gross profit	**4,275.6**	3,936.1
Administrative and distribution expenses	**(606.1)**	(469.7)
Closure provision	**0.3**	(16.5)
Severance charges	**(21.8)**	(4.3)
Provision against carrying value of assets (exceptional item)	**(500.0)**	(140.5)
Exploration and evaluation expenditure	**(300.8)**	(215.4)
Other operating income	**14.3**	10.7
Other operating expenses	**(23.1)**	(27.0)
Operating profit from subsidiaries and joint ventures	**2,838.4**	3,073.4
Share of income from associates	**6.7**	24.0
Total profit from operations and associates	**2,845.1**	3,097.4

Details of exceptional items are given in Note 5. Included in share of income from associates in December 2011 is 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.

5 Exceptional items

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

	Operating profit		Profit before tax		Earnings per share	
	2012 US$m	2011 US$m	2012 US$m	2011 US$m	2012 US cents	2011 US cents
Before exceptional item	**3,338.4**	3,213.9	**3,254.2**	3,216.7	**140.2**	139.7
Provision against carrying value of assets	**(500.0)**	(140.5)	**(500.0)**	(140.5)	**(35.5)**	(14.3)
After exceptional items	**2,838.4**	3,073.4	**2,754.2**	3,076.2	**104.7**	125.4

In December 2012 development of the Antucoya project was temporarily suspended while a review of the project was undertaken, given existing and potential levels of cost escalation. The review, which is intended to provide greater certainty over the cost position and other relevant parameters for the project, is continuing. A decision as to whether to resume development of the project will be taken when the review is complete. Given the inherent uncertainties while a review such as this is being undertaken, an impairment review has been performed in respect of the project as at 31 December 2012, and as a consequence an impairment of US$500 million has been recognised in respect of the project's assets. The Group's attributable share of the impairment is US$350 million. No tax credit has been recorded relating to the impairment. The recoverable amount in the impairment review was determined by a value in use calculation prepared using management's current forecasts as to capital expenditure, future commodity prices, operating costs and production volumes. The present value of the forecast future cash flows was calculated using a post-tax real discount rate of 7.5%.

In the year ended 31 December 2011 a provision of US$140.5 million consisting of US$120.7 million of intangible assets and US$19.8 million of property, plant and equipment was made relating to the Group's joint venture Tethyan Copper Company Pty. Ltd. Further details in respect of this are set out in Note 38.

Key assumptions used in the impairment review process

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

Antucoya project

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

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

Commodity prices

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

Ore reserves

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

Capital expenditure, operating costs and production levels

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

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

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

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

Notes to the financial statements

6 Segment information

The Group's reportable segments are as follows:

– Los Pelambres
– Esperanza
– El Tesoro
– Michilla
– Antucoya
– Exploration and evaluation
– Railway and other transport services
– Water concession
– Corporate and other items

For management purposes, the Group is organised into three business divisions based on their products – Mining, Railway and other transport services and the Water concession. The mining division is split further for management reporting purposes to show results by mine and exploration activity.
Los Pelambres, Esperanza, El Tesoro and Michilla are all operating mines and Antucoya is a development project. Los Pelambres produces primarily copper concentrate and molybdenum as a by-product. Esperanza produces primarily copper concentrate containing gold as a by-product. El Tesoro and Michilla both produce copper cathodes. The transport division provides rail cargo (based in Chile and Bolivia) and road cargo (based in Chile) together with a number of ancillary services (based in Chile). The water division produces and distributes potable water to domestic customers and untreated water to industrial customers in Chile's Antofagasta Region. The Exploration and evaluation segment incurs exploration and evaluation expenses. Exploration costs relating to Tethyan Copper Company Limited ("Tethyan") are included within the Exploration and evaluation segment, and all other Tethyan related costs are included within "Corporate and other items". "Corporate and other items" also comprise costs incurred by the Company and Antofagasta Minerals S.A., the Group's mining corporate centre, that are not allocated to any individual business segment. Consistent with its internal management reporting, the Group's corporate and other items are included within the mining division.

Management monitors the operating results of business segments separately for the purpose of making decisions about resources to be allocated and of assessing performance. Segment performance is evaluated based on the operating profit of each of the segments.

a) Segment revenues and results

For the year ended 31 December 2012

	Los Pelambres US$m	Esperanza US$m	El Tesoro US$m	Michilla US$m	Antucoya US$m	Exploration and evaluation US$m	Corporate and other items US$m	Mining US$m	Railway and other transport services US$m	Water concession US$m	Total US$m
Revenue	3,553.7	1,704.2	851.0	307.4	–	–	–	6,416.3	190.4	133.4	6,740.1
EBITDA	2,457.0	1,074.0	492.8	47.9	–	(300.8)	(96.6)	3,674.3	73.7	81.3	3,829.3
Depreciation and amortisation	(167.1)	(193.9)	(48.6)	(16.8)	–	–	(37.8)	(464.2)	(14.6)	(15.4)	(494.2)
Loss on disposals	–	–	(1.5)	–	–	–	–	(1.5)	5.6	(0.8)	3.3
Provision against carrying value of assets	–	–	–	–	(500.0)	–	–	(500.0)	–	–	(500.0)
Operating profit/(loss)	2,289.9	880.1	442.7	31.1	(500.0)	(300.8)	(134.4)	2,708.6	64.7	65.1	2,838.4
Share of income from associates	–	–	–	–	–	–	–	–	6.7	–	6.7
Investment income	2.3	2.7	2.1	0.9	–	–	10.8	18.8	4.8	1.0	24.6
Interest expense	(12.6)	(63.5)	(6.5)	–	–	–	(3.0)	(85.6)	(0.3)	–	(85.9)
Other finance items	(10.8)	(5.0)	0.1	(14.1)	–	–	1.9	(27.9)	(1.8)	0.1	(29.6)
Profit/(loss) before tax	2,268.8	814.3	438.4	17.9	(500.0)	(300.8)	(124.7)	2,613.9	74.1	66.2	2,754.2
Tax	(594.7)	(188.8)	(105.5)	(4.2)	–	–	45.4	(847.8)	(155.7)	(17.1)	(1,020.6)
Non-controlling interests	(645.9)	(175.3)	(70.8)	(2.5)	150.0	–	43.4	(701.1)	(0.5)	–	(701.6)
Net earnings/(losses)	(1,028.2)	450.2	(262.1)	11.2	(350.0)	(300.8)	(35.9)	1,065.0	(82.1)	49.1	1,032.0
Additions to non-current assets											
Capital expenditure	178.8	130.3	130.9	58.4	440.0	–	34.4	972.8	22.7	8.0	1,003.5
Segment assets and liabilities											
Segment assets	3,689.1	3,639.7	1,089.1	270.2	113.9	–	3,291.8	12,093.8	512.5	263.6	12,869.9
Segment liabilities	(1,251.6)	(1,657.4)	(393.2)	(83.3)	(251.1)	–	(317.5)	(3,954.1)	(52.6)	(58.4)	(4,065.1)

For the year ended 31 December 2011

	Los Pelambres US$m	Esperanza US$m	El Tesoro US$m	Michilla US$m	Antucoya US$m	Exploration and evaluation US$m	Corporate and other items US$m	Mining US$m	Railway and other transport services US$m	Water concession US$m	Total 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/(loss)	2,457.4	384.1	379.4	147.4	–	(215.4)	(198.4)	2,954.5	62.8	56.1	3,073.4
Share of income from associates	–	–	–	–	–	–	–	–	24.0	–	24.0
Investment income	2.3	0.8	1.9	1.3	–	–	11.5	17.8	4.9	0.6	23.3
Interest expense	(16.8)	(68.7)	(6.9)	–	–	–	(0.6)	(93.0)	(0.2)	–	(93.2)
Other finance items	(4.1)	6.4	(0.1)	49.0	–	–	(2.1)	49.1	(0.3)	(0.1)	48.7
Profit/(loss) before tax	2,438.8	322.6	374.3	197.7	–	(215.4)	(189.6)	2,928.4	91.2	56.6	3,076.2
Tax	(613.0)	(67.9)	(83.9)	(42.5)	–	–	(115.9)	(923.2)	(12.0)	(11.0)	(946.2)
Non-controlling interests	(724.0)	(61.0)	(90.7)	(38.2)	–	–	22.0	(891.9)	(1.5)	–	(893.4)
Net earnings/(losses)	1,101.8	193.7	199.7	117.0	–	(215.4)	(283.5)	1,113.3	77.7	45.6	1,236.6
Additions to non-current assets											
Capital expenditure	174.3	259.0	119.5	52.7	15.0	–	125.5	746.0	20.5	6.4	772.9
Segment assets and liabilities											
Segment assets	3,721.0	2,909.3	1,027.8	306.2	38.7	–	2,541.8	10,544.8	925.4	235.0	11,705.2
Segment liabilities	(1,350.8)	(1,583.9)	(465.5)	(108.8)	(0.8)	–	(289.5)	(3,799.3)	(52.6)	(45.9)	(3,897.8)

Notes to segment revenues and results

(i) The accounting policies of the reportable segments are the same as the Group's accounting policies. Operating profit excludes the share of net gain from associates of US$6.7 million (year ended 31 December 2011 – net gain of US$24.0 million). Operating profit is shown after exceptional items (see Note 5).

(ii) Inter-segment revenues are eliminated on consolidation. Revenue from the Railway and other transport services is stated after eliminating inter-segmental sales to the mining division of US$6.2 million (year ended 31 December 2011 – US$14.7 million). Revenue from the Water concession is stated after eliminating inter-segmental sales to the mining division of US$6.8 million (year ended 31 December 2011 – US$7.3 million) and after eliminating sales to the Railway and other transport services of US$0.2 million (year ended 31 December 2011 – US$0.2 million). Revenue from Esperanza is stated after eliminating inter-segmental sales of the Run-of-Mine oxides to El Tesoro of US$4.8 million (year ended 31 December 2011 – US$16.4 million).

(iii) Revenue includes the effect of both final pricing and mark-to-market adjustments to provisionally priced sales of copper and molybdenum concentrates and copper cathodes. Further details of such adjustments are given in Note 25(d).

(iv) Revenue includes a loss at Los Pelambres of US$5.9 million (year ended 31 December 2011 – nil), a realised gain on commodity derivatives at El Tesoro of US$0.2 million (year ended 31 December 2011 – gain of US$0.5 million) and a realised gain at Michilla of US$6.1 million (year ended 31 December 2011 – loss of US$15.6 million). Further details of such gains or losses are given in Note 25(e).

(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 25(d).

(vi) The exceptional item affecting operating profit in 2011 relates to a provision against carrying value of assets of Reko Diq (see Note 5).

(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 14) and may therefore differ from the amount included in the cash flow statement.

(ix) The assets of the Railway and transport services segment includes US$80.8 million (year ended 31 December 2011 US$74.3 million) relating to the Group's 40% interest in Inversiones Hornitos S.A. ("Inversiones Hornitos"), which owns the 165MW Hornitos thermoelectric power plant in Mejillones in Chile's Antofagasta Region and US$4.8 million (year ended 31 December 2011 US$6.0 million) relating to the Group's 30% interest in Antofagasta Terminal International S.A. ("ATI"), which operates a concession to manage installations in the port of Antofagasta. The assets of Corporate and other items segment includes US$22.0 million (year ended 31 December 2011 US$4.5 million) relating to the Group´s 30% interest in Parque Eólico El Arrayan S.A., an energy company which has been formed to construct and operate a wind farm in Chile.

Notes to the financial statements

6 Segment information continued

b) Entity-wide disclosures

Revenue by product

	2012 US$m	2011 US$m
Copper		
– Los Pelambres	**3,091.3**	3,255.9
– Esperanza	**1,249.0**	646.4
– El Tesoro	**851.0**	827.8
– Michilla	**307.4**	355.0
Molybdenum		
– Los Pelambres	**314.7**	293.8
Gold		
– Los Pelambres	**85.7**	63.9
– Esperanza	**415.5**	251.3
Silver		
– Los Pelambres	**62.0**	63.0
– Esperanza	**39.7**	25.2
Total Mining	**6,416.3**	5,782.3
Railway and transport services	**190.4**	178.8
Water concession	**133.4**	114.9
	6,740.1	6,076.0

Revenue by location of customer

	2012 US$m	2011 US$m
Europe		
– United Kingdom	**35.2**	–
– Switzerland	**77.3**	215.7
– Rest of Europe	**635.7**	722.2
Latin America		
– Chile	**386.7**	364.8
– Rest of Latin America	**237.4**	208.2
North America		
– United States	**258.9**	229.9
Asia		
– Japan	**2,390.5**	2,268.9
– China	**1,508.9**	1,145.4
– Rest of Asia	**1,209.5**	920.9
	6,740.1	6,076.0

Information about major customers

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

Non-current assets by location of assets

	2012 US$m	2011 US$m
Chile	**6,922.7**	6,733.3
Bolivia	**34.1**	32.3
USA	**93.8**	92.0
Other	**2.1**	1.0
	7,052.7	6,858.6

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

7 Profit for the year

Profit for the year is stated after (charging)/crediting:

	2012 US$m	2011 US$m
Foreign exchange (losses)/gains		
– included in net finance costs	**(4.8)**	14.2
– included in income tax expense	**0.3**	(2.1)
Amortisation of intangible asset included in cost of sales	**(14.6)**	(14.7)
Depreciation of property, plant and equipment		
– owned assets	**(470.6)**	(404.7)
– assets held under finance leases	**(9.0)**	(12.3)
Property and equipment written-off	**(6.0)**	(18.8)
Impairments of property, plant and equipment (exceptional items)	**(500.0)**	(140.5)
Cost of inventories recognised as expense	**(1,753.1)**	(1,617.2)
Employee benefit expense	**(395.5)**	(301.0)
Auditors' remuneration		
– audit and audit-related services	**(1.3)**	(1.3)
– non-audit services	**(0.8)**	(0.7)

A more detailed analysis of auditors' remuneration on a worldwide basis is provided below:

	2012 US$000	2011 US$000
Audit fees		
Fees payable to the Company's auditor for the audit of the Company's annual accounts	**(229)**	(208)
Fees payable to the Company's auditor and their associates for other services to the Group		
– the audit of the Company's subsidiaries pursuant to legislation	**(279)**	(179)
– the audit of the Company's subsidiaries as part of the audit of the consolidated financial statements	**(302)**	(279)
Total audit fees	**(810)**	(666)
Audited related services	**(522)**	(665)
Total fees for audit and audit-related services	**(1,332)**	(1,331)
Other non-audit fees		
– Tax compliance services	**(13)**	(23)
– Other taxation advisory services	**(18)**	(22)
– Other services	**(807)**	(644)
Total other non-audit service fees	**(838)**	(689)
Total auditors' remuneration	**(2,170)**	(2,020)

Audit-related services of US$522,000 in 2012 (US$665,000 in 2011) relate mainly to reviewing of the half-yearly financial report pursuant to legislation, assistance with local IFRS implementation and review of IFRS 2010 pro-forma financial statements.

Other services of US$807,000 in 2012 (US$644,000 in 2011) relates mainly to fees paid by Los Pelambres for environmental advisory services relating to monitoring of compliance with environmental commitments.

Details of Company's policy on the use of auditors for non-audit services, the reason why the auditor was used rather than another supplier and how the auditor's independence and objectivity was safeguarded are set out in the Audit Committee report on page 80. No services were provided pursuant to contingent fee arrangements.

Notes to the financial statements

8 Employee benefit expense

a) Average number of employees

	2012 Number	2011 Number
Los Pelambres	**878**	816
Esperanza	**1,032**	753
El Tesoro	**571**	526
Michilla	**709**	589
Exploration and evaluation	**54**	36
Corporate and other employees		
– Chile	**371**	259
– United Kingdom	**12**	10
– Other	**62**	83
Mining	**3,689**	3,072
Railway and other transport services	**1,662**	1,606
Water concession	**286**	278
	5,637	4,956

(i) The average number of employees for the year includes all the employees of subsidiaries and the Group's share of employees of jointly controlled entities. The average number of employees does not include contractors who are not directly employed by the Group.

(ii) The average number of employees does not include employees from associates.

(iii) The average number of employees includes the Executive Director but does not include Non-Executive Directors.

b) Aggregated remuneration

The aggregated remuneration of the employees included in the table above was as follows:

	2012 US$m	2011 US$m
Wages and salaries	**(394.0)**	(286.9)
Social security costs	**(15.3)**	(9.8)
Post-employment benefits – severance charge in the year	**(22.2)**	(4.3)
Long-term incentive plan – charge in the year	**(4.5)**	–
	(436.0)	(301.0)

During 2012, the amount relating to Minera Antucoya of US$13.8 million on wages, salaries and security cost and US$0.4 million of severance charge has been capitalised, and subsequently impaired.

c) Key management personnel

In accordance with IAS 24, key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including any Directors (Executive and Non-Executive) of the Company. Key management personnel who are not Directors have been treated as responsible senior management at the Corporate Centre and for the running of the key business divisions of the Group.

Compensation for key management personnel (including Directors) was as follows:

	2012 US$m	2011 US$m
Salaries and short-term employee benefits	**(23.0)**	(20.1)
Post-employment benefits – severance charge in the year	**(0.5)**	(0.5)
Long-term incentive plan – charge in the year	**(2.3)**	–
	(25.8)	(20.6)

Disclosures on Directors' remuneration required by Schedule 8 of the Large and Medium-sized Companies and Group (Accounts and Reports) Regulations 2008 including those specified for audit by that Schedule are included in the Remuneration report on pages 84 to 88.

9 Net finance expense

	2012 US$m	2011 US$m
Investment revenue		
Interest receivable	**19.6**	21.0
Fair value through profit or loss	**5.0**	2.3
	24.6	23.3
Interest expense		
Interest payable	**(85.7)**	(93.0)
Preference dividends	**(0.2)**	(0.2)
	(85.9)	(93.2)
Other finance items		
Time value effect of derivatives	**(12.4)**	49.1
Foreign exchange derivatives	**–**	(3.3)
Unwinding of discount on provisions	**(12.4)**	(11.3)
Foreign exchange	**(4.8)**	14.2
	(29.6)	48.7
Net finance expense	**(90.9)**	(21.2)

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

10 Taxation

The tax charge for the year comprised the following:

	2012 US$m	2011 US$m
Current tax charge		
– Corporate tax (principally first category tax in Chile)	**(546.7)**	(541.5)
– Mining tax (Royalty)	**(177.5)**	(203.2)
– Withholding tax	**(147.7)**	(218.5)
– Exchange gains/(losses) on corporate tax balances	**0.3**	(2.1)
	(871.6)	(965.3)
Deferred tax (charge)/credit		
– Corporate tax (principally first category tax in Chile)	**(154.9)**	(75.8)
– Mining tax (Royalty)	**(0.1)**	3.4
– Withholding tax	**6.0**	91.5
	(149.0)	19.1
Total tax charge (Income tax expense)	**(1,020.6)**	(946.2)

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

Los Pelambres, El Tesoro, Michilla and Esperanza are also subject to a mining tax (royalty) which is tax deductible (i.e. an allowable expense in determining liability to first category tax). On 12 January 2011 the Group voluntarily elected to accept amendments to the mining tax as permitted pursuant to a law enacted in Chile on 21 October 2010. Between 2010 and 2012, production from Los Pelambres, Esperanza, the Tesoro Central and Mirador pits at El Tesoro and Michilla is subject to a mining tax (royalty) at a rate of between 4–9% of tax-adjusted operating profit, based on a sliding scale with the minimum rate of 4% applied to operations with a tax-adjusted operating profit margin of below 40% and a maximum rate of 9% applied to operations with a tax-adjusted operating profit margin exceeding 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% applied to operations with a tax-adjusted operating profit margin exceeding 85%. In addition to first category tax and the mining tax, the Group incurs withholding taxes on any remittance of profits from Chile and deferred tax is provided on undistributed earnings to the extent that remittance is probable in the foreseeable future. Withholding tax is levied on remittances of profits from Chile at 35% less first category tax already paid in respect of the profits to which the remittances relate. Accordingly, withholding tax will be levied at a rate of 18% in respect of remittances of profits earned in recent years when the first category (i.e. corporation) tax rate was 17%. Withholding tax will be levied at a rate of 15% in respect of remittances of profits earned when the current rate of first category (i.e. corporation) tax of 20% is applied.

Notes to the financial statements

10 Taxation continued

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

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

11 Earnings per share

	2012 US$m	2011 US$m
Profit for the year attributable to equity holders of the Company (Net earnings)	**1,032.0**	1,236.6
Profit for the year attributable to equity holders of the Company (Net earnings) – excluding exceptional items	**1,382.0**	1,377.1

	2012 Number	2011 Number
Ordinary shares in issue throughout each year	**985,856,695**	985,856,695

	2012 US cents	2011 US cents
Basic earnings per share	**104.7**	125.4
Basic earnings per share – excluding exceptional items	**140.2**	139.7

Basic earnings per share is calculated as profit after tax and non-controlling interests, based on 985,856,695 ordinary shares.

There was no potential dilution of earnings per share in either year set out above, and therefore diluted earnings per share did not differ from basic earnings per share as disclosed above.

Basic earnings per share excluding exceptional items is calculated on profit after tax and non-controlling interest giving net earnings, excluding exceptional items (and related tax and non-controlling interest), of US$1,382.0 million. (2011 – US$1,377.1 million).

12 Dividends

Amounts recognised as distributions to equity holders in the year:

	2012 US$m	2011 US$m	2012 US cents per share	2011 US cents per share
Final dividend paid in June (proposed in relation to the previous year)				
– ordinary	**118.3**	118.3	**12.0**	12.0
– special	**236.6**	985.9	**24.0**	100.0
	354.9	1,104.2	**36.0**	112.0
Interim dividend paid in October				
– ordinary	**83.8**	78.8	**8.5**	8.0
	83.8	78.8	**8.5**	8.0
	438.7	1,183.0	**44.5**	120.0

The proposed final dividend for each year, which is subject to approval by shareholders at the Annual General Meeting and has therefore not been included as a liability in these financial statements, is as follows:

	2012 US$m	2011 US$m	2012 US cents per share	2011 US cents per share
Final dividend proposed in relation to the year				
– ordinary	**123.2**	118.3	**12.5**	12.0
– special	**764.1**	236.6	**77.5**	24.0
	887.3	354.9	**90.0**	36.0

This gives total dividends proposed in relation to 2012 (including the interim dividend) of 98.5 cents per share or US$971.1 million (2011 – 44 cents per share or US$433.8 million).

In accordance with IAS 32, preference dividends have been included within interest expense (see Note 9) and amounted to US$0.2 million (2011 – US$0.2 million).

If approved at the Annual General Meeting, the final dividend of 90.0 cents will be paid on 13 June 2013 to ordinary shareholders on the register at the close of business on 10 May 2013. Shareholders can elect (on or before 13 May 2013) to receive this interim dividend in US Dollars, Pounds Sterling or Euro, and the exchange rate to be applied to interim dividends to be paid in Pounds Sterling or Euro will be set as soon as reasonably practicable after that date (which is currently anticipated to be on 16 May 2013).

Further details of the currency election timing and process (including the default currency of payment) are available on the Antofagasta plc website (www.antofagasta.co.uk) or from the Company's registrar, Computershare Investor Services PLC on +44 870 702 0159.

Further details relating to dividends for each year are given in the Directors' report.

Notes to the financial statements

13 Intangible assets

	Concession right US$m	Exploration licences US$m	Total intangible assets US$m
Cost			
At 1 January 2011	271.3	120.7	392.0
Foreign currency exchange difference	(29.5)	–	(29.5)
At 31 December 2011 and 1 January 2012	241.8	120.7	362.5
Additions	3.9	–	3.9
Foreign currency exchange difference	20.7	–	20.7
At 31 December 2012	**266.4**	**120.7**	**387.1**
Amortisation and impairment			
At 1 January 2011	(80.5)	–	(80.5)
Charge for the year	(14.7)	–	(14.7)
Provision against carrying value of assets (see Note 5)	–	(120.7)	(120.7)
Foreign currency exchange difference	8.7	–	8.7
At 31 December 2011 and 1 January 2012	(86.5)	(120.7)	(207.2)
Charge for the year	(14.6)	–	(14.6)
Foreign currency exchange difference	(7.7)	–	(7.7)
At 31 December 2012	**(108.8)**	**(120.7)**	**(229.5)**
Net book value			
At 31 December 2012	**157.6**	**–**	**157.6**
At 31 December 2011	155.3	–	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.

In 2011 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. Further details in respect of this are set out in Notes 5 and 38.

14 Property, plant and equipment

	Land and mining properties US$m	Buildings and infrastructure US$m	Railway track US$m	Wagons and rolling stock US$m	Machinery, equipment and others US$m	Assets under construction US$m	Total US$m
Cost							
At 1 January 2011	911.4	2,427.8	63.4	132.2	2,733.5	1,651.4	7,919.7
Additions	95.2	1.4	0.1	8.9	93.5	573.8	772.9
Decommissioning provisions capitalised	–	–	–	–	56.7	–	56.7
Reclassifications	41.9	810.3	4.0	5.1	1,097.8	(1,968.1)	(9.0)
Asset disposals	(0.1)	(2.2)	–	(4.6)	(12.3)	(12.1)	(31.3)
Foreign currency exchange difference	0.1	4.1	–	0.3	(5.1)	(0.7)	(1.3)
At 31 December 2011 and 1 January 2012	1,048.5	3,241.4	67.5	141.9	3,964.1	244.3	8,707.7
Additions	101.4	2.6	3.9	6.7	38.8	850.1	1,003.5
Decommissioning provisions capitalised	–	–	–	–	59.6	–	59.6
Reclassifications	(4.1)	154.9	–	2.7	129.1	(284.6)	(2.0)
Asset disposals	(0.6)	(0.3)	–	(4.7)	(16.2)	(0.2)	(22.0)
Foreign currency exchange difference	–	3.7	–	–	4.1	0.2	8.0
At 31 December 2012	**1,145.2**	**3,402.3**	**71.4**	**146.6**	**4,179.5**	**809.8**	**9,754.8**
Accumulated depreciation and impairment							
At 1 January 2011	(381.0)	(605.1)	(12.6)	(68.1)	(755.5)	(4.0)	(1,826.3)
Charge for the year	(64.8)	(128.7)	(2.2)	(10.0)	(211.3)	–	(417.0)
Depreciation capitalised in inventories	–	–	–	–	(23.9)	–	(23.9)
Provision against carrying value of assets (see Note 5)	–	(1.5)	–	–	(18.3)	–	(19.8)
Reclassifications	–	(6.0)	–	0.1	14.9	–	9.0
Asset disposals	–	1.2	–	3.7	7.6	–	12.5
Foreign currency exchange difference	–	0.4	–	(0.1)	0.5	–	0.8
At 31 December 2011 and 1 January 2012	(445.8)	(739.7)	(14.8)	(74.4)	(986.0)	(4.0)	(2,264.7)
Charge for the year	(50.1)	(146.7)	(2.4)	(11.2)	(269.2)	–	(479.6)
Depreciation capitalised in inventories	–	–	–	–	(8.1)	–	(8.1)
Provision against carrying value of assets (see Note 5)	(56.4)	–	–	–	–	(443.6)	(500.0)
Reclassifications	–	(2.4)	–	0.1	2.3	–	–
Asset disposals	–	0.1	–	3.5	12.4	–	16.0
Foreign currency exchange difference	–	(4.7)	–	–	(0.5)	–	(5.2)
At 31 December 2012	**(552.3)**	**(893.4)**	**(17.2)**	**(82.0)**	**(1,249.1)**	**(447.6)**	**(3,241.6)**
Net book value							
At 31 December 2012	**592.9**	**2,508.9**	**54.2**	**64.6**	**2,930.4**	**362.2**	**6,513.2**
At 31 December 2011	602.7	2,501.7	52.7	67.5	2,978.1	240.3	6,443.0
Assets under finance leases included in the totals above							
Net book value							
At 31 December 2012	–	**28.0**	–	–	**30.1**	–	**58.1**
At 31 December 2011	–	30.7	–	–	34.3	–	65.0

The Group has pledged assets with a carrying value of US$2,123 million (2011 – US$637.9 million) as security against bank loans provided to the Group.

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

Compensation from insurance companies related to property, plant and equipment included in the consolidated income statement was US$1.3 million in 2012 (2011 – US$0.9 million).

At 31 December 2012 US$8.1 million (2011 – US$23.9 million) of depreciation in respect of assets relating to Los Pelambres, Esperanza, El Tesoro and Michilla have been capitalised within inventories, and accordingly is excluded from the depreciation charge recorded in the income statement as shown in Note 6(a).

The US$500.0 million provision in 2012 against the carrying value of property, plant and equipment relates to the Antucoya project. Further details in respect of this are set out in Note 5. 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. Further details in respect of this are set out in Notes 5 and 38.

Notes to the financial statements

15 Investment property

	2012 US$m	2011 US$m
Cost		
Balance at the beginning of the year	**3.1**	3.7
Foreign currency exchange difference	**0.4**	(0.6)
Balance at the end of the year	**3.5**	3.1

Investment property represents the Group's forestry properties, which are held for long-term potential and accordingly classified as investment property and held at cost as permitted by IAS 40.

The fair value of the Group's investment property at 31 December 2012 was US$11.0 million (2011 – US$11.0 million), based on an independent valuation carried out during 2008 by Gabriel Durán, who is not connected with the Group. Mr. Durán is a Forestry Engineer, Valuer and Assessor of forestry properties for Banco Itau in Chile, with extensive experience of valuation in the region where the assets are located. The valuation was based on market evidence of transaction prices for similar properties.

Direct operating expenses (principally ongoing maintenance costs) arising on these properties amounted to US$0.2 million (2011 – US$0.2 million).

16 Investments in subsidiaries

The principal subsidiaries of the Group, the percentage of equity owned and the main country of operation are set out below. These interests are consolidated within these financial statements. The Group has restricted the information to its principal subsidiaries as full compliance with section 409 of the Companies Act 2006 would result in a statement of excessive length. A full list of subsidiaries, joint ventures and associates will be annexed to the next annual return of Antofagasta plc to be filed with the Registrar of Companies.

	Country of incorporation	Country of operations	Nature of business	Economic interest
Direct subsidiaries of the Parent Company				
Antofagasta Railway Company plc	Great Britain	Chile	Railway	100%
Chilean Northern Mines Limited	Great Britain	Chile	Investment	100%
Sierra Gorda Investment Company Limited	Jersey	Jersey	Investment	100%
Indirect subsidiaries of the Parent Company				
Antofagasta Minerals S.A.	Chile	Chile	Mining	100%
Minera Los Pelambres	Chile	Chile	Mining	60%
Minera El Tesoro	Chile	Chile	Mining	70%
Minera Michilla S.A.	Chile	Chile	Mining	74.2%
Minera Esperanza	Chile	Chile	Mining	70%
Minera Antucoya Limitada	Chile	Chile	Mining	70%
Twin Metals Minnesota LLC	USA	USA	Mining	40%
Antofagasta Services Limited	Great Britain	Great Britain	Group services	100%
Aguas de Antofagasta S.A.	Chile	Chile	Water distribution	100%
Atacama Aguas y Tecnología Limitada	Chile	Chile	Water distribution	100%
Ferrocarril Antofagasta a Bolivia (Agency)	Chile	Chile	Railway	100%
Servicios de Transportes Integrados Limitada	Chile	Chile	Road transport	100%
Empresa Ferroviaria Andina S.A.	Bolivia	Bolivia	Railway	50%
Forestal S.A.	Chile	Chile	Forestry	100%

The Group exercises management control over the boards of Empresa Ferroviaria Andina S.A. and Twin Metals Minnesota LLC. Accordingly, these investments are treated as subsidiaries and are consolidated in these Group financial statements.

17 Investment in associates

	Inversiones Hornitos 2012 US$m	ATI 2012 US$m	El Arrayan 2012 US$m	Total associates 2012 US$m	Total associates 2011 US$m
Balance at the beginning of the year	74.3	6.0	4.5	84.8	58.0
Capital contribution	–	–	19.6	19.6	–
Acquisitions	–	–	–	–	4.5
Losses in fair value of cash flow hedges deferred in reserves of associates	–	(0.1)	(1.7)	(1.8)	–
Interest expense capitalised by associate payable to subsidiary	(0.6)	–	–	(0.6)	(0.5)
Share of net profit/(loss) before tax	9.2	0.1	(0.4)	8.9	29.2
Share of tax	(2.1)	(0.1)	–	(2.2)	(5.2)
Share of income/(loss) from associates	7.1	–	(0.4)	6.7	24.0
Dividends received	–	(1.1)	–	(1.1)	(1.2)
Balance at the end of the year	**80.8**	**4.8**	**22.0**	**107.6**	84.8

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

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

(ii) The Group's 30% interest in ATI, which operates a concession to manage installations in the port of Antofagasta.

(iii) The Group's 30% interest in Parque Eolico el Arrayan SPA, which will develop and operate a 115MW wind power plant. Construction of the plant commenced in July 2012 with the expectation to achieve commercial operation during the third quarter of 2014.

The Group's share of the summarised financial information of investment in associates is as follows:

	Inversiones Hornitos 2012 US$m	ATI 2012 US$m	El Arrayan 2012 US$m	Total associates 2012 US$m	Total associates 2011 US$m
Total assets (after fair value adjustments)	177.0	23.6	40.3	240.9	202.7
Total liabilities	(96.8)	(16.9)	(22.0)	(135.7)	(118.5)
Revenue	57.4	10.7	–	68.1	71.5
Profit/(loss) after tax	7.1	–	(0.4)	6.7	24.0

Notes to the financial statements

18 Joint venture agreements

a) 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 31 December 2012, Tethyan Copper Company Pty. Limited was wholly engaged in mineral exploration and evaluation activities and did not generate any revenue. Tethyan Copper Company Pty. Limited's operating loss resulting during the year was US$20.4 million (2011 – US$23.7 million). 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 in respect of this are set out in Note 38.

The following amounts represent the Group's 50% share of the assets and liabilities, and results of the jointly-controlled entity, and are included in the consolidated balance sheet and in the consolidated income statement of the Group under the proportionate consolidation method:

	2012 US$m	2011 US$m
Total current assets	1.6	2.4
Total current liabilities	(4.4)	(5.0)
Total non-current liabilities	(0.1)	(0.2)
Group's share of jointly-controlled entity's net assets	**(2.9)**	(2.8)
Operating loss	(10.2)	(8.2)
Provision against carrying value of assets (see Note 5)	–	(140.5)
Group's share of jointly-controlled entity's results	**(10.2)**	(148.7)

In addition to these amounts, the Group incurred expenses of US$1.4 million (2011 – US$2.4 million) relating to Tethyan which are included in Corporate and other items.

b) Energía Andina S.A.

In October 2008 Energía Andina S.A. ("Energía 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.

In 2012 and 2011, Energía Andina S.A. was wholly engaged in geothermal exploration and evaluation activities and did not generate any revenue in the period after its incorporation. The operating loss resulting from Energía Andina S.A. for the year was US$17.5 million (2011 – US$12.7 million), which relates mainly to exploration and evaluation costs expensed in accordance with the Group's accounting policy, and of which 60% is attributable to the Group.

The following amounts represent the Group's 60% share of the assets and liabilities, and results of the jointly-controlled entity, and are included in the consolidated balance sheet and in the consolidated income statement of the Group under the proportionate consolidation method:

	2012 US$m	2011 US$m
Total current assets	3.4	4.3
Group's share of jointly-controlled entity's net assets	**3.4**	4.3
Operating loss	(17.5)	(7.6)
Group's share of jointly-controlled entity's results	**(17.5)**	(7.6)

19 Available-for-sale investments

	2012 US$m	2011 US$m
Balance at the beginning of the year	**36.5**	21.8
Additions	**1.5**	27.3
Movements in fair value	**5.4**	(12.3)
Foreign currency exchange difference	**1.1**	(0.3)
Balance at the end of the year	**44.5**	36.5

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

At 15 June 2012, Antofagasta subscribed 9.7 million shares of Full Metals Minerals Ltd. for a subscription price of US$1.5 million, representing 16.32% of Full Metals Minerals Ltd. enlarged issued share capital.

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

(i) US$35.2 million relating to the market value of shares in Duluth Metals Limited.

(ii) US$3.7 million relating to the market value of shares in Panoro Minerals Limited.

(iii) US$3.2 million relating to the market value of shares in Eurasian Minerals Inc.

(iv) US$0.8 million relating to the market value of share in Stratex International plc.

(v) US$0.7 million relating to the market value of share in Sipa Resources Limited.

(vi) US$0.8 million relating to the market value of share in Full Metals Limited.

(vii) US$0.1 million relating to the market value of other investments.

20 Inventories

	2012 US$m	2011 US$m
Current:		
Raw materials and consumables	**192.7**	148.0
Work-in-progress	**243.4**	241.8
Finished goods	**58.8**	46.0
	494.9	435.8
Non-current:		
Work-in-progress	**162.5**	104.7
	162.5	104.7
Total	**657.4**	540.5

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

Inventories with a carrying amount of US$126.3 million (2011 – US$24.6 million) have been pledged as security for the Esperanza project financing.

21 Trade and other receivables

	Due in one year		Due after one year		Total	
	2012 US$m	2011 US$m	2012 US$m	2011 US$m	2012 US$m	2011 US$m
Trade debtors	**599.4**	712.3	**0.6**	0.5	**600.0**	712.8
Other debtors	**202.5**	212.6	**107.7**	67.2	**310.2**	279.8
	801.9	924.9	**108.3**	67.7	**910.2**	992.6

The largest balances of trade receivables are held with equity participants in the key mining projects. Many other significant trade receivables are secured by letters of credit or other forms of security. The average credit period given on sale of goods and rendering of service is 32 days (2011 – 42 days). There is no material element which is interest-bearing. Trade debtors include mark-to-market adjustments in respect of provisionally priced sales of copper and molybdenum concentrates which remain open as to final pricing; where these have resulted in credit balances, they have been reclassified to trade creditors.

Notes to the financial statements

21 Trade and other receivables continued

Movements in the provision for doubtful debts were as follows:

	2012 US$m	2011 US$m
Balance at the beginning of the year	(3.9)	(3.4)
Charge for the year	(2.3)	(0.8)
Unused amounts reversed	0.3	0.1
Foreign currency exchange difference	(0.2)	0.2
Balance at the end of the year	**(6.1)**	(3.9)

The ageing analysis of the trade receivables balance is as follows:

		Past due but not impaired			
	Neither past due nor impaired US$m	Up to 3 months past due US$m	3–6 months past due US$m	More than 6 months past due US$m	Total US$m
2012	**900.4**	**6.6**	**1.4**	**1.8**	**910.2**
2011	988.9	2.4	0.3	1.0	992.6

With respect to the trade receivables that are neither past due nor impaired, there are no indications that the debtors will not meet their payment obligations. The carrying value of the trade receivables recorded in the financial statements represents the Group's maximum exposure to credit risk. The Group does not hold any collateral as security.

Included within trade receivables due within one year is US$63.0 million relating to input VAT incurred at Minera Antucoya. This amount is available to be offset against future VAT liabilities at Antucoya. Advanced reimbursements of these amounts are expected to be received from the Chilean Internal Revenue Service while the project is under construction, and are ultimately dependent upon the generation of sales by the project.

At 31 December 2012, the other debtors include US$11.8 million (2011 – US$10.3 million) relating to prepayments.

22 Cash, cash equivalents and liquid investments

The fair value of cash, cash equivalents and liquid investments are not materially different from the carrying values presented. The credit risk on cash and cash equivalents is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

Cash, cash equivalents and liquid investments was comprised of:

	2012 US$m	2011 US$m
Cash and cash equivalents	1,815.9	1,335.1
Liquid investments	2,480.6	1,944.9
	4,296.5	3,280.0

At 31 December 2012 and 2011 there is no cash which is subject to restriction.

The currency exposure of cash, cash equivalents and liquid investments was as follows:

	2012 US$m	2011 US$m
US dollars	4,091.3	3,081.5
Chilean pesos	201.6	165.4
Australian dollars	1.6	27.1
Sterling	0.9	4.4
Other	1.1	1.6
	4,296.5	3,280.0

Details of cross-currency swaps in place at the end of the year are given in Note 25(e)(ii).

23 Borrowings

a) Analysis by type of borrowing

Borrowings may be analysed by business segment and type as follows:

	Notes	2012 US$m	2011 US$m
Los Pelambres			
Corporate loans	(i)	**(357.8)**	(492.5)
Finance leases	(ii)	**(29.1)**	(32.4)
Esperanza			
Project financing	(iii)	**(893.8)**	(1,008.7)
Subordinated debt	(iv)	**(238.1)**	(227.7)
Short-term loans	(v)	**–**	(30.0)
Finance leases	(vi)	**(5.2)**	(7.4)
El Tesoro			
Corporate loan	(vii)	**(214.6)**	(296.2)
Finance leases	(viii)	**(0.9)**	–
Antucoya			
Short-term loan (Marubeni)	(ix)	**(102.0)**	–
Corporate and other items			
Finance leases	(x)	**(39.3)**	(36.0)
Railway and other transport services			
Loans	(xi)	**(4.7)**	(6.3)
Short-term loans	(xii)	**(0.5)**	–
Other			
Preference shares	(xiii)	**(3.2)**	(3.1)
Total		**(1,889.2)**	(2,140.3)

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

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

(iii) Senior debt at Esperanza comprises US$893.8 million in respect of syndicated loans. These loans are for a remaining term of 7.7 years and have an interest rate of LIBOR six-month plus margins between 1.375% – 3.000%.

The Group has used interest rate swaps to swap the floating rate interest for fixed rate interest. At 31 December 2012 the current notional amount hedged of the senior debt at Esperanza was US$395.2 million.

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

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

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

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

(viii) Finance leases at El Tesoro are US dollar denominated, and are fixed rate with an average interest rate of 1.5%.

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

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

(xi) Railway and other transport services includes a balance of US$4.5 million related to bonds issued in the Bolivian stock market to refinance short-term loans with a fixed interest rate of 5.5% and duration of two to three years.

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

(xiii) The preference shares are sterling-denominated and issued by the Company. There were 2,000,000 shares of £1 each authorised, issued and fully paid at 31 December 2012. The preference shares are non-redeemable and are entitled to a fixed cumulative dividend of 5% per annum. On winding-up they are entitled to repayment and any arrears of dividend in priority to ordinary shareholders, but are not entitled to participate further in any surplus. Each preference share carries 100 votes in any general meeting of the Company.

Notes to the financial statements

23 Borrowings continued

b) Analysis of borrowings by currency

The exposure of the Group's borrowings to currency risk is as follows:

At 31 December 2012	Pesos US$m	Sterling US$m	US dollars US$m	2012 Total US$m
Corporate loans	–	–	(1,466.1)	(1,466.1)
Other loans (including short-term loans)	–	–	(345.5)	(345.5)
Finance leases	(37.8)	–	(36.6)	(74.4)
Preference shares	–	(3.2)	–	(3.2)
	(37.8)	(3.2)	(1,848.2)	(1,889.2)

At 31 December 2011	Pesos US$m	Sterling US$m	US dollars US$m	2011 Total US$m
Corporate loans	–	–	(1,797.4)	(1,797.4)
Other loans (including short-term loans)	–	–	(264.0)	(264.0)
Finance leases	(35.3)	–	(40.5)	(75.8)
Preference shares	–	(3.1)	–	(3.1)
	(35.3)	(3.1)	(2,101.9)	(2,140.3)

c) Analysis of borrowings by type of interest rate

The exposure of the Group's borrowings to interest rate risk is as follows:

At 31 December 2012	Fixed US$m	Floating US$m	2012 Total US$m
Corporate loans	–	(1,466.2)	(1,466.2)
Other loans (including short-term loans)	(5.2)	(340.2)	(345.4)
Finance leases	(60.2)	(14.2)	(74.4)
Preference shares	(3.2)	–	(3.2)
	(68.6)	(1,820.6)	(1,889.2)

At 31 December 2011	Fixed US$m	Floating US$m	2011 Total US$m
Corporate loans	–	(1,797.4)	(1,797.4)
Other loans (including short-term loans)	(6.3)	(257.7)	(264.0)
Finance leases	(57.9)	(17.9)	(75.8)
Preference shares	(3.1)	–	(3.1)
	(67.3)	(2,073.0)	(2,140.3)

The above floating rate corporate loans include the project financing at Esperanza, where the Group has used interest rate swaps to swap the floating rate interest for fixed rate interest. At 31 December 2012 the current notional amount hedged of the senior debt was US$395.2 million (2011 – US$840.0 million).

d) Maturity profile

The maturity profile of the Group's borrowings is as follows:

At 31 December 2012	Within 1 year US$m	Between 1–2 years US$m	Between 2–5 years US$m	After 5 years US$m	2012 Total US$m
Corporate loans	(330.1)	(330.4)	(472.9)	(332.7)	(1,466.1)
Other loans	(104.2)	(1.5)	(1.5)	(238.2)	(345.4)
Finance leases	(12.7)	(10.3)	(21.3)	(30.2)	(74.5)
Preference shares	–	–	–	(3.2)	(3.2)
	(447.0)	(342.2)	(495.7)	(604.3)	(1,889.2)

At 31 December 2011	Within 1 year US$m	Between 1–2 years US$m	Between 2–5 years US$m	After 5 years US$m	2011 Total US$m
Corporate loans	(261.8)	(330.0)	(671.7)	(533.9)	(1,797.4)
Other loans	(31.6)	(1.6)	(3.1)	(227.7)	(264.0)
Finance leases	(8.5)	(9.5)	(21.7)	(36.1)	(75.8)
Preference shares	–	–	–	(3.1)	(3.1)
	(301.9)	(341.1)	(696.5)	(800.8)	(2,140.3)

The amounts included above for finance leases are based on the present value of minimum lease payments.

The total minimum lease payments for these finance leases may be analysed as follows:

	2012 US$m	2011 US$m
Within 1 year	**(15.7)**	(12.0)
Between 1–2 years	**(13.2)**	(12.6)
Between 2–5 years	**(27.9)**	(27.0)
After 5 years	**(38.6)**	(46.7)
Total minimum lease payment	**(95.4)**	(98.3)
Less amounts representing finance charges	**21.0**	22.5
Present value of minimum lease payment	**(74.4)**	(75.8)

All leases are on a fixed payment basis and no arrangements have been entered into for contingent rental payments.

e) Borrowings facilities

The undrawn committed borrowing facilities available at the end of each year, in respect of which all conditions precedent had been met at those dates, were as follows:

	2012 US$m	2011 US$m
Expiring in one year or less	**1,254.6**	1,252.6
Expiring in more than one but not more than two years	**–**	49.4
Expiring in more than two years	**135.4**	–
	1,390.0	1,302.0

The available facilities comprise general working capital facilities at the Group's operating subsidiaries all of which were undrawn at the end of each year. Of these facilities, US$1,122.7 million (2011 – US$1,095.4 million) are denominated in US dollars, US$33.3 million (2011 – US$135.4 million) in Unidades de Fomento (i.e. inflation-linked Chilean pesos), US$22.3 million (2011 – 20.7 million) in Euro and US$211.7 million (2011 – US$50.5 million) in Chilean pesos.

24 Trade and other payables

	Due in one year		Due after one year		Total	
	2012 US$m	2011 US$m	2012 US$m	2011 US$m	2012 US$m	2011 US$m
Trade creditors	**(361.1)**	(274.6)	**–**	–	**(361.1)**	(274.6)
Other creditors and accruals	**(349.1)**	(229.3)	**(7.4)**	(9.3)	**(356.5)**	(238.6)
	(710.2)	(503.9)	**(7.4)**	(9.3)	**(717.6)**	(513.2)

Trade creditors and accruals principally comprise amounts outstanding for trade purchases and ongoing costs.

The average credit period taken for trade purchases is 32 days (2011 – 46 days).

Notes to the financial statements

25 Financial instruments and financial risk management

a) Categories of financial instruments

The Group's financial instruments, grouped according to the categories defined in IAS 39 "Financial instruments: Recognition and Measurement", were as follows:

	2012 US$m	2011 US$m
Financial assets		
Derivatives in designated hedge accounting relationships	**43.3**	59.0
Available-for-sale investments	**44.5**	36.5
Loans and receivables at amortised cost (including cash and cash equivalents)	**2,726.1**	2,327.7
Fair value through profit and loss (liquid investments)	**2,480.6**	1,944.9
Financial liabilities		
Derivatives in designated hedge accounting relationships	**(19.3)**	(34.9)
Financial liabilities measured at amortised cost	**(2,606.8)**	(2,653.5)
	2,668.4	1,679.7

b) Fair value of financial instruments

The fair values of financial assets and financial liabilities are determined as follows:

- the fair values of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices;
- the fair values of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions; and
- the fair values of derivative instruments are calculated using quoted prices. Where such prices are not available, use is made of discounted cash flow analysis based on the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives.

The fair value of each category of financial asset and liability is not materially different from the carrying values presented for either 2012 or 2011.

The following table provides an analysis of the financial instruments that are measured subsequent to initial recognition at fair value, grouped into levels 1 to 3 based on the degree to which the fair value is observable:

- level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- level 2 fair value measurements are those derived from inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Level 1 US$m	Level 2 US$m	Level 3 US$m	Total 2012 US$m	Total 2011 US$m
Financial assets					
Derivatives in designated hedge accounting relationships	–	33.0	10.3	**43.3**	59.0
Available-for-sale investments	45.9	–	–	**45.9**	36.5
Debtors mark-to-market	–	1.8	–	**1.8**	4.3
Fair value through profit and loss	2,480.6	–	–	**2,480.6**	1,944.9
Financial liabilities					
Derivatives in designated hedge accounting relationships	–	(19.3)	–	**(19.3)**	(34.9)
Creditors mark-to-market	–	(2.4)	–	**(2.4)**	(20.1)
	2,526.5	13.1	10.3	**2,549.9**	1,989.7

There were no transfers between level 1 and 2 during the year.

c) Financial risk management

The Group's activities expose it to a variety of financial risks: market risk (including commodity price risk, currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The Group uses derivative financial instruments, in general to reduce exposure to commodity price, foreign exchange and interest rate movements. The Group does not use such derivative instruments for speculative trading purposes.

The Board of Directors is responsible for overseeing the Group's risk management framework. The Board has established the Risk Management Committee, which is responsible for developing and monitoring the Group's risk management policies. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Risk Management Committee.

(i) Commodity price risk

The Group generally sells its copper and molybdenum concentrate and copper cathodes output at prevailing market prices, subject to final pricing adjustments which may be 30 to 120 days after delivery to the customer, and it is therefore exposed to changes in market prices for copper and molybdenum both in respect of future sales and previous sales which remain open as to final pricing. In 2012, sales of copper and molybdenum concentrate and copper cathodes represented 86.3% of Group turnover and therefore revenues and earnings depend significantly on LME and realised copper prices.

The Group uses futures, min-max instruments and options to manage its exposure to copper prices. These instruments may give rise to accounting volatility due to fluctuations in their fair value prior to the maturity of the instruments. Details of those copper and molybdenum concentrate sales and copper cathode sales which remain open as to final pricing are given in Note 25(d). Details of commodity rate derivatives entered into by the Group are given in Note 25(e).

Commodity price sensitivity

The sensitivity analysis below shows the impact of a movement in the copper price on the financial instruments held as at the reporting date. A movement in the copper forward price as at the reporting date will affect the final pricing adjustment to sales which remain open at that date, impacting the trade receivables balance and consequently the income statement. A movement in the copper forward price will also affect the valuation of commodity derivatives, impacting the hedging reserve in equity if the fair value movement relates to an effective designated cash flow hedge, and impacting the income statement if it does not. The calculation assumes that all other variables, such as currency rates, remain constant.

- If the copper forward price as at the reporting date had increased by 10 cents, net earnings would have decreased by US$9.6 million (2011 – decrease by US$13.2 million) and hedging reserves in equity would have decreased by US$4.6 million (2011 – decreased by US$14.3 million).
- If the copper forward price as at the reporting date had decreased by 10 cents, net earnings would have decreased by US$0.3 million (2011 – increase by US$3.9 million) and hedging reserves in equity would have increased by US$18.5million (2011 – increased by US$24.0 million).

In addition, a movement in the average copper price during the year would impact revenue and earnings. A 10 cents change in the average copper price during the year would have affected net earnings by US$74.8 million (2011 – US$68.3 million) and earnings per share by 7.6 cents (2011 – 6.9 cents), based on production volumes in 2012, without taking into account the effects of provisional pricing and hedging activity. A US$1 change in the average molybdenum price for the year would have affected net earnings by US$11.8 million (2011 – US$9.8 million), and earnings per share by 1.2 cents (2011 – 1.0 cents), based on production volumes in 2012, and without taking into account the effects of provisional pricing. A US$100 change in the average gold price for the year would have affected net earnings by US$15.6 million (2011 – US$10.3 million), and earnings per share by 1.6 cents (2011 – 1.0 cents), based on production volumes in 2012, and without taking into account the effects of provisional pricing.

(ii) Currency risk

The Group is exposed to a variety of currencies. The US dollar, however, is the currency in which the majority of the Group's sales are denominated. Operating costs are influenced by the countries in which the Group's operations are based (principally in Chile) as well as those currencies in which the costs of imported equipment and services are determined. After the US dollar, the Chilean peso is the most important currency influencing costs and to a lesser extent sales.

Given the significance of the US dollar to the Group's operations, this is the presentational currency of the Group for internal and external reporting. The US dollar is also the currency for borrowing and holding surplus cash, although a portion of this may be held in other currencies, notably Chilean pesos and sterling, to meet short-term operational and capital commitments and dividend payments.

When considered appropriate, the Group uses forward exchange contracts and currency swaps to limit the effects of movements in exchange rates in foreign currency denominated assets and liabilities. The Group may also use these instruments to reduce currency exposure on future transactions and cash flows. Details of any exchange rate derivatives entered by the Group in the year are given in Note 25(e).

The currency exposure of the Group's cash, cash equivalents and liquid investments is given in Note 22, and the currency exposure of the Group's borrowings is given in Note 23. The effects of exchange gains and losses included in the income statement are given in Note 7. Exchange differences on translation of the net assets of entities with a functional currency other than the US dollar (the most material of which is Aguas de Antofagasta S.A.) are taken to the currency translation reserve and are disclosed in the Consolidated Statement of Changes in Equity on page 98.

Currency sensitivity

The sensitivity analysis below shows the impact of a movement in the US dollar/Chilean peso exchange rate on the financial instruments held as at the reporting date.

The impact on profit or loss is as a result of the retranslation of monetary financial instruments (including cash, cash equivalents, liquid investments, trade receivables, trade payables and borrowings). The impact on equity is as a result of changes in the fair value of derivative instruments which are effective designated cash flow hedges, and changes in the fair value of available-for-sale equity investments. The calculation assumes that all other variables, such as interest rates, remain constant.

If the US dollar had strengthened by 10% against the Chilean peso as at the reporting date, net earnings would have decreased by US$2.8 million (2011 – decrease in US$7.1 million); and hedging reserves in equity would have decreased by US$3.7 million (2011 – no additional impact on equity). If the US dollar had weakened by 10% against the Chilean peso as at the reporting date, net earnings would have increased by US$3.4 million (2011 – increase in US$8.6 million); and hedging reserves in equity would have increased by US$ 4.5 million. (2011 – no additional impact on equity).

(iii) Interest rate risk

The Group's policy is generally to borrow and invest cash at floating rates. Fluctuations in interest rates may impact the Group's net finance income or cost, and to a lesser extent on the value of financial assets and liabilities. The Group occasionally uses interest rate swaps and collars to manage interest rate exposures on a portion of its existing borrowings. Details of any interest rate derivatives entered into by the Group are given in Note 25(e).

Interest rate exposure of the Group's borrowings is given in Note 23.

Interest rate sensitivity

The sensitivity analysis below shows the impact of a movement in interest rates in relation to the financial instruments held as at the reporting date. The impact on profit or loss is as a result of the effect on interest expense in respect of floating rate borrowings, and interest income in respect of cash and cash equivalents. The impact on equity is as a result of changes in the fair value of derivative instruments which are effective designated cash flow hedges. The calculation assumes that all other variables, such as currency rates, remain constant.

If the interest rate increased by 1%, based on the financial instruments held as at the reporting date, net earnings would have increased by US$20.5 million (2011 – increase in US$10.6 million) and hedging reserves in equity would have increased by US$3.5 million (2011 – increase in US$6.6 million). This does not include the effect on the income statement of changes in the fair value of the Group's liquid investments relating to the underlying investments in fixed income instruments.

Notes to the financial statements

25 Financial instruments and financial risk management continued

(iv) Other price risk

The Group is exposed to equity price risk on its available-for-sale equity investments.

Equity price sensitivity

The sensitivity analysis below shows the impact of a movement in the equity values of the available-for-sale financial assets held as at the reporting date.

If the value of the available-for-sale investments had increased by 10% as at the reporting date, equity would have increased by US$4.6 million (2011 – increase in US$3.7 million). There would have been no impact on the income statement.

(v) Cash flow risk

The Group's future cash flows depend on a number of factors, including commodity prices, production and sales levels, operating costs, capital expenditure levels and financial income and costs. Its cash flows are therefore subject to the exchange, interest rate and commodity price risks described above as well as operational factors and input costs. To reduce the risk of potential short-term disruptions to the supply of key inputs such as electricity and sulphuric acid, the Group enters into medium- and long-term supply contracts to help ensure continuity of supply. Long-term electricity supply contracts are in place at each of the Group's mines. These contracts are for a period of between one to two years, in most cases linking the cost of electricity under the contract to the current cost of electricity on the Chilean grids. The Group seeks to lock in supply of sulphuric acid for future periods of a year or longer, with contract prices agreed in the latter part of the year, to be applied to purchases of acid in the following year. Further information on production and sales levels and operating costs are given in the Operational review on pages 36 to 51.

(vi) Credit risk

Credit risk arises from trade and other receivables, cash, cash equivalents, liquid investments and derivative financial instruments. The Group's credit risk is primarily to trade receivables. The credit risk on cash, cash equivalents and liquid investments and on derivative financial instruments is limited as the counterparties are financial institutions with high credit ratings assigned by international credit agencies.

All customers are subject to credit review procedures, including the use of external credit ratings where available. Credit is provided only within set limits, which are regularly reviewed.

Outstanding receivable balances are monitored on an ongoing basis.

The carrying value of financial assets recorded in the financial statements represents the maximum exposure to credit risk. The amounts presented in the balance sheet are net of allowances for any doubtful receivables.

(vii) Liquidity risk

The Group manages liquidity risk by maintaining adequate cash reserves and financing facilities, through the review of forecast and actual cash flows.

The Group typically holds surplus cash in demand or term deposits or highly liquid investments, which typically can be accessed or liquidated within 24 hours, and in all cases not more than five days, while the majority of borrowings comprise corporate loans at Los Pelambres, repayable over periods of up to four years, corporate loans at El Tesoro repayable over approximately three years, and corporate loans at Esperanza, repayable over approximately eight years.

At the end of both 2012 and 2011, the Group was in a net cash position, as disclosed in Note 33. Details of cash, cash equivalents and liquid investments are given in Note 22, while details of borrowings including the maturity profile are given in Note 23. Details of undrawn committed borrowing facilities are also given in Note 23.

The following table analyses the maturity of the Group's contractual commitments in respect of its financial liabilities and derivative financial instruments. The table has been drawn up based on the undiscounted cash flows on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

At 31 December 2012	Less than 6 months US$m	Between 6 months to 1 year US$m	Between 1–2 years US$m	After 2 years US$m	2012 Total US$m
Corporate loans	(187.7)	(185.6)	(363.8)	(888.0)	(1,625.1)
Other loans (including short-term loans)	(105.2)	(0.2)	(1.5)	(239.7)	(346.6)
Finance leases	(7.7)	(8.3)	(13.2)	(66.0)	(95.2)
Preference shares	(0.1)	(0.1)	(0.2)	(*)	(0.4)
Trade and other payables	(708.0)	(2.2)	(3.5)	(3.9)	(717.6)
Derivative financial instruments	(1.6)	(4.6)	(5.1)	(8.0)	(19.3)
	(1,010.3)	(201.0)	(387.3)	(1,205.6)	(2,804.2)

At 31 December 2011	Less than 6 months US$m	Between 6 months to 1 year US$m	Between 1–2 years US$m	After 2 years US$m	2011 Total US$m
Corporate loans	(162.1)	(176.1)	(370.9)	(1,324.9)	(2,034.0)
Other loans (including short-term loans)	(31.7)	(0.1)	(1.7)	(230.9)	(264.4)
Finance leases	(2.7)	(2.7)	(5.3)	(50.2)	(60.9)
Preference shares	(0.1)	(0.1)	(0.2)	(*)	(0.4)
Trade and other payables	(502.2)	(0.9)	(6.6)	(3.5)	(513.2)
Derivative financial instruments	(7.2)	(9.7)	(8.3)	(9.7)	(34.9)
	(706.0)	(189.6)	(393.0)	(1,619.2)	(2,907.8)

* The preference shares pay an annual dividend of £100,000 (US$160.334) in perpetuity, and accordingly it is not possible to determine total amounts payable for periods without a fixed end date.

(viii) Capital risk management

The Group's objectives are to return capital to shareholders while leaving the Group with sufficient funds to progress its short, medium and long-term growth plans as well as preserving the financial flexibility to take advantage of opportunities as they may arise. This policy remains unchanged. The Group monitors capital on the basis of net cash (defined as cash, cash equivalents and liquid investments less borrowings) which was US$2,407.3 million at 31 December 2012 (2011: US$1,139.7 million), as well as gross cash (defined as cash, cash equivalents and liquid investments) which was US$4,296.5 million at 31 December 2012 (2011: US$3,280.0 million). The Group's total cash is held in a combination of demand and term deposits and managed funds investing in high quality, fixed income instruments. Some of the managed funds have been instructed to invest in instruments with average maturities greater than 90 days. These amounts are presented as liquid investments but are included in net cash for monitoring and decision-making purposes. The Group has a risk averse investment strategy. The Group's borrowings are detailed in Note 23. Additional project finance or shareholder loans are taken out by the operating subsidiaries to fund projects on a case-by-case basis.

Notes to the financial statements

25 Financial instruments and financial risk management continued

d) Embedded derivatives – provisionally priced sales

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

Under IFRS, both gains and losses from the marking-to-market of open sales are recognised through adjustments to revenue in the income statement and to trade debtors in the balance sheet. The Group determines mark-to-market prices using forward prices at each period end for copper concentrate and cathode sales, and period-end monthly average prices for molybdenum concentrate sales due to the absence of a futures market 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	
	2012 US$m	2011 US$m
Los Pelambres – copper concentrate	**1.8**	(18.0)
Los Pelambres – molybdenum concentrate	**(0.4)**	(0.1)
Esperanza – copper concentrate	**(0.5)**	4.3
Esperanza – gold in concentrate	**(1.2)**	(1.6)
El Tesoro – copper cathodes	**(0.2)**	(0.2)
Michilla – copper cathodes	**(0.1)**	(0.2)
	(0.6)	(15.8)

For the year ended 31 December 2012

	Los Pelambres Copper concentrate US$m	Esperanza Copper concentrate US$m	El Tesoro Copper cathodes US$m	Michilla Copper cathodes US$m	Los Pelambres Gold in concentrate US$m	Esperanza Gold in concentrate US$m	Los Pelambres Molybdenum concentrate US$m
Provisionally invoiced gross sales	3,144.8	1,298.1	852.8	303.1	89.8	416.5	362.5
Effects of pricing adjustments to previous year invoices							
Reversal of mark-to-market adjustments at the end of the previous year	18.0	(4.3)	0.2	0.2	–	1.6	0.1
Settlement of copper sales invoiced in the previous year	75.8	29.5	4.0	1.3	0.2	1.5	1.3
Total effect of adjustments to previous year invoices in the current year	93.8	25.2	4.2	1.5	0.2	3.1	1.4
Effects of pricing adjustments to current year invoices							
Settlement of copper sales invoiced in the current year	(23.5)	(11.7)	(6.0)	(3.2)	(4.1)	(1.6)	(29.6)
Mark-to-market adjustments at the end of the current year	1.8	(0.5)	(0.2)	(0.1)	–	(1.2)	(0.4)
Total effect of adjustments to current year invoices	(21.7)	(12.2)	(6.2)	(3.3)	(4.1)	(2.8)	(30.0)
Total pricing adjustments	72.1	13.0	(2.0)	(1.8)	(3.9)	0.3	(28.6)
Realised (losses)/gains on commodity derivatives	(5.9)	–	0.2	6.1	–	–	–
Revenue before deducting tolling charges	3,211.0	1,311.1	851.0	307.4	85.9	416.8	333.9
Tolling charges	(119.7)	(62.1)	–	–	(0.2)	(1.3)	(19.2)
Revenue net of tolling charges	3,091.3	1,249.0	851.0	307.4	85.7	415.5	314.7

For the year ended 31 December 2011

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

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

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

At 31 December 2011 sales totalling 201,600 tonnes remained open as to price, with an average mark-to-market price of 344.7 cents per pound compared with an average provisional invoice price of 347.9 cents per pound.

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

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

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

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

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

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

(iv) Molybdenum concentrate
The typical period for which sales of molybdenum remain open is approximately two months from shipment date.

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

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

Notes to the financial statements

25 Financial instruments and financial risk management continued

e) Derivative financial instruments

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

The Group has applied the hedge accounting provisions of IAS 39 "Financial Instruments: Recognition and Measurement". Changes in the fair value of derivative financial instruments that are designated and effective as hedges of future cash flows have been recognised directly in equity, with such amounts subsequently recognised in the income statement in the period when the hedged item affects 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 for those derivatives where hedge accounting has not been applied. When hedge accounting has been applied the realised gains and losses on exchange and interest derivatives are recognised within other finance items and interest expense respectively.

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

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

For the year ended 31 December 2012

	Impact on income statement			Impact on reserves	Total balance sheet impact of mark-to-market adjustments
	Realised (losses)/gains 2012 US$m	Losses resulting from mark-to-market adjustments on hedging instruments 2012 US$m	Total net (loss)/gain 2012 US$m	Gains/(losses) resulting from mark-to-market adjustments on hedging instruments 2012 US$m	Net financial asset/(liability) 2012 US$m
Commodity derivatives					
Los Pelambres	(5.9)	–	(5.9)	–	–
El Tesoro	0.2	–	0.2	(1.7)	(1.2)
Michilla	6.1	(12.4)	(6.3)	(20.0)	26.0
Exchange derivatives					
Michilla	0.7	–	0.7	14.8	7.0
Interest derivatives					
Esperanza	(13.7)	–	(13.7)	8.9	(18.1)
Energy derivatives					
Los Pelambres	–	–	–	10.3	10.3
	(12.6)	(12.4)	(25.0)	12.3	24.0

For the year ended 31 December 2011

	Impact on income statement			Impact on reserves	Total balance sheet impact of mark-to-market adjustments
	Realised gains/(losses) 2011 US$m	Gains resulting from mark-to-market adjustments on hedging instruments 2011 US$m	Total net gain/(loss) 2011 US$m	Gains/(losses) resulting from mark-to-market adjustments on hedging instruments 2011 US$m	Net financial asset/(liability) 2011 US$m
Commodity derivatives					
El Tesoro	0.5	–	0.5	1.8	0.5
Michilla	(15.6)	49.1	33.5	86.4	58.4
Exchange derivatives					
Michilla	–	–	–	(7.8)	(7.8)
Esperanza	1.1	–	1.1	(1.8)	–
Corporate and other items	(2.0)	–	(2.0)	–	–
Railway and other transport services	(2.4)	–	(2.4)	–	–
Interest derivatives					
Esperanza	(22.4)	–	(22.4)	8.4	(27.0)
	(40.8)	49.1	8.3	87.0	24.1

At 31 December 2011, US$1.1 million of the net realised losses on exchange derivatives relates to a net gain on hedging instruments at Esperanza where hedge accounting has been applied and is recognised in "foreign exchange" within net finance expense (see Note 9). The remaining US$4.4 million net losses on exchange derivatives where hedge accounting has not been applied have been recognised in "foreign exchange derivatives" within net finance expense (see Note 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:

	2012 US$m	2011 US$m
Analysed between:		
Non-current assets	**8.0**	47.6
Current assets	**35.3**	11.4
Current liabilities	**(6.2)**	(16.9)
Non-current liabilities	**(13.1)**	(18.0)
	24.0	24.1

(ii) Outstanding derivative financial instruments

Commodity derivatives

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

(a) Min-max instruments

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

Between 1 January 2013 and 31 January 2013 nil tonnes of additional min-max instruments were entered into, and min-max instruments for 2,750 tonnes of copper production matured. As a result up to 31 January 2013:

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

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

Notes to the financial statements

25 Financial instruments and financial risk management continued

(b) Futures – arbitrage

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

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

Exchange derivatives

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

Cross-currency swaps

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

	At 31.12.12	For instruments held at 31.12.12		
	Principal value of cross-currency swaps held US$m	Weighted average remaining period from 1 January 2013 Months	Covering a period up to:	Weighted average rate Ch$/US$
Michilla	63.0	5.0	16-09-13	542.3

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

Interest derivatives

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

Interest rate swaps

The Group has used interest rate swaps to swap the floating rate interest relating to the Esperanza financing for fixed rate interest. At 31 December 2012 the Group had entered into the contracts outlined below.

	Start date	Maturity date	Actual notional amount US$m	Weighted average fixed rate %
Esperanza	15-02-2011	15-08-2018	395.2	3.372

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

Energy derivatives

The Group entered into a derivative contract to hedge its exposure to the spot price energy. Under the hedge the price of energy is fixed. At 31 December 2012 the Group had entered into the contracts outlined below.

	Start date	Maturity date	Energy consumption hedged 000 MW	Contract Price USD/ Mwh
Los Pelambres	01-01-2013	31-03-2013	259.2	130

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

26 Long-term incentive plan

The long-term incentive plan (the "Plan") was introduced at the end of 2011. Awards granted pursuant to the Plan form part of the remuneration of senior managers in the Group. Directors are not eligible to participate in the Plan. In addition, Diego Hernández, the CEO of Antofagasta Minerals, was additionally granted an exceptional, long-term award ("One-off Award") following his appointment during 2012.

Details of the Awards

Under the Plan, the Group may grant awards based on the price of ordinary shares in the Company and cannot grant awards over actual shares.

- Restricted Awards: These awards are conditional rights to receive cash payment by reference to a specified number of the Company's ordinary shares, subject to the relevant employee remaining employed by the Group when the Restricted Award vests; and
- Performance Awards: These awards are conditional rights to receive cash payment by reference to a specified number of the Company's ordinary shares subject to both the satisfaction of a performance condition and the relevant employee remaining employed by the Group when the Performance Award vests.

When awards vest under the Plan, participants become entitled to receive a cash payment by reference to the number and portion of awards that have vested and the market value of the Company's ordinary shares on the date of vesting. There is no exercise price payable by participants in respect of the awards.

Restricted Awards can only vest in full if participants remain employed by the Group for three years from the date that Restricted Awards are granted. In ordinary circumstances, the first one-third of a Restricted Award will vest after one year, the second one-third will vest after two years and the remaining one-third will vest after three years. There are no performance criteria attached to Restricted Awards. The fair value of Restricted Awards granted under the Plan is recorded as a compensation expense over the vesting periods, with a corresponding liability recognised for the fair value of the liability at the end of each period until settled.

Performance Awards only vest if certain performance criteria are met. The performance criteria reflect a number of factors including total shareholder return, earnings levels, growth in the Group's reserves and resources and project delivery targets. The fair value of Performance Awards under the Plan is recorded as a compensation expense over the vesting period, with a corresponding liability at the end of each period until settled.

The One-off Award was granted for the same purpose as the awards granted under the LTIP but by reference to metrics which are specific to the participant's role as Chief Executive Officer of Antofagasta Minerals. Under the One-off Award, the participant has been granted conditional rights to receive a cash payment by reference to the market value of the ordinary shares at vesting. Vesting of the One-off Award will be as follows:

- Half of the One-off Award is subject both to certain performance conditions which are measured over a three-year period (ending on 1 August 2015, the three-year anniversary of the effective date of Mr. Hernández's appointment) and to continued employment. That half of the award will normally vest only after the end of the three-year performance period and only to the extent that those performance conditions are met.
- The other half of the One-off Award is subject to continued employment and will normally vest on 1 August 2015.

Valuation process and accounting for the awards

The fair value of the awards is determined using a Monte Carlo simulation model. The inputs into the Monte Carlo simulation model are as follows:

	2012
Weighted average share price	**USD 21.25**
Expected volatility	**18.45%**
Expected life of awards	**3 years**
Risk-free rate	**0.38%**
Expected dividend yields	**1.64%**

Expected volatility was determined by calculating the historical volatility of the Group's share price over the previous five years. The expected life of awards used in the model has been adjusted based on management's best estimate for the effects of non-transferability and compliance of the objectives determined according to the characteristic of each plan.

The number of awards outstanding at the end of the period is as follows:

	Restricted Awards	Performance Awards	One-off Award
Outstanding at 1 January 2013	203,923	203,923	–
Granted during the period	92,534	92,534	83,496
Cancelled during the period	(62,183)	(62,183)	–
Outstanding at 31 December 2013	234,274	234,274	83,496
Number of awards that have vested	74,142	–	–

The Group has recorded a liability for US$4.5 million at 31 December 2012 (of which US$3.1 million is due after more than one year) and total expenses of US$4.5 million for the year. In 2011 the amount of the fair value of the awards which accrued between the grant date of 29 December 2011 and year end was estimated to be less than US$0.1 million.

Notes to the financial statements

27 Post-employment benefit obligations

a) Defined contribution schemes

The Group operates defined contribution schemes for a limited number of employees. The amount charged to the income statement in 2012 was US$0.1 million (2011 – US$0.1 million), representing the amount paid in the year. There were no outstanding amounts which remain payable at the end of either year.

b) Severance provisions

Employment terms at some of the Group's operations provide for payment of a severance indemnity when an employment contract comes to an end. This is typically at the rate of one month for each year of service (subject in most cases to a cap as to the number of qualifying years of service) and based on final salary level. The severance indemnity obligation is treated as an unfunded defined benefit plan, and the obligation recognised is based on valuations performed by an independent actuary using the projected unit credit method, which are regularly updated. The obligation recognised in the balance sheet represents the present value of the severance indemnity obligation. Actuarial gains and losses are immediately recognised in the income statement within operating cost.

The most recent valuation was carried out in 2012 by Ernst & Young, a qualified actuary in Santiago-Chile who is not connected with the Group.

The main assumptions used to determine the actuarial present value of benefit obligations were as follows:

	2012	2011
Average nominal discount rate	**5.5%**	5.3%
Average rate of increase in salaries	**2.8%**	3.1%
Average staff turnover	**4.8%**	4.6%

Amounts included in the income statement in respect of severance provisions are as follows:

	2012 US$m	2011 US$m
Current service cost (charge to operating profit)	**(12.0)**	(9.8)
Actuarial gains/(losses) (charge to operating costs)	**(9.8)**	5.5
Interest cost (charge to interest expenses)	**(3.3)**	(3.9)
Foreign exchange charge to other finance items	**(5.6)**	6.6
Total charge to income statement	**(30.7)**	(1.6)

Movement in the present value of severance provisions were as follows:

	2012 US$m	2011 US$m
Balance at the beginning of the year	**(61.2)**	(68.0)
Current service cost	**(12.0)**	(9.8)
Actuarial gains/(losses)	**(9.8)**	5.5
Charge capitalised	**(0.4)**	–
Interest cost	**(3.3)**	(3.9)
Paid in the year	**10.4**	8.4
Foreign currency exchange difference	**(5.6)**	6.6
Balance at the end of the year	**(81.9)**	(61.2)

28 Deferred tax

The following are the major deferred tax liabilities and assets recognised by the Group and movements thereon during 2012 and 2011.

	Accelerated capital allowances US$m	Temporary differences on provisions US$m	Withholding tax US$m	Short-term differences US$m	Mining tax (Royalty) US$m	Tax losses US$m	Total US$m
At 1 January 2011	(392.7)	41.3	(248.4)	(17.7)	(21.7)	52.9	(586.3)
(Charge)/credit to income	(71.7)	20.0	91.5	29.1	3.4	(50.4)	21.9
Reclassification	7.9	–	–	–	(7.9)	–	–
Credit deferred in equity	–	–	–	(16.9)	–	–	(16.9)
At 1 January 2012	(456.5)	61.3	(156.9)	(5.5)	(26.2)	2.5	(581.3)
(Charge)/credit to income	(172.7)	25.7	6.0	(7.6)	(0.2)	(1.1)	(149.9)
Credit capitalised	0.3	–	–	–	–	–	0.3
Charge deferred in equity	–	–	–	(0.4)	–	–	(0.4)
At 31 December 2012	**(628.9)**	**87.0**	**(150.9)**	**(13.5)**	**(26.4)**	**1.4**	**(731.3)**

The charge to the income statement of US$149.9million (2011 – US$21.9 million credit) includes a charge for foreign exchange differences of US$0.9 million (2011 – includes a credit of US$2.8 million).

Certain deferred tax assets and liabilities have been offset. Deferred tax assets and liabilities are offset where the Group has a legally enforceable right to do so. The following is the analysis of the deferred tax balance (after offset):

	2012 US$m	2011 US$m
Deferred tax assets	**103.8**	83.2
Deferred tax liabilities	**(835.1)**	(664.5)
Net deferred tax balances	**(731.3)**	(581.3)

At 31 December 2012, the Group had unused tax losses of US$217.6 million (2011 – US$16.5 million) available for offset against future profits. A deferred tax asset has been recognised in respect of the US$7.1 million of these losses in 2012 (2011 – US$14.9 million). These losses may be carried forward indefinitely.

At 31 December 2012, the Group has deductible temporary differences of US$500.0 million (2011 – nil) for which no deferred tax assets were recognised in the balance sheet. The amount relates to a provision against the carrying value of property, plant and equipment of the Antucoya project. Further details in respect of this are set out in Note 5.

At 31 December 2012, the aggregate amount of temporary differences associated with undistributed earnings of subsidiaries for which deferred tax liabilities have not been recognised was US$4.939.8 million (2011 – US$4,551.7 million). No liability has been recognised in respect of these differences because the Group is in a position to control the timing of the reversal of the temporary differences and it is likely that such differences will not reverse in the foreseeable future.

Temporary differences arising in connection with interests in associates are insignificant.

Notes to the financial statements

29 Long-term provisions

	2012 US$m	2011 US$m
Balance at the beginning of the year	**(321.1)**	(244.4)
Credit/(Charge) to operating profit in the year	**0.3**	(16.5)
Release of discount to net interest in the year	**(9.1)**	(7.4)
Capitalised adjustment to provision	**(59.6)**	(56.7)
Utilised in year	**6.0**	2.6
Foreign currency exchange difference	**(1.1)**	1.3
Balance at the end of the year	**(384.6)**	(321.1)

Analysed as follows:

	2012 US$m	2011 US$m
Decommissioning and restoration	**(383.3)**	(320.0)
Termination of Water concession	**(1.3)**	(1.1)
Balance at the end of the year	**(384.6)**	(321.1)

a) Decommissioning and restoration

Decommissioning and restoration costs relate to the Group's mining operations. Costs are estimated on the basis of a formal closure plan and are subject to regular independent formal review. It is estimated that the provision will be utilised over a period of up to 24 years based on current mine plans.

During the year ended 31 December 2012, the closure provisions at Esperanza, El Tesoro, Michilla and Antucoya were increased by a total of US$57.1 million following detailed updated reviews, of which US$59.6 million related to an increase in decommissioning costs which was capitalised, and a net credit of US$2.5 million within operating profit relating to a decrease in restoration costs.

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

b) Termination of Water concession

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 (formerly known as ESSAN) 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.

30 Share capital and other reserves

(i) Share capital
The ordinary share capital of the Company is as follows:

	2012 Number	2011 Number	2012 US$m	2011 US$m
Authorised				
Ordinary shares of 5p each	**1,300,000,000**	1,300,000,000	**118.9**	118.9

	2012 Number	2011 Number	2012 US$m	2011 US$m
Issued and fully paid				
Ordinary shares of 5p each	**985,856,695**	985,856,695	**89.8**	89.8

The Company has one class of ordinary shares which carry no right to fixed income. Each ordinary share carries one vote at any general meeting.

There were no changes in the authorised or issued share capital of the Company in either 2011 or 2012. Details of the Company's preference share capital, which is included within borrowings in accordance with IAS 32, are given in Note 23a(xiii).

(ii) Other reserves
Details of the share premium account, hedging, fair value and translation reserves and retained earnings for both 2011 and 2012 are included within the Consolidated statement of changes in equity on page 98.

31 Non-controlling interests

The non-controlling interests of the Group are as follows:

	At 01.01.12 US$m	Share of profit/loss for the financial year US$m	Change in ownership interest in subsidiaries US$m	Capital increase on non-controlling interest US$m	Capital contribution from non-controlling interest US$m	Share of dividends US$m	Hedging reserves US$m	**At 31.12.12 US$m**
Los Pelambres	953.1	645.9	–	–	–	(622.6)	4.1	**980.5**
Esperanza	220.0	175.3	–	–	–	–	2.3	**397.6**
El Tesoro	298.8	70.8	–	–	–	(75.0)	(0.4)	**294.2**
Michilla	50.4	2.5	–	–	–	(3.9)	1.8	**50.8**
Antucoya	–	(150.6)	18.2	–	16.8	–	–	**(115.6)**
Twin Metals	72.1	(42.8)	–	31.1	10.1	–	–	**70.4**
Railway and other transport services	16.8	0.5	–	–	–	(1.0)	–	**16.3**
Total	**1,611.2**	**701.6**	**18.2**	**31.1**	**26.9**	**(702.5)**	**7.8**	**1,694.2**

32 Other transactions

a) Exploration agreements

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

– 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;

– a strategic exploration alliance with Laurentian Goldfields Ltd. for generative copper exploration in southern Quebec, Canada;

– a strategic exploration alliance with Lara Exploration Ltd. for generative copper exploration in Brazil.

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

b) Sale of 30% interest in Minera Antucoya to Marubeni Corporation

On 14 December 2011, the Group 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$359.6 million being received by the Group, comprising consideration of US$351.8 million (base consideration of US$350 million plus interest to completion of US$1.8 million) and pre-closing capital contributions attributable to Marubeni of US$7.8 million.

Notes to the financial statements

33 Notes to the consolidated cash flow statement

a) Reconciliation of profit before tax to net cash inflow from operating activities

	2012 US$m	2011 US$m
Profit before tax	**2,754.2**	3,076.2
Depreciation and amortisation	**494.2**	431.7
Net (profit)/loss on disposal of property, plant and equipment	**(3.3)**	14.9
Provision against carrying value of assets	**500.0**	140.5
Net finance expense	**90.9**	21.2
Share of profit of associate	**(6.7)**	(24.0)
(Increase) in inventories	**(108.8)**	(131.8)
Decrease/(increase) in debtors	**34.6**	(1.4)
Increase in creditors and provisions	**51.1**	25.2
Cash flows from operations	**3,806.2**	3,552.5

b) Analysis of changes in net cash

	At 1.1.12 US$m	Cash flows US$m	Other US$m	Exchange US$m	At 31.12.12 US$m
Cash and cash equivalents	**1,335.1**	**467.3**	**–**	**13.5**	**1,815.9**
Liquid investments	**1,944.9**	**535.7**	**–**	**–**	**2,480.6**
Total cash, cash equivalents and liquid investments	**3,280.0**	**1,003.0**	**–**	**13.5**	**4,296.5**
Bank borrowings due within one year	**(293.5)**	**192.1**	**(401.2)**	**–**	**(434.4)**
Bank borrowings due after one year	**(1,767.9)**	**68.2**	**390.7**	**–**	**(1,377.2)**
Finance leases due within one year	**(8.4)**	**12.7**	**(15.4)**	**(1.5)**	**(12.6)**
Finance leases due after one year	**(67.4)**	**–**	**8.5**	**(2.9)**	**(61.8)**
Preference shares	**(3.1)**	**–**	**–**	**(0.1)**	**(3.2)**
Total borrowings	**(2,140.3)**	**273.0**	**(17.4)**	**(4.5)**	**(1,889.2)**
Net cash	**1,139.7**	**1,276.0**	**(17.4)**	**9.0**	**2,407.3**

	At 1.1.11 US$m	Cash flows US$m	Other US$m	Exchange US$m	At 31.12.11 US$m
Cash and cash equivalents	2,734.7	(1,387.1)	–	(12.5)	1,335.1
Liquid investments	806.9	1,138.0	–	–	1,944.9
Total cash, cash equivalents and liquid investments	3,541.6	(249.1)	–	(12.5)	3,280.0
Bank borrowings due within one year	(134.8)	104.3	(263.0)	–	(293.5)
Bank borrowings due after one year	(2,014.2)	–	246.3	–	(1,767.9)
Finance leases due within one year	(2.8)	10.2	(15.0)	(0.8)	(8.4)
Finance leases due after one year	(41.6)	–	(28.9)	3.1	(67.4)
Preference shares	(3.1)	–	–	–	(3.1)
Total borrowings	(2,196.5)	114.5	(60.6)	2.3	(2,140.3)

c) Net cash

	2012 US$m	2011 US$m
Cash, cash equivalents and liquid investments	**4,296.5**	3,280.0
Total borrowings	**(1,889.2)**	(2,140.3)
Net cash	**2,407.3**	1,139.7

34 Operating lease arrangements

	2012 US$m	2011 US$m
Minimum lease payments under operating leases recognised in income for the year	**20.5**	18.0

At the balance sheet date, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2012 US$m	2011 US$m
Within one year	**16.7**	13.9
In the second to fifth years inclusive	**20.2**	24.7
After five years	**5.2**	5.4
	42.1	44.0

Operating lease payments relate mainly to rental of plant and equipment by operating subsidiaries of the Group.

35 Concession arrangements

In 2003, the Group was awarded a 30-year concession to operate the water rights and facilities in the Antofagasta Region of Chile previously controlled by the state-owned operator ECONSSA (formerly know as ESSAN). The concession consists of two businesses, one an unregulated business supplying mines and other industrial users and the other a regulated water business supplying domestic customers. The concession contract was signed and control of the assets and operation assumed on 29 December 2003 by Aguas de Antofagasta S.A., a wholly-owned subsidiary of the Group.

Under the concession contract, certain assets and liabilities (mainly certain specific tangible fixed assets and working capital items) were transferred to Aguas de Antofagasta by way of sale. Other assets (mainly water rights and infrastructure) were transferred by way of concession and will devolve to ECONSSA at the end of the 30-year period.

Aguas de Antofagasta will also be required to transfer to ECONSSA any tangible fixed assets and working capital items under its ownership at the end of the 30-year concession period. A provision for the termination of the Water concession has been created for the fixed assets and working capital items under Aguas de Antofagasta's ownership to be transferred to ECONSSA at the end of the concession period. The provision is based on the net present value of the estimated value of these assets and liabilities in existence at the end of the concession. The release of the discount applied in establishing the net present value of future costs is charged to the income statement in each accounting period and is disclosed as a financing cost. Further details of this provision are given in Note 29(b).

The Chilean Water Regulator (Superintendencia de Servicios Sanitarios) sets domestic tariffs every five years following a regulatory review including representations from the operator of the concession. The last regulatory review was completed during 2011 and there was not significant variation compared to the last regulatory review in 2006.

36 Exchange rates in US dollars

Assets and liabilities denominated in foreign currencies are translated into dollars and sterling at the period end rates of exchange.

Results denominated in foreign currencies have been translated into dollars at the average rate for each period.

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

Notes to the financial statements

37 Related party transactions

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note. Transactions between the Group and its associates are disclosed below.

The transactions which Group companies entered into with related parties who are not members of the Group are set out below.

a) Quiñenco S.A.

Quiñenco S.A. ("Quiñenco") is a Chilean financial and industrial conglomerate, the shares of which are traded on the Santiago Stock Exchange. The Group and Quiñenco are both under the control of the Luksic family, and three Directors of the Company, Jean-Paul Luksic, Guillermo Luksic and Gonzalo Menéndez, are also directors of Quiñenco.

The following material transactions took place between the Group and the Quiñenco group of companies, all of which were on normal commercial terms:

- the Group sold copper cathodes during the year for US$11.1 million (2011 – US$0.7 million) to Madeco S.A., a subsidiary of Quiñenco. The balance due from Madeco at the end of the year was less than US$0.1 million (2011 – US$0.1 million);
- the Group bought copper wire from Madeco for less than US$0.3 million (2011 – less than US$0.1 million);
- the Group earned interest income of US$2.4 million (2011 – US$0.5 million) during the year on deposits with Banco de Chile S.A., a subsidiary of Quiñenco. Deposit balances at the end of the year were US$83.4 million (2011 – US$23.7 million);
- the Group earned interest income of US$0.7 million (2011 – US$0.2 million) during the year on investments with BanChile Corredores de Bolsa S.A., a subsidiary of Quiñenco. Investment balances at the end of the year were US$35.9 million (2011 – US$5.7 million);
- the Group bought fuel from ENEX S.A. a subsidiary of Quiñenco of US$74.6 million (2011 – US$39.3 million). The balance due from ENEX S.A. at the end of the year was US$ 1.7 million (2011 – US$3.6 million).
- the Group has contract shipping services from Compañia Sudamericana de Vapores S.A., subsidiary of Quiñenco, of US$ 6.6 million (2011 – US$9.8 million).

b) Compañía de Inversiones Adriático S.A.

In 2012, the Group leased office space on normal commercial terms from Compañía de Inversiones Adriático S.A., a company controlled by the Luksic family, at a cost of US$ 0.7 million (2011 – US$0.7 million).

c) Compañía Antofagasta Terminal Internacional S.A.

As explained in Note 17, the Group acquired a 30% interest in Antofagasta Terminal Internacional S.A. ("ATI") on 16 December 2004, which has been treated in these financial statements as an associate. During 2012, the Group received a dividend of US$ 1.1million from ATI (2011 – US$1.2 million).

d) Antomin Limited, Antomin 2 Limited and Antomin Investors Limited

The Group holds a 51% interest in Antomin 2 Limited ("Antomin 2") and Antomin Investors Limited ("Antomin Investors"), which own a number of copper exploration properties. The Group originally acquired its 51% interest in these properties for a nominal consideration from Mineralinvest Establishment, a company controlled by the Luksic family, which continues to hold the remaining 49% of Antomin 2 and Antomin Investors. Antofagasta has the exclusive right to acquire at fair value under certain conditions the shareholding of Mineralinvest in Antomin 2 and Antomin Investors, or the underlying properties, for a period of five years from August 2008. The Group has also committed to meet in full any exploration costs relating to the properties held by these entities. During the year ended 31 December 2012 the Group incurred US$16.5 million (year ended 31 December 2011 – US$1.1 million) of exploration work at these properties.

e) Tethyan Copper Company Limited

As explained in Note 18(a), during 2006 the Group entered into a joint venture agreement with Barrick Gold Corporation ("Barrick Gold") to establish a 50:50 joint venture over Tethyan Copper Company Limited's ("Tethyan") mineral interests in Pakistan.

During the year the Group contributed US$9.9 million (2011 – US$9.7 million) to Tethyan, to provide funds for Tethyan's legal advisory and administrative costs. The balance due from Tethyan to Group companies at the end of the year was US$0.1 million (2011 – US$0.1 million). Details of amounts relating to Tethyan included in the consolidated financial statements of the Group under the proportionate consolidation method are set out in Note 18(a).

f) Energía Andina S.A.

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 31 December 2012 was less than US$0.1 million (31 December 2011 – less than US$0.1 million). During the year ended 31 December 2012 the Group contributed US$14.5 million to Energía Andina (year ended December 2011 – US$9.0 million).

g) Minera Cerro Centinela S.A.

Minera Cerro Centinela S.A. ("Centinela"), an entity ultimately controlled by the Luksic family, has an interest of 7.973% in Minera Michilla S.A. ("Michilla"), a shareholding it has held since Michilla was created through the merger of two predecessor companies on 31 December 1993. During the year ended 31 December 2012 Michilla paid dividends of US$1.2 million (year ended 31 December 2011 – US$ 1.6 million) to Centinela.

h) Directors and other key management personnel

Information relating to Directors' remuneration and interests are given in the Remuneration Report on pages 84 to 88. Information relating to the remuneration of key management personnel including the Directors is given in Note 8.

i) Inversiones Hornitos S.A.

The Group has acquired a 40% interest in Inversiones Hornitos S.A. from GDF SUEZ, which is accounted for as an associate. During the year ended 31 December 2010 there was a US$57.2 million capital reduction in Inversiones Hornitos. The balance due from Inversiones Hornitos to the Group at 31 December 2012 was nil (year ended 31 December 2011 – US$83.8 million). The Group paid US$129 million (year ended 31 December 2011 – US$70.6 million) to Inversiones Hornitos in relation to the energy supply contract at Esperanza.

j) Sale of 30% interest in Minera Antucoya to Marubeni Corporation

On 14 December 2011, the Group signed a Memorandum of Understanding with Marubeni Corporation ("Marubeni") pursuant to which Marubeni would become a 30% partner in the Antucoya project for consideration totalling US$350 million and a commitment to fund its pro rata share of the development costs of the project. This transaction closed on 31 July 2012 resulting in US$359.6 million being received by the Group, comprising consideration of US$351.8 million (base consideration of US$350 million plus interest to completion of US$1.8 million) and pre-closing capital contributions attributable to Marubeni of US$7.8 million.

Marubeni holds a 30% interest in Minera Esperanza and Minera El Tesoro. Marubeni is a related party of the Group for the purposes of the Listing Rules of the United Kingdom Listing Authority as it holds a significant interest in these two subsidiaries of the Group. Further details of this transaction are set out in Note 23.

k) El Arrayan

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 2012 the Group contributed US$19.6 million to Parque Eólico El Arrayán S.A. This interest is accounted for as an associate. El Arrayan will develop and operate a 115MW wind power plant. Construction of the plant commenced in July 2012 with the expectation to achieve commercial operation during the third quarter of 2014.

38 Litigation

Tethyan Copper Company Limited

Mining lease application and international arbitration

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

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

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

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

Notes to the financial statements

38 Litigation continued

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 judgement. The Supreme Court has been concurrently hearing the CPLA as well as some new constitutional petitions which were filed in late 2010 and early 2011. These new petitions relate primarily to whether it is in the public interest for Tethyan to receive a mining lease.

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

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

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

39 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 the current status is set out below:

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

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

Los Pelambres – Mauro tailings dam

As previously announced, during 2008 Los Pelambres entered into binding settlements in respect of litigation relating to the Mauro tailings dam. In December 2008, Los Pelambres became aware of further legal proceedings which had been initiated in first instance courts in Santiago and Los Vilos by certain members of the Caimanes community located near the Mauro valley. These claims, some of which have already been rejected by the relevant courts, sought to prevent the operation of the Mauro tailings dam. Los Pelambres is continuing to take necessary steps to protect its position.

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

40 Ultimate Parent Company

The immediate parent of the Group is Metalinvest Establishment, which is controlled by E. Abaroa Foundation, in which members of the Luksic family are interested.

Both Metalinvest Establishment and the E. Abaroa Foundation are domiciled in Liechtenstein. Information relating to the interest of Metalinvest Establishment and the E. Abaroa Foundation are given in the Directors' report.

Parent Company financial statements

41 Antofagasta plc – Balance sheet of the Parent Company and related notes

Parent Company balance sheet

At 31 December 2012

	Notes	2012 US$m	2011 US$m
Fixed assets			
Investment in subsidiaries	41D	**660.5**	666.5
Current assets			
Debtors – amounts falling due within one year			
– amounts owed by subsidiaries	41D	**581.5**	661.7
Current asset investments (term deposits)		**32.6**	1.1
Cash at bank and in hand		**2.4**	1.1
		616.5	663.9
Creditors – amounts falling due within one year			
Amounts owed to subsidiaries		**(301.5)**	(299.5)
		(301.5)	(299.5)
Net current assets		**315.0**	364.4
Total assets less current liabilities		**975.5**	1,030.9
Creditors – amounts falling due after more than one year			
Preference shares	41E	**(3.2)**	(3.1)
Total assets less total liabilities		**972.3**	1,027.8
Capital and reserves			
Called up shares capital			
– Ordinary shares – equity	41F	**89.8**	89.8
Reserves			
– Share premium account	41F	**199.2**	199.2
– Profit and loss account	41F	**683.3**	738.8
Shareholders' funds (including non-equity interests)		**972.3**	1,027.8

Approved by the Board and signed on its behalf on 11 March 2013.

Jean-Paul Luksic
Chairman

William Hayes
Director

Parent Company financial statements

41A Basis of preparation of the balance sheet and related notes of the Parent Company

The Antofagasta plc Parent Company balance sheet and related notes have been prepared in accordance with United Kingdom generally accepted accounting principles ("UK GAAP") and in accordance with UK company law. The financial information has been prepared on a historical cost basis. The financial statements have been prepared on a going concern basis. The functional currency of the Company and the presentational currency adopted is US dollars.

A summary of the principal accounting policies is set out below. There were no changes in accounting policies in 2012.

The preparation of financial statements in conformity with UK GAAP requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Although these estimates are based on management's best knowledge of the amount, event or actions, following implementation of these standards, actual results may differ from those estimates.

As permitted by section 408 of the Companies Act 2006, the profit and loss account of the Parent Company is not presented as part of these financial statements. The profit after tax for the year of the Parent Company amounted to US$383.2 million (2011 – US$636.5 million).

41B Principal accounting policies of the Parent Company

a) Currency translation

The Company's functional currency is the US dollar. Transactions denominated in other currencies, including the issue of shares, are translated at the rate of exchange ruling on the date of the transaction. Monetary assets and liabilities, including amounts due from or to subsidiaries, are translated at the rate of exchange ruling at the end of the financial year. Exchange differences are charged or credited to the profit and loss account in the year in which they arise.

b) Revenue recognition

Interest is accounted for on an accruals basis. Dividends proposed by subsidiaries are recognised as income by the Company when they represent a present obligation of the subsidiaries, i.e. in the period in which they are formally approved for payment.

c) Dividends payable

Dividends proposed are recognised when they represent a present obligation, i.e. in the period in which they are formally approved for payment. Accordingly, an interim dividend is recognised when paid and a final dividend is recognised when approved by shareholders.

d) Investments in subsidiaries

Investments in subsidiaries represent equity holdings in subsidiaries and long-term amounts owed by subsidiaries. Such investments are valued at cost less any impairment provisions. Investments are reviewed for impairment if events or changes in circumstances indicate that the carrying amount may not be recoverable. When a review for impairment is conducted, the recoverable amount is assessed by reference to the net present value of expected future cash flows of the relevant income generating unit or disposal value if higher.

As explained in Note 41D, amounts owed by subsidiaries due in foreign currencies are translated at year end rates of exchange with any exchange differences taken to the profit and loss account.

e) Current asset investments and cash at bank and in hand

Current asset investments comprise highly-liquid investments that are readily convertible into known amounts of cash and which are subject to insignificant risk of changes in value, typically maturing within 12 months.

Cash at bank and in hand comprise cash in hand and deposits repayable on demand.

f) Borrowings – preference shares

The sterling-denominated preference shares issued by the Company carry a fixed rate of return without the right to participate in any surplus. They are accordingly classified as borrowings and translated into US dollars at period-end rates of exchange. Preference share dividends are included within finance costs.

g) Equity instruments – ordinary share capital and share premium

Equity instruments issued are recorded at the proceeds received, net of direct issue costs. Equity instruments of the Company comprise its sterling-denominated issued ordinary share capital and related share premium.

As explained above, the presentational and the functional currency of the Company is US dollars, and ordinary share capital and share premium are translated into US dollars at historical rates of exchange based on dates of issue.

h) Cash flow statement

The Company's individual financial statements are outside the scope of FRS 1 "Cash Flow Statements" because the Company prepares publicly available consolidated financial statements which include a consolidated cash flow statement. Accordingly, the Company does not present an individual company cash flow statement.

i) Related party disclosures

The Company's individual financial statements are exempt from the requirements of FRS 8 "Related Party Disclosures" because its individual financial statements are presented together with its consolidated financial statements. Accordingly, the individual financial statements do not include related party disclosures.

41C Employee benefit expense

a) Average number of employees

With effect from 1 January 2011 all employees of Antofagasta plc transferred to another Group company, and accordingly the Company had nil employees during 2012 (2011 – 0).

b) Aggregate remuneration

Given that all employees of Antofagasta plc transferred to another Group company with effect from 1 January 2011, the aggregate remuneration of the Company's employees was nil during 2012 and 2011.

Details of fees payable to Directors are set out in the Remuneration report.

41D Subsidiaries

a) Investment in subsidiaries

	2012 US$m	2011 US$m
Shares in subsidiaries at cost	**57.6**	57.6
Amounts owed by subsidiaries due after more than one year	**602.9**	608.9
	660.5	666.5

	Shares US$m	Loans US$m	Total US$m
1 January 2012	57.6	608.9	666.5
Loans made	–	(6.0)	(6.0)
31 December 2012	**57.6**	**602.9**	**660.5**

b) Amounts owed by subsidiaries due within one year

At 31 December 2012, amounts owed by subsidiaries due within one year were US$581.5 million. (2011 – US$661.7 million).

41E Borrowings – preference shares

The authorised, issued and fully paid preference share capital of the Company comprised 2,000,000 5% cumulative preference shares of £1 each at both 31 December 2012 and 31 December 2011. As explained in Note 41B(f), the preference shares are measured in the balance sheet in US dollars at period-end rates of exchange.

The preference shares are non-redeemable and are entitled to a fixed 5% cumulative dividend, payable in equal instalments in June and December of each year. On a winding-up, the preference shares 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 (see Note 23a(xiii)) at any general meeting.

41F Reconciliation of movement in shareholders' funds

	Called up ordinary share capital US$m	Share premium account US$m	Profit and loss account US$m	Total US$m
At 1 January 2011 (equity)	89.8	199.2	1,285.3	1,574.3
Profit for the financial year	–	–	636.5	636.5
Dividends paid	–	–	(1,183.0)	(1,183.0)
At 31 December 2011 and 1 January 2012	89.8	199.2	738.8	1,027.8
Profit for the financial year	–	–	383.2	383.2
Dividends paid	–	–	(438.7)	(438.7)
31 December 2012 (equity)	**89.8**	**199.2**	**683.3**	**972.3**

The ordinary shares rank after the preference shares in entitlement to dividend and on a winding-up. Each ordinary share carries one vote at any general meeting.

Other information

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Five year summary

	2012 US$m	2011 US$m	2010 US$m	2009 US$m	2008 US$m
Consolidated balance sheet					
Intangible asset[1]	**157.6**	155.3	311.5	311.2	233.6
Property plant & equipment[1]	**6,513.2**	6,443.0	6,093.4	4,873.2	3,679.7
Inventories[2]	**162.5**	104.7	–	–	–
Investment property	**3.5**	3.1	3.7	3.4	2.7
Investment in associate	**107.6**	84.8	58.0	121.3	3.0
Trade and other receivables	**108.3**	67.7	42.9	36.6	34.1
Derivative financial instruments	**8.0**	47.6	–	47.6	–
Available-for-sale investments	**44.5**	36.5	21.8	1.2	0.7
Deferred tax assets	**103.8**	83.2	110.0	31.1	12.7
Non-current assets	**7,209.0**	7,025.9	6,641.3	5,425.6	3,966.5
Current assets	**5,660.9**	4,679.3	4,946.5	4,132.5	3,988.4
Current liabilities	**(1,300.8)**	(985.3)	(930.7)	(995.6)	(974.7)
Non-current liabilities	**(2,764.3)**	(2,912.5)	(3,131.3)	(1,897.5)	(547.6)
	8,804.8	7,807.4	7,525.8	6,665.0	6,432.6
Share capital	**89.8**	89.8	89.8	89.8	89.8
Share premium	**199.2**	199.2	199.2	199.2	199.2
Reserves (retained earnings and hedging, translation and fair value reserves)	**6,821.6**	5,907.2	5,881.6	5,049.6	4,977.8
Equity attributable to equity holders of the Company	**7,110.6**	6,196.2	6,170.6	5,338.6	5,266.8
Non-controlling interests	**1,694.2**	1,611.2	1,355.2	1,278.8	1,165.8
	8,804.8	7,807.4	7,525.8	6,617.4	6,432.6

	2012 US$m	2011 US$m	2010 US$m	2009 US$m	2008 US$m
Consolidated income statement					
Group revenue	**6,740.1**	6,076.0	4,577.1	2,962.6	3,372.6
Total profit from operations and associates	**2,845.1**	3,097.4	2,591.9	1,463.5	2,553.2
Profit before tax[3]	**2,754.2**	3,076.2	2,573.2	1,437.6	2,609.5
Income tax expense	**(1,020.6)**	(946.2)	(752.5)	(317.7)	(519.7)
Non-controlling interests	**(701.6)**	(893.4)	(768.9)	(452.2)	(383.3)
Net earnings (profit attributable to equity holders of the Company)	**1,032.0**	1,236.6	1,051.8	667.7	1,706.5
EBITDA[4]	**3,829.3**	3,660.5	2,771.9	1,680.7	1,899.8

See footnotes on page 155.

	2012 cents	2011 cents	2010 cents	2009 cents	2008 cents
Earnings per share					
Basic and diluted earnings per share	**104.7**	125.4	106.7	67.7	173.1

Dividends to Ordinary Shareholders of the Company

	2012 cents	2011 cents	2010 cents	2009 cents	2008 cents
Dividends per share proposed in relation to the year					
Ordinary dividends (interim and final)	**21.0**	20.0	16.0	9.4	9.0
Special dividends	**77.5**	24.0	100.0	14.0	51.0
	98.5	44.0	116.0	23.4	60.0
Dividends per share paid in the year and deducted from equity	**44.5**	120.0	24.0	57.0	49.8

	2012 US$m	2011 US$m	2010 US$m	2009 US$m	2008 US$m
Consolidated cash flow statement					
Cash flow from operations	**3,802.2**	3,552.5	2,433.9	1,167.8	2,454.3
Interest paid	**(88.1)**	(69.3)	(42.4)	(27.0)	(12.5)
Dividends from associates	**1.1**	1.2	0.8	0.7	1.8
Income tax paid	**(901.2)**	(1,018.1)	(427.9)	(135.2)	(561.4)
Net cash from operating activities	**2,818.0**	2,466.3	1,964.4	1,006.3	1,882.2
Investing activities					
Acquisition and disposal of subsidiaries, joint venture, associates					
Available-for-sale investments, investing activities and recovery of VAT	**(462.3)**	(1,165.9)	(188.0)	(226.4)	618.5
Purchases and disposals of intangible assets, property, plant, and equipment	**(877.4)**	(670.5)	(1,298.3)	(1,376.1)	(1,145.7)
Interest received	**24.8**	21.7	26.2	15.8	78.8
Net cash used in investing activities	**(1,314.9)**	(1,814.7)	(1,460.1)	(1,586.7)	(448.4)
Financing activities					
Dividends paid to equity holders of the Company	**(438.7)**	(1,183.0)	(236.6)	(561.9)	(491.0)
Dividends paid to preference holders and non-controlling interests	**(702.7)**	(741.2)	(702.9)	(310.2)	(495.8)
New borrowings less repayment of borrowings and finance leases	**105.6**	(114.5)	562.2	1,177.1	177.7
Net cash used in financing activities	**(1,035.8)**	(2,038.7)	(377.3)	305.0	(809.1)
Net (decrease)/increase in cash and cash equivalents	**467.3**	(1,387.1)	127.0	(275.4)	624.7

	2012 US$m	2011 US$m	2010 US$m	2009 US$m	2008 US$m
Consolidated net cash					
Cash, cash equivalents and liquid investments	**4,296.5**	3,280.0	3,541.6	3,222.3	3,358.0
Short-term borrowings	**(447.0)**	(301.9)	(137.6)	(431.8)	(319.0)
Medium and long-term borrowings	**(1,442.2)**	(1,838.4)	(2,058.9)	(1,194.8)	(119.9)
	(1,889.2)	(2,140.3)	(2,196.5)	(1,626.6)	(438.9)
Net cash at the year end	**2,407.3**	1,139.7	1,345.1	1,595.7	2,919.1

[1] IFRIC 12 Service Concession Arrangements was adopted in 2008, which required that all infrastructure assets relating to the Water concession to be recorded within intangible assets. Previously, certain infrastructure assets were recorded within property, plant and equipment. Accordingly, the 2008 figures have been prepared on this basis, and the comparatives for 2007 have been restated to reclassify these assets.

[2] Non-current inventories refer to ore stockpiles that are expected to be processed more than 12 months after the statement of financial position date. Accordingly, the 2012 balance has been prepared on this basis. The 2011 balance represents a reclassification from current inventories in that year. Comparative balances for 2008, 2009 and 2010 have not been reclassified.

[3] In 2012 the consolidated income statement included US$500.0 million as a provision against the carrying value of property, plant and equipment relating to the Antucoya Project. Excluding this exceptional item profit before tax was US$3,254.2 million.
In 2011 the consolidated income statement included US$140.5 million as a 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 profit before tax was US$3,216.7 million. Further details of these exceptional items are set out in Note 5.

[4] EBITDA refers to Earnings Before Interest, Tax, Depreciation and Amortisation. EBITDA is calculated by adding back depreciation, amortisation and profit or loss on disposals of property, plant and equipment and impairment charges to operating profit from subsidiaries and joint ventures.

Ore reserves and mineral resources estimates

At 31 December 2012

Introduction

The ore reserves and mineral resources estimates presented in this report comply with the requirements of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves 2004 edition (the JORC Code) which has been used by the Group as minimum standard for the preparation and disclosure of the information contained herein. The definitions and categories of Ore Reserves and Mineral Resources are set out below.

The information on ore reserves and mineral resources was prepared by or under the supervision of Competent Persons as defined in the JORC Code. The Competent Persons have sufficient experience relevant to the style of mineralisation and type of deposit under consideration and to the activity which they are undertaking. The Competent Persons consent to the inclusion in this report of the matters based on their information in the form and context in which it appears. The Competent Person for Exploration Results and Mineral Resources (except for the Twin Metals Mineral Resource Estimate) is Guillermo Muller (CP, Chile), Manager of Mineral Resource Evaluation for Antofagasta Minerals S.A. The Competent Person for the Twin Metals Mineral Resource Estimate is Dr. Harry Parker, SME, Registered Member, Technical Director of AMEC. The Competent Person for Ore Reserves is Murray Canfield (P.Eng. Ontario), Technical Manager Operations for Antofagasta Minerals S.A.

The Group's operations and projects are subject to a comprehensive programme of audits aimed at providing assurance in respect of ore reserves and mineral resources estimates. The audits are conducted by suitably qualified Competent Persons from within a particular division, another division of the Company or from independent consultants.

The ore reserves and mineral resources estimates represent full reserves and resources, with the Group's attributable share for each mine shown in the 'Attributable Tonnage' column. The Group's economic interest in each mine is disclosed in the notes following the estimates on pages 157 to 160. The totals in the table may include some small apparent differences as the specific individual figures have not been rounded.

Definitions and categories of ore reserves and mineral resources

A 'Mineral Resource' is a concentration or occurrence of material of intrinsic economic interest in or on the Earth's crust in such form, quality and quantity that there are reasonable prospects for eventual economic extraction. The location, quantity, grade, geological characteristics and continuity of a Mineral Resource are known, estimated or interpreted from specific geological evidence and knowledge. Mineral Resources are sub-divided, in order of increasing geological confidence, into Inferred, Indicated and Measured categories.

An 'Inferred Mineral Resource' is that part of a Mineral Resource for which tonnage, grade and mineral content can be estimated with a low level of confidence. It is inferred from geological evidence and assumed but not verified geological and/or grade continuity. It is based on information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes which may be limited or of uncertain quality and reliability.

An 'Indicated Mineral Resource' is that part of a Mineral Resource for which tonnage, densities, shape, physical characteristics, grade and mineral content can be estimated with a reasonable level of confidence. It is based on exploration, sampling and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes. The locations are too widely or inappropriately spaced to confirm geological and/or grade continuity but are spaced closely enough for continuity to be assumed.

A 'Measured Mineral Resource' is that part of a Mineral Resource for which tonnage, densities, shape, physical characteristics, grade and mineral content can be estimated with a high level of confidence. It is based on detailed and reliable exploration, sampling and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes. The locations are spaced closely enough to confirm geological and grade continuity.

An 'Ore Reserve' is the economically mineable part of a Measured and/or Indicated Mineral Resource. It includes diluting materials and allowances for losses, which may occur when the material is mined. Appropriate assessments and studies have been carried out, and include consideration of and modification by realistically assumed mining, metallurgical, economic, marketing, legal, environmental, social and governmental factors. These assessments demonstrate at the time of reporting that extraction could reasonably be justified. Ore Reserves are sub-divided in order of increasing confidence into Probable Ore Reserves and Proved Ore Reserves.

A 'Probable Ore Reserve' is the economically mineable part of an Indicated, and in some circumstances, a Measured Mineral Resource. It includes diluting materials and allowances for losses which may occur when the material is mined. Appropriate assessments and studies have been carried out, and include consideration of and modification by realistically assumed mining, metallurgical, economic, marketing, legal, environmental, social and governmental factors. These assessments demonstrate at the time of reporting that extraction could reasonably be justified.

A 'Proved Ore Reserve' is the economically mineable part of a Measured Mineral Resource. It includes diluting materials and allowances for losses which may occur when the material is mined. Appropriate assessments and studies have been carried out, and include consideration of and modification by realistically assumed mining, metallurgical, economic, marketing, legal, environmental, social and governmental factors. These assessments demonstrate at the time of reporting that extraction could reasonably be justified.

Ore reserves

	Tonnage (millions of tonnes)		Copper %		Molybdenum %		Gold (g/tonne)		Attributable tonnage (millions of tonnes)	
Group subsidiaries	**2012**	2011	**2012**	2011	**2012**	2011	**2012**	2011	**2012**	2011
Los Pelambres (see Note (a))										
Proved	**550.1**	514.6	**0.66**	0.67	**0.025**	0.022	**0.03**	0.03	**330.1**	308.7
Probable	**938.0**	964.2	**0.59**	0.60	**0.017**	0.016	**0.03**	0.03	**562.8**	578.5
Total	**1,488.1**	1,478.7	**0.62**	0.62	**0.020**	0.018	**0.03**	0.03	**892.9**	887.2
Esperanza Sulphides (see Note (b))										
Proved	**219.0**	258.2	**0.61**	0.61	**0.009**	0.008	**0.26**	0.27	**153.3**	180.7
Probable	**512.6**	342.0	**0.45**	0.49	**0.013**	0.012	**0.16**	0.18	**358.8**	239.4
Total	**731.6**	600.2	**0.50**	0.54	**0.011**	0.010	**0.19**	0.22	**512.1**	420.2
El Tesoro (see Note (c))										
Tesoro Central, Tesoro North–East, Mirador										
Proved	**82.9**	70.7	**0.79**	0.91	**–**	–	**–**	–	**58.0**	49.5
Probable	**31.9**	50.5	**0.60**	0.64	**–**	–	**–**	–	**22.3**	35.4
Sub–total	**114.8**	121.2	**0.74**	0.80	**–**	–	**–**	–	**80.3**	84.9
El Tesoro ROM (Esperanza Oxides)										
Proved	**8.2**	9.8	**0.29**	0.31	**–**	–	**–**	–	**5.7**	6.9
Probable	**99.3**	97.1	**0.31**	0.32	**–**	–	**–**	–	**69.5**	67.9
Sub–total	**107.5**	106.9	**0.31**	0.32	**–**	–	**–**	–	**75.3**	74.8
Total	**222.3**	228.1	**0.53**	0.58	**–**	–	**–**	–	**155.6**	159.7
Antucoya (see Note (d))										
Proved	**215.1**	215.1	**0.38**	0.38	**–**	–	**–**	–	**150.6**	215.1
Probable	**426.5**	426.5	**0.34**	0.34	**–**	–	**–**	–	**298.6**	426.5
Total	**641.6**	641.6	**0.35**	0.35	**–**	–	**–**	–	**449.2**	641.6
Michilla (see Note (e))										
Proved	**8.0**	6.7	**1.18**	1.25	**–**	–	**–**	–	**5.9**	5.0
Probable	**5.0**	5.2	**1.21**	1.33	**–**	–	**–**	–	**3.7**	3.9
Total	**13.0**	11.9	**1.19**	1.28	**–**	–	**–**	–	**9.6**	8.8
Group total	**3,096.7**	2,960.6	**0.53**	0.55	**–**	–	**–**	–	**2,019.4**	2,117.6

Ore reserves and mineral resources estimates

At 31 December 2012

Mineral resources (including ore reserves)

Group subsidiaries	Tonnage (millions of tonnes) 2012	2011	Copper % 2012	2011	Molybdenum % 2012	2011	Gold (g/tonne) 2012	2011	Attributable tonnage (millions of tonnes) 2012	2011
Los Pelambres (see Note (a))										
Measured	**558.7**	525.5	**0.66**	0.66	**0.025**	0.022	**0.03**	0.03	**335.2**	315.3
Indicated	**1,091.4**	1,070.3	**0.58**	0.60	**0.017**	0.016	**0.03**	0.03	**654.8**	642.2
Measured + Indicated	**1,650.1**	1,595.9	**0.61**	0.62	**0.020**	0.018	**0.03**	0.03	**990.1**	957.5
Inferred	**3,954.0**	4,410.0	**0.48**	0.47	**0.010**	0.008	**0.04**	0.03	**2,372.4**	2,646.0
Total	**5,604.1**	6,005.9	**0.52**	0.51	**0.013**	0.011	**0.03**	0.03	**3,362.5**	3,603.5
Esperanza Sulphides (see Note (b))										
Measured	**233.8**	275.4	**0.58**	0.58	**0.009**	0.008	**0.25**	0.25	**163.7**	192.8
Indicated	**635.7**	631.2	**0.41**	0.41	**0.012**	0.012	**0.14**	0.14	**445.0**	441.9
Measured + Indicated	**869.5**	906.7	**0.46**	0.46	**0.011**	0.011	**0.17**	0.18	**608.7**	634.7
Inferred	**741.2**	1,112.3	**0.30**	0.28	**0.010**	0.008	**0.08**	0.07	**518.8**	778.6
Total	**1,610.7**	2,019.0	**0.39**	0.36	**0.011**	0.009	**0.13**	0.12	**1,127.5**	1,413.3
El Tesoro (see Note (c))										
Tesoro Central, Tesoro North-East and Mirador										
Measured	**97.4**	82.4	**0.78**	0.88	**–**	–	**–**	–	**68.2**	57.7
Indicated	**41.1**	63.1	**0.62**	0.64	**–**	–	**–**	–	**28.7**	44.2
Measured + Indicated	**138.5**	145.6	**0.73**	0.78	**–**	–	**–**	–	**96.9**	101.9
Inferred	**10.2**	7.0	**0.54**	0.58	**–**	–	**–**	–	**7.1**	4.9
Sub-total	**148.7**	152.6	**0.72**	0.77	**–**	–	**–**	–	**104.1**	106.8
El Tesoro ROM *(Esperanza Oxides)*										
Measured	**8.2**	9.8	**0.29**	0.31	**–**	–	**–**	–	**5.7**	6.9
Indicated	**99.3**	97.3	**0.31**	0.32	**–**	–	**–**	–	**69.5**	68.1
Measured + Indicated	**107.5**	107.1	**0.31**	0.32	**–**	–	**–**	–	**75.3**	75.0
Inferred	**0.0**	0.6	**0.28**	0.32	**–**	–	**–**	–	**0.0**	0.4
Sub-total	**107.5**	107.7	**0.31**	0.32	**–**	–	**–**	–	**75.3**	75.4
Total	**256.2**	260.3	**0.55**	0.58	**–**	–	**–**	–	**179.4**	182.2
Antucoya (see note (d))										
Measured	**277.9**	277.9	**0.34**	0.34	**–**	–	**–**	–	**194.5**	277.9
Indicated	**737.4**	737.4	**0.30**	0.30	**–**	–	**–**	–	**516.2**	737.4
Measured + Indicated	**1,015.3**	1,015.3	**0.31**	0.31	**–**	–	**–**	–	**710.7**	1,015.3
Inferred	**90.9**	90.9	**0.28**	0.28	**–**	–	**–**	–	**63.6**	90.9
Total	**1,106.2**	1,106.2	**0.31**	0.31	**–**	–	**–**	–	**774.4**	1,106.2
Michilla (see note (e))										
Measured	**26.7**	27.8	**1.61**	1.59	**–**	–	**–**	–	**19.8**	20.6
Indicated	**24.7**	25.2	**1.45**	1.45	**–**	–	**–**	–	**18.3**	18.7
Measured + Indicated	**51.4**	53.0	**1.53**	1.52	**–**	–	**–**	–	**38.1**	39.3
Inferred	**15.8**	13.7	**1.67**	1.73	**–**	–	**–**	–	**11.7**	10.2
Total	**67.1**	66.7	**1.57**	1.57	**–**	–	**–**	–	**49.8**	49.5

Group subsidiaries	Tonnage (millions of tonnes) 2012	2011	Copper % 2012	2011	Molybdenum % 2012	2011	Gold (g/tonne) 2012	2011	Attributable tonnage (millions of tonnes) 2012	2011
Esperanza Sur (ex–Telegrafo see Note (f))										
Oxides										
Measured	**15.4**	8.7	**0.20**	0.21	**–**	–	**–**	–	**10.8**	6.1
Indicated	**28.5**	40.6	**0.23**	0.21	**–**	–	**–**	–	**19.9**	28.4
Measured + Indicated	**43.9**	49.3	**0.22**	0.21	**–**	–	**–**	–	**30.7**	34.5
Inferred	**1.5**	14.9	**0.22**	0.21	**–**	–	**–**	–	**1.1**	10.4
Sub-total	**45.4**	64.1	**0.22**	0.21	**–**	–	**–**	–	**31.8**	44.9
Sulphides										
Measured	**189.3**	181.7	**0.42**	0.43	**0.013**	0.013	**0.17**	0.18	**132.5**	127.2
Indicated	**1,117.6**	1,103.9	**0.39**	0.39	**0.013**	0.013	**0.13**	0.13	**782.3**	772.7
Measured + Indicated	**1,306.9**	1,285.5	**0.39**	0.40	**0.013**	0.013	**0.14**	0.14	**914.8**	899.9
Inferred	**910.7**	1,615.8	**0.32**	0.30	**0.010**	0.008	**0.09**	0.09	**637.5**	1,131.0
Sub-total	**2,217.6**	2,901.3	**0.36**	0.34	**0.011**	0.010	**0.12**	0.11	**1,552.3**	2,030.9
Total	**2,263.0**	2,965.4	**0.36**	0.34	**–**	–	**–**	–	**1,584.1**	2,075.8
Encuentro (ex–Caracoles see Note (g))										
Oxides										
Measured	**47.3**	0.6	**0.51**	0.45	**–**	–	**–**	–	**47.3**	0.6
Indicated	**148.7**	204.5	**0.38**	0.40	**–**	–	**–**	–	**148.7**	204.5
Measured + Indicated	**196.0**	205.2	**0.42**	0.40	**–**	–	**–**	–	**196.0**	205.2
Inferred	**17.2**	7.1	**0.31**	0.25	**–**	–	**–**	–	**17.2**	7.1
Sub-total	**213.2**	212.2	**0.41**	0.40	**–**	–	**–**	–	**213.2**	212.2
Sulphides										
Measured	**402.8**	187.4	**0.53**	0.59	**0.015**	0.016	**0.20**	0.22	**402.8**	187.4
Indicated	**540.2**	753.8	**0.35**	0.39	**0.014**	0.014	**0.12**	0.14	**540.2**	753.8
Measured + Indicated	**943.0**	941.2	**0.43**	0.43	**0.015**	0.015	**0.16**	0.16	**943.0**	941.2
Inferred	**192.6**	148.1	**0.28**	0.27	**0.011**	0.010	**0.10**	0.10	**192.6**	148.1
Sub-total	**1,135.6**	1,089.2	**0.40**	0.41	**0.014**	0.014	**0.15**	0.15	**1,135.6**	1,089.2
Total	**1,348.8**	1,301.5	**0.40**	0.41	**–**	–	**–**	–	**1,348.8**	1,301.5
Polo Sur (see Note (h))										
Oxides										
Measured	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–
Indicated	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–
Measured + Indicated	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–
Inferred	**71.3**	–	**0.41**	–	**–**	–	**–**	–	**71.3**	–
Sub-total	**71.3**	–	**0.41**	–	**–**	–	**–**	–	**71.3**	–
Sulphides	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–
Measured	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–
Indicated	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–
Measured + Indicated	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–
Inferred	**632.7**	–	**0.37**	–	**0.007**	–	**0.06**	–	**632.7**	–
Sub-total	**632.7**	–	**0.37**	–	**0.007**	–	**0.06**	–	**632.7**	–
Total	**704.0**	–	**0.37**	–	**–**	–	**–**	–	**704.0**	–

Ore reserves and mineral resources estimates

At 31 December 2012

	Tonnage (millions of tonnes)		Copper %		Nickel %		Gold (g/tonne)		Attributable tonnage (millions of tonnes)	
Group subsidiaries	**2012**	2011	**2012**	2011	**2012**	2011	**2012**	2011	**2012**	2011
Twin Metals (see Note (i))										
Maturi	–	–	–	–	–	–	–	–	–	–
Measured	–	–	–	–	–	–	–	–	–	–
Indicated	**965.9**	–	**0.59**	–	**0.193**	–	**0.60**	–	**353.9**	–
Measured + Indicated	**965.9**	–	**0.59**	–	**0.193**	–	**0.60**	–	**353.9**	–
Inferred	**491.6**	–	**0.50**	–	**0.164**	–	**0.52**	–	**175.1**	–
Sub-total	**1,457.5**	–	**0.56**	–	**0.183**	–	**0.57**	–	**529.0**	–
Birch Lake										
Measured	–	–	–	–	–	–	–	–	–	–
Indicated	**90.4**	–	**0.52**	–	**0.160**	–	**0.86**	–	**25.3**	–
Measured + Indicated	**90.4**	–	**0.52**	–	**0.160**	–	**0.86**	–	**25.3**	–
Inferred	**217.0**	–	**0.46**	–	**0.150**	–	**0.64**	–	**60.8**	–
Sub-total	**307.4**	–	**0.48**	–	**0.153**	–	**0.70**	–	**86.1**	–
Spruce Road	–	–	–	–	–	–	–	–	–	–
Measured	–	–	–	–	–	–	–	–	–	–
Indicated	–	–	–	–	–	–	–	–	–	–
Measured + Indicated	–	–	–	–	–	–	–	–	–	–
Inferred	**435.4**	–	**0.43**	–	**0.160**	–	–	–	**121.9**	–
Sub-total	**435.4**	–	**0.43**	–	**0.160**	–	–	–	**121.9**	–
Total	**2,200.4**	–	**0.53**	–	**0.174**	–	–	–	**737.1**	–
Measured + Indicated	**7,378.4**	6,304.7	**0.48**	0.47	–	–	–	–	**4,983.5**	4,904.4
Inferred	**7,782.1**	7,420.4	**0.43**	0.40	–	–	–	–	**4,883.9**	4,827.6
Group subsidiaries total	**15,160.5**	13,725.1	**0.45**	0.43	–	–	–	–	**9,867.4**	9,732.1
Group joint ventures										
Reko Diq (see Note (j))										
Measured	–	1,738.2	–	0.54	–	–	–	0.31	–	651.8
Indicated	–	1,244.6	–	0.39	–	–	–	0.20	–	466.7
Measured + Indicated	–	2,982.8	–	0.48	–	–	–	0.26	–	1,118.6
Inferred	–	2,885.0	–	0.35	–	–	–	0.18	–	1,081.9
Group joint ventures total	–	5,867.9	–	0.41	–	–	–	0.22	–	2,200.4
Total Group										
Measured + Indicated	**7,378.4**	9,287.5	**0.48**	0.47	–	–	–	–	**4,983.5**	6,023.0
Inferred	**7,782.1**	10,305.4	**0.43**	0.39	–	–	–	–	**4,883.9**	5,909.5
Total	**15,160.5**	19,592.9	**0.45**	0.43	–	–	–	–	**9,867.4**	11,932.5

Notes to ore reserves and mineral resources estimates

The ore reserves mentioned in this report were determined considering specific cut-off grades for each mine and using a long-term copper price of 275 cents per pound (240 cents per pound in 2011), US$12.00 per pound molybdenum (US$12.00 per pound in 2011) and US$1,100 per gold ounce (US$900 per gold ounce in 2011), unless otherwise noted. These same values have been used for copper equivalent (CuEq) estimates, where appropriate.

In order to ensure that the stated resources represent mineralisation that has "reasonable prospects for eventual economic extraction" (JORC code) the resources are enclosed within pit shells that were optimised based on measured, indicated and inferred resources and considering a copper price of 330 cents per pound (300 cents per pound in 2011). Mineralisation estimated outside these pit shells is not included in the resource figures unless they can expect to be exploited by underground methods.

a) Los Pelambres

Los Pelambres is 60% owned by the Group. The cut-off grade applied to the determination of ore reserves and mineral resources is 0.35% copper. For 2012 the mineral resource model has been updated with 19 in-fill drill holes for a total of 8,117 metres.

The net increase of 9 million tonnes (after depletion of 71 million tonnes) in ore reserves is mainly related to the inclusion in the database of the in-fill drillholes, which have lifted some inferred resources into the indicated or measured category. The final pit design has not been modified significantly for the 2012 ore reserve estimate.

Mineral resources decreased overall by a net 402 million tonnes, after depletion. Mineral resources in the measured and indicated categories increased by 54 million tonnes while resources in the inferred category decreased by 456 million tonnes. Mineral resources are defined as those contained within an un-smoothed, optimised pit shell, using all resource categories and a copper price of 330 cents per pound (300 cents per pound in 2011), discounting those resources falling within the Las Tigresas concessions (which are 100% owned by the Group, not directly by Los Pelambres), adjacent to the concessions owned by Los Pelambres. The decrease in mineral resources is mostly due to increased mining and processing costs used in the pit optimisation, which have been updated to be consistent with current operating costs. These increased operating costs more than offset the increase in copper price used for the 2012 mineral resource estimate.

b) Esperanza Sulphides

Esperanza is 70% owned by the Group. The cut-off grade applied to the determination of ore reserves is 0.20% equivalent copper, with 0.15% copper used as a cut-off grade for mineral resources.

Ore reserves increased by a net 131 million tonnes after depletion of 30 million tonnes. This is a result of a redesign of the final pit, incorporating the first update to resources, prices and costs since the feasibility study.

Mineral resources decreased by a net 408 million tonnes, after depletion. Mineral resources have been limited to those contained within an un-smoothed, optimised pit shell using a copper price of 330 cents per pound (300 cents per pound in 2011). The optimised pit shell used to limit mineral resources is based on an integrated block model that estimates the Esperanza and Esperanza Sur mineral deposits together in one model. The decrease in mineral resources is mostly due to increased mining and processing costs used in the pit optimisation, which have been updated to be consistent with current operating costs. These increased operating costs more than offset the increase in copper price used for the 2012 mineral resource estimate. A portion of the decrease in mineral resources is due to the application of more strict estimation criteria, which for 2012 is limited to interpolated inferred resources and excludes extrapolated inferred resources from the estimate.

c) El Tesoro

El Tesoro is 70% owned by the Group. The ore reserves and mineral resources are made up of the El Tesoro Central, Tesoro North-East and Mirador deposits, which are processed by heap-leaching, and the Run-of-Mine (ROM) Oxide ore reserves and mineral resources from the Esperanza Mine, located five kilometres south-east of El Tesoro. An agreement was entered into in 2008 whereby the Esperanza Oxide mineral resources were purchased by El Tesoro for a one-time payment. Esperanza delivers the ROM ore released during the pre-stripping and operating phases of the Esperanza operation
to a permanent leach pad constructed and operated by the El Tesoro mine. At the request of El Tesoro, some of the higher grade Esperanza oxide ore is sent directly to the El Tesoro heap-leach pads.

The cut-off grade used for estimation of ore reserves and mineral resources for the Tesoro Central and Tesoro North-East deposits is 0.41% copper. The cut-off grade used for estimation of ore reserves and mineral resources for the Mirador deposit is 0.30% copper, reflecting higher recoveries and lower acid consumption for the Mirador deposit.

Ore reserves for the El Tesoro open pits decreased by 6.4 million tonnes, in line with depletion.

Ore reserves for the Esperanza oxides increased by a marginal 0.6 million tonnes.

Total mineral resources for the El Tesoro open pits decreased by a net 3.9 million tonnes. This is a combination of depletion partially offset by an increase in the copper price used to optimise the resource pits. Mineral resources are defined as those contained within an un-smoothed, optimised pit shell using all resource categories and a copper price of 330 cents per pound (300 cents per pound in 2011).

The cut-off grade used for estimation of both ore reserves and mineral resources for the El Tesoro ROM (Esperanza Oxides) is 0.20% copper. During the year, 8.6 million tonnes of oxide mineral resources were extracted from the Esperanza pit, of which 2.1 million tonnes of higher grade oxide ore were placed in stockpile for future use in the El Tesoro heap-leach. A total of 71.3 million tonnes are in the ROM leach pads and have been partially leached, and another 15.2 million tonnes have been delivered to the ROM leach pads or ROM stockpiles and have not yet been put under leach.

Ore reserves and mineral resources estimates

At 31 December 2012

Notes to ore reserves and mineral resources estimates continued

d) Antucoya

Antucoya is 70% owned by the Group. In December 2012 an announcement was made that the construction of the project has been suspended. Alternatives for continuing with the project or placing it on indefinite suspension are currently under review.

The cut-off grade for mineral resources is 0.15%.

Ore reserves for Antucoya were originally published on 14 December 2011 and are based on a cut-off grade of 0.21% copper and have remained the same for 2012.

Mineral resources for Antucoya have remained the same for 2012.

e) Michilla

Michilla is 74.2% owned by the Group and its operations comprise open pit mines, underground mines and other workings. The cut-off grade applied to the determination of ore reserves and mineral resources is 0.36 to 0.40% copper for open pits, 1.2% copper for the Estefanía underground mine and 0.8% copper for other workings.

Ore reserves increased by a net 1.1 million tonnes, after depletion of 3.2 million tonnes. Plant feed was 4.2 million tonnes, with the difference coming from additional ore not considered in the mine plan. The increase in ore reserves is due to the incorporation of another small stage in the Lince pit (Stage 15a).

Mineral resources have increased marginally by a net 0.4 million tonnes, after depletion. Additional resources are related to the increase in mineral resources in third-party operated satellite deposits. The open pit mineral resource estimates include those resources contained within an un-smoothed, optimised pit shell using all resource categories and a copper price of 330 cents per pound (300 cents per pound in 2011) and applying a cut-off grade of 0.40% copper within the pit shell. The mineral resources estimate for Michilla includes several resource block models, incorporating the multiple deposits on the property. The Lince/Estefanía resource model update made significant advances during 2012 and will be completed in 2013.

Not included in the mineral resources estimate is the spent ore deposited on site. This is material that is removed from the dynamic heap-leach pads after the primary leach cycle is completed. Since the beginning of the Lince project in 1992 between 65 and 70 million tonnes of spent ore has been deposited in a spent ore dump, adjacent to the dynamic leach pads. The grade of this material is expected to be in the range of 0.20 to 0.30% copper. During 2012, 7.9 million tonnes of spent ore at a grade of 0.23% was processed through the secondary leaching process. 2.1 million tonnes of this material was from the dynamic leach pads (re-leaching of ore processed during 2012) and 5.7 million tonnes from the existing spent ore dump.

f) Esperanza Sur (ex-Telegrafo)

Esperanza Sur is owned 70% by the Group and is adjacent to the Esperanza deposit. A cut-off grade of 0.15% copper is used for determining mineral resources.

Total mineral resources have decreased by 702 million tonnes with the measured and indicated categories increasing by 16 million tonnes (oxides plus sulphides). Mineral resources have been limited to those contained within an un-smoothed, optimised pit shell using a copper price of 330 cents per pound (300 cents per pound in 2011). As with Esperanza Sulphides, the decrease in mineral resources is mostly due to increased mining and processing costs used in the pit optimisation, which have been updated to be consistent with current operating costs. These increased operating costs more than offset the increase in copper price used for the 2012 mineral resource estimate. A portion of the decrease in mineral resources is due to the application of more strict estimation criteria, which for 2012 is limited to interpolated inferred resources and excludes extrapolated inferred resources from the estimate.

g) Encuentro (ex-Caracoles)

Encuentro is 100% owned by the Group. The cut-off grade applied to the determination of mineral resources for both oxides and sulphides is 0.15% copper.

Total mineral resources have increased by 47 million tonnes, due to the increase in price used for determining mineral resources, more than compensating for an increase in cost inputs. Mineral resources include those contained within an un-smoothed, optimised pit shell using a copper price of 330 cents per pound (300 cents per pound in 2011). The criteria for measured resources changed during the year, based on conditional simulation studies, resulting in a re-categorisation of some indicated resources to measured resources.

h) Polo Sur

Polo Sur is 100% owned by the Group. The cut-off grade applied to the determination of mineral resources for both oxides and sulphides is 0.20% copper. In 2011 Polo Sur was included in "Other Mineral Inventory" with a range of 460 to 632 million tonnes and 0.45 to 0.37% copper.

Mineral resources include those contained within an un-smoothed, optimised pit shell using a copper price of 330 cents per pound.

i) Twin Metals Minnesota LLC

The Group has a 40% controlling interest in Twin Metals Minnesota LLC ("Twin Metals"), with the remaining 60% held by Duluth Metals Limited ("Duluth"). Twin Metals was formed in 2010 as the operating company for the Nokomis project, a copper-nickel-platinum group metal ("PGM") deposit located in north-eastern Minnesota, USA. In August 2011 Twin Metals completed the acquisition of the assets formerly held by Franconia Minerals Corporation ("Franconia"). Franconia's principal asset was a 70% interest in the Birch Lake Joint Venture ("BLJV") which holds the Birch Lake, Maturi and Spruce Road copper-nickel-platinum and palladium deposits that are contiguous to Twin Metals' existing deposits. Franconia announced in November 2010 its intention to increase its ownership interest to 82% under the terms of the BLJV agreement.

The Maturi deposit and the nearby Birch Lake deposit are the subjects of an ongoing pre-feasibility study being undertaken by Twin Metals. The Spruce Road deposit is to the north of Maturi and is currently not part of the pre-feasibility study programme. The engineering firm AMEC was contracted in 2011 to consolidate all of the previous and current drilling information to develop updated and consolidated geological models and a mineral resource estimate to support the pre-feasibility study. Twin Metals and its predecessor, Duluth conducted extensive exploration programmes on the project in 2010, 2011 and 2012.

The cut-off grade applied to the determination of mineral resources is 0.3% copper, which when combined with credits from nickel, platinum, palladium and gold, is deemed appropriate for an underground operation. In the resource table "TPM" (Total Precious Metals) refers to the sum of platinum, palladium and gold values in grams per tonne. The TPM value of 0.57 for the Maturi resource estimate is made up of 0.15 g/tonne platinum, 0.34 g/tonne palladium and 0.08 g/tonne gold. The TPM value of 0.70 for the Birch Lake resource estimate is made up of 0.19 g/tonne platinum, 0.41 g/tonne palladium and 0.10 g/tonne gold. The Spruce Road resource estimate does not include TPM values as they were not assayed for.

The Competent Person for the Twin Metals Mineral Resource Estimate is Dr. Harry Parker, SME, Registered Member, Technical Director of AMEC.

j) Reko Diq

As explained in Note 38 to the financial statements, the Group has held an effective 37.5% interest in the Reko Diq copper-gold deposit in the Chagai Hills district of the province of Balochistan in south-west Pakistan through its joint venture entity Tethyan Copper Company Pty. Limited ("Tethyan").

On 15 February 2011, Tethyan submitted an application to the government of Balochistan in accordance with the Balochistan Mineral Rules for a mining lease. Tethyan's exploration licence had been due to expire on 19 February 2011, but the submission of the mining lease application suspended the expiry of the exploration licence as to the mining area covered in the application. On 15 November 2011, Tethyan was notified by the government of Balochistan that the government had rejected the application. On 7 January 2013 the Pakistan Supreme Court issued a short order apparently invalidating the agreements related to the Reko Diq joint venture.

Tethyan has initiated two international arbitrations in order to protect its legal rights. 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. Further details are given in Note 38.

The Reko Diq mineral resources have been removed from the table, consistent with Note 38 to the financial statements.

k) Other mineral inventory

In addition to the Mineral Resources noted above, the Group has interests in other deposits located in the Antofagasta Region of Chile, some of them containing gold and/or molybdenum. At the moment they are in exploration or in the process of resource estimation. The potential quantity and grade of each of the deposits is conceptual in nature, there has been insufficient exploration to define these deposits as mineral resources, and it is uncertain if further exploration will result in the determination of a mineral resource. These include:

(i) In the Centinela Mining District

In the Centinela Mining District (ex-Sierra Gorda) the Group has two operations (El Tesoro and Esperanza) and others in exploration or under study, such as: Llano-Paleocanal (70% owned by the Group); Mirador Sulphides (100% owned by the Group); and Penacho Blanco (ex-Centinela, 51% owned by the Group). The Mineral Inventory of these deposits (incorporating both oxide and sulphide mineralisation) is estimated to be in the range of 187 to 388 million tonnes with grades in the range of 0.6 to 0.4% copper. The table below lists each of the mineral deposits with its associated tonnage and grade ranges, the number of drill holes and associated metres drilled, as well as the Group's ownership interest:

Mineral deposit	Tonnes range (million tonnes)		Grade range (% Cu)		Number drill holes	Total metres	Ownership interest (%)
Llano – Paleocanal	90	140	0.51	0.41	79	17,100	70.0
Mirador Sulphides	37	148	0.39	0.28	98	38,264	100.0
Penacho Blanco (ex-Centinela)	60	100	0.76	0.63	36	9,900	51.0
Total	**187**	**388**	**0.57**	**0.42**	**213**	**65,264**	

(ii) In the Michilla District

In the Michilla District there are several satellite deposits to the main Michilla ore body that have been included in the Mineral Resources Table. However, there is at least one other deposit within a potentially economic radius of the Michilla mine: Rencoret, owned 100% by the Group.

Mineral deposit	Tonnes range (million tonnes)		Grade range (% Cu)		Number drill holes	Total metres	Ownership interest (%)
Rencoret	15	25	1.22	1.00	31	8,300	100.0
Total	**15**	**25**	**1.22**	**1.00**	**31**	**8,300**	

Ore reserves and mineral resources estimates

At 31 December 2012

Notes to ore reserves and mineral resources estimates continued

(iii) In the El Abra District

The Group has two mineral deposits within a few kilometres of the El Abra ore body, located near Calama in the Antofagasta Region of Chile. Conchi is a porphyry copper mineral deposit (with oxide and sulphide mineralisation), while Brujulina is an exotic-style mineral deposit (oxide mineralisation only). The Mineral Inventory of these deposits is estimated to be in the range of 700 to 930 million tonnes with grades in the range of 0.6 to 0.5% copper. The table below lists each of the mineral deposits with its associated tonnage and grade ranges, as well as the Group's ownership interest:

Mineral deposit	Tonnes range (million tonnes)		Grade range (% Cu)		Number drill holes	Total metres	Ownership interest (%)
Conchi	650	850	0.59	0.52	125	33,766	51.0
Brujulina	50	80	0.65	0.53	159	15,300	51.0
Total	**700**	**930**	**0.59**	**0.52**	**284**	**49,066**	

l) Antomin 2 and Antomin Investors

The Group has an approximately 51% interest in two indirect subsidiaries, Antomin 2 Limited ("Antomin 2") and Antomin Investors Limited ("Antomin Investors Limited"), which own a number of copper exploration properties in Chile's Antofagasta Region and Coquimbo Region. These include (but are not limited to) Penacho Blanco (ex-Centinela see Note k(i) above) and Conchi and Brujulina (see Note k(iii) above). The remaining approximately 49% of Antomin 2 and Antomin Investors is owned by Mineralinvest Establishment ("Mineralinvest"), a company controlled by the Luksic family.

The Group has the exclusive right to acquire, at fair value under certain conditions, the shareholding of Mineralinvest in Antomin 2 Limited and Antomin Investors, or the underlying properties, for a period of five years from August 2008. The Group also has committed to meet in full any exploration costs relating to the properties held by these two entities.

Further details are set out in Note 37(d) to the financial statements.

Mining production and sales, transport and water statistics

Production and sales volumes, realised prices and cash cost by mine	Production 2012 '000 tonnes	Production 2011 '000 tonnes	Sales 2012 '000 tonnes	Sales 2011 '000 tonnes	Cash costs 2012 US cents	Cash costs 2011 US cents	Realised prices 2012 US cents	Realised prices 2011 US cents
Copper								
Los Pelambres	**403.7**	411.8	**396.9**	415.5	**85.9**	78.3	**367.0**	371.1
Esperanza	**163.2**	90.1	**163.0**	86.3	**65.9**	83.2	**364.8**	354.7
El Tesoro	**105.0**	97.1	**105.9**	96.0	**149.3**	171.6	**364.5**	391.1
Michilla	**37.7**	41.6	**37.4**	42.2	**318.3**	213.3	**372.8**	381.6
Group total	**709.6**	640.5	**703.2**	640.0				
Group weighted average (net of by-products)					**103.0**	101.9	**366.4**	372.6
Group weighted average (before deducting by-products)					**162.8**	155.2		
Group weighted average (before deducting by-products and excluding tolling charges from concentrate)					**149.8**	141.5		
Cash cost at Los Pelambres comprise								
On-site and shipping costs					**123.4**	110.0		
Tolling charges for concentrates					**15.8**	18.0		
Cash cost before deducting by-product credits					**139.1**	128.0		
By-product credits (principally molybdenum and gold)					**(53.2)**	(49.7)		
Cash cost (net of by-product credits)					**85.9**	78.3		
Cash cost at Esperanza comprise								
On-site and shipping costs					**176.4**	219.4		
Tolling charges for concentrates					**17.8**	15.5		
Cash cost before deducting by-product credits					**194.2**	234.9		
By-product credits (gold)					**(128.3)**	(151.7)		
Cash cost (net of by-product credits)					**65.9**	83.2		
LME average							**360.6**	399.7
Gold	**'000 ounces**	'000 ounces	**'000 ounces**	'000 ounces			**US$/ounce**	US$/ounce
Los Pelambres	**51.5**	39.8	**51.5**	39.8			**1,668.0**	1,610.6
Esperanza	**248.4**	157.1	**248.6**	153.4			**1,676.6**	1,643.4
Group total	**299.9**	196.8	**300.1**	193.2			**1,675.1**	1,636.6
Market average price							**1,668.9**	1,572.4
Molybdenum	**'000 tonnes**	'000 tonnes	**'000 tonnes**	'000 tonnes			**US$/pound**	US$/pound
Los Pelambres	**12.2**	9.9	**12.6**	9.4			**11.9**	15.1
Market average price							**12.7**	15.5
Silver	**'000 ounces**	'000 ounces	**'000 ounces**	'000 ounces			**US$/ounce**	US$/ounce
Los Pelambres	**2,019.4**	1,774.3	**2,019.4**	1,774.3			**31.0**	35.9
Esperanza	**1,323.2**	724.3	**1,282.5**	724.3			**31.3**	35.2
Group total	**3,342.6**	2,498.6	**3,301.9**	2,498.6			**31.1**	35.7
Market average price							**31.1**	35.1

Mining production and sales, transport and water statistics

Quarterly information	Q1	Q2	Q3	Q4	2012 Year	2011 Year
Group total						
Total copper production volume ('000 tonnes)	162.9	173.2	179.8	193.8	**709.6**	640.5
Total copper sales volume ('000 tonnes)	158.7	163.5	172.8	208.2	**703.2**	640.0
Total gold production volume ('000 ounces)	63.5	72.6	77.4	86.4	**299.9**	196.8
Total gold sales volume ('000 ounces)	63.4	64.1	75.1	97.5	**300.1**	193.2
Total molybdenum production volume ('000 tonnes)	3.1	3.4	3.0	2.7	**12.2**	9.9
Total molybdenum sales volume ('000 tonnes)	2.9	3.9	3.0	2.8	**12.6**	9.4
Weighted average realised copper price (cents per pound)	429.6	317.7	376.6	348.0	**366.4**	372.6
Realised molybdenum price (dollars per pound)	14.6	11.7	10.7	11.2	**11.9**	15.1
Weighted average cash costs (cents per pound)						
– excluding by-product credits and tolling charges	151.2	144.6	144.0	158.4	**149.8**	141.5
– excluding by-product credits	163.6	158.2	157.1	171.6	**162.8**	155.2
– net of by-product credits	98.1	99.3	99.3	113.5	**103.0**	101.9
Los Pelambres (60% owned)						
Daily average ore treated ('000 tonnes)	171.5	179.4	180.0	190.3	**180.3**	176.6
Average ore grade (%)	0.71	0.71	0.67	0.71	**0.70**	0.74
Average recovery (%)	89.6	90.9	91.0	89.7	**90.3**	89.7
Concentrate produced ('000 tonnes)	298.5	319.7	315.0	338.2	**1,271.4**	1,228.0
Payable copper in concentrate – production volume ('000 tonnes)	95.9	101.3	98.8	107.7	**403.7**	411.8
Payable copper in concentrate – sales volume ('000 tonnes)	92.5	98.5	97.2	108.7	**396.9**	415.5
Payable gold in concentrate – production volume ('000 ounces)	11.9	14.5	12.5	12.6	**51.5**	39.8
Payable gold in concentrate – sales volume ('000 ounces)	11.9	14.5	12.5	12.6	**51.5**	39.8
Average moly ore grade (%)	0.02	0.02	0.02	0.02	**0.023**	0.019
Average moly recovery (%)	81.6	84.6	82.3	77.6	**81.5**	82.3
Payable moly in concentrate – production volume ('000 tonnes)	3.1	3.4	3.0	2.7	**12.2**	9.9
Payable moly in concentrate – sales volume ('000 tonnes)	2.9	3.9	3.0	2.8	**12.6**	9.4
Copper realised price (cents per pound)	441.9	308.8	380.0	344.2	**367.0**	371.1
On-site and shipment costs (cents per pound)	125.1	117.2	121.8	129.0	**123.4**	110.0
Tolling charges for concentrates (cents per pound)	15.9	16.3	15.6	15.3	**15.8**	18.0
Cash costs (before by-product) (cents per pound)	141.0	133.5	137.4	144.3	**139.1**	128.0
By-product credits (cents per pound)	(65.4)	(55.5)	(48.5)	(45.4)	**(53.2)**	(49.7)
Cash costs (cents per pound)	75.6	78.0	88.9	98.9	**85.9**	78.3
Esperanza (70% owned)						
Daily average ore treated ('000 tonnes)	70.4	79.7	85.1	89.2	**81.1**	55.7
Average ore grade (%)	0.60	0.64	0.72	0.68	**0.67**	0.56
Average recovery (%)	85.6	87.0	88.3	88.9	**87.7**	85.3
Concentrate produced ('000 tonnes)	137.7	157.8	205.0	193.8	**694.3**	367.2
Payable copper in concentrate – production volume ('000 tonnes)	30.5	37.7	45.6	49.4	**163.2**	90.1
Payable copper in concentrate – sales volume ('000 tonnes)	30.0	29.7	45.0	58.2	**163.0**	86.3
Average gold ore grade (%)	0.39	0.34	0.34	0.34	**0.35**	0.36
Average gold recovery (%)	70.4	75.5	82.0	80.9	**77.4**	72.8
Payable gold in concentrate – production volume ('000 ounces)	51.7	58.1	64.9	73.8	**248.4**	157.1
Payable gold in concentrate – sales volume ('000 ounces)	51.5	49.7	62.6	84.8	**248.6**	153.4
Copper realised price (cents per pound)	434.8	310.8	377.7	347.1	**364.8**	354.7
On-site and shipment costs (cents per pound)	189.4	162.0	150.4	203.4	**176.4**	219.4
Tolling charges for concentrates (cents per pound)	16.7	18.2	17.9	18.0	**17.8**	15.5
Cash costs (before by-product) (cents per pound)	206.1	180.3	168.3	221.4	**194.2**	234.9
By-product credits (cents per pound)	(144.4)	(121.4)	(122.8)	(128.8)	**(128.3)**	(151.7)
Cash costs (cents per pound)	61.7	58.9	45.5	92.6	**65.9**	83.2

Quarterly information	Q1	Q2	Q3	Q4	2012 Year	2011 Year
El Tesoro (70% owned)						
Daily average ore treated ('000 tonnes)	22.5	18.7	19.1	19.3	**19.9**	23.8
Average ore grade (%)	1.59	1.76	1.71	1.84	**1.72**	1.26
Average recovery (%)	74.4	73.9	76.6	76.9	**75.5**	71.0
Copper cathodes – production volume ('000 tonnes)	28.2	24.5	25.5	26.8	**105.0**	97.1
Copper cathodes – sales volume ('000 tonnes)	27.8	25.4	21.3	31.3	**105.9**	96.0
Copper realised price (cents per pound)	392.9	347.0	358.2	359.0	**364.5**	391.1
Cash costs (cents per pound)	147.8	167.4	151.6	132.1	**149.3**	171.6
Michilla (74.2% owned)						
Daily average ore treated ('000 tonnes)	11.3	10.6	11.2	13.0	**11.5**	12.5
Average ore grade (%)	0.99	1.26	1.06	0.94	**1.05**	1.18
Average recovery (%)	76.4	71.7	73.4	75.7	**74.2**	75.6
Copper cathodes – production volume ('000 tonnes)	8.3	9.7	9.9	9.8	**37.7**	41.6
Copper cathodes – sales volume ('000 tonnes)	8.4	9.8	9.4	9.8	**37.4**	42.2
Copper realised price (cents per pound)	397.4	355.9	373.0	368.4	**372.8**	381.6
Cash costs (cents per pound)	323.2	306.0	315.8	329.0	**318.3**	213.3
Transport (100% owned)						
Rail tonnage transported ('000 tonnes)	1,490	1,538	1,516	1,593	**6,137**	6,419
Road tonnage transported ('000 tonnes)	442	380	362	359	**1,543**	1,896
Water (100% owned)						
Water volume sold – potable and untreated ('000m^3)	12,960	12,695	12,297	12,841	**50,794**	48,296

Notes

(i) The production and sales figures represent the actual amounts produced and sold, not the Group's share of each mine. The Group owns 60% of Los Pelambres, 70% of Esperanza, 70% of El Tesoro and 74.2% of Michilla.

(ii) Los Pelambres produces copper and molybdenum concentrates and Esperanza produces copper concentrate. The figures for Los Pelambres and Esperanza are expressed in terms of payable metal contained in concentrate. Los Pelambres and Esperanza are also credited for the gold and silver contained in the copper concentrate sold. El Tesoro and Michilla produce cathodes with no by-products.

(iii) Cash costs are a measure of the cost of operational production expressed in terms of cents per pound of payable copper produced. Cash costs are stated net of by-product credits and include tolling charges for concentrates at Los Pelambres and Esperanza. Cash costs exclude depreciation, financial income and expenses, hedging gains and losses, exchange gains and losses and corporation tax for all four operations.

(iv) Realised copper prices are determined by comparing revenue from copper sales (grossing up for tolling charges for concentrates) with sales volumes for each mine in the period. Realised molybdenum and gold prices are calculated on a similar basis. In the current year realised prices reflect gains and losses on commodity derivatives, which are included within revenue.

(v) Water volumes sold in 2012 do not include any water transportation (2011 – 15,000 m^3).

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

Glossary and definitions

Business, financial and accounting

ADASA	Aguas de Antofagasta S.A., a wholly-owned subsidiary of the Group incorporated in Chile and operating the Water concession in Chile's Antofagasta Region acquired from ECONSSA.
ADR	American Depositary Receipt.
AIFR	All Injury Frequency Rate.
AMSA	Antofagasta Minerals S.A., a wholly-owned subsidiary of the Group incorporated in Chile which acts as the corporate centre for the mining division.
Annual report	The Annual Report and Financial Statements 2012 of Antofagasta plc.
Antomin	Antomin Limited, a wholly-owned subsidiary of the Group incorporated in Jersey (a 51%-owned subsidiary until 25 August 2008).
Antucoya	Copper project located approximately 45 km east of Michilla. The project is 70% owned by the Group.
ATI	Antofagasta Terminal Internacional S.A., a 30%-owned associate of the Group incorporated in Chile and operating the port in the city of Antofagasta.
Australian dollars	Australian currency.
Banco de Chile	Banco de Chile, a subsidiary of Quiñenco.
Barrick Gold	Barrick Gold Corporation, the joint venture partner of the Group in Tethyan.
Board	The Directors of Antofagasta plc who collectively have responsibility for the conduct of the Group's business.
Capex	Capital expenditure(s).
Caracoles	Compañía Contractual Minera Caracoles, a wholly-owned subsidiary of the Group incorporated in Chile. This project is now known as Encuentro.
Cash costs	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 for Los Pelambres and Esperanza. Cash costs exclude depreciation, financial income and expenses, hedging gains and losses, exchange gains and losses and corporation tax.
Centinela Mining District	Copper district located in the Antofagasta Region of Chile, where El Tesoro and Esperanza are located. Formerly known as the Sierra Gorda district.
CCU	Compañía de Cervecerías Unidas S.A., an associate of Quiñenco.
CGU	Cash-Generating Unit.
Chilean peso	Chilean currency.
2008 Combined Code	The revised Combined Code on Corporate Governance published by the Financial Reporting Council in June 2008 which was applicable to listed companies for reporting years beginning on or after 29 June 2008. The Combined Code was replaced with the 2010 UK Corporate Governance Code.
Compañía Minera Milpo	Compañía Minera Milpo S.A.A. of Peru is a former owner of a 18.5% interest in Caracoles, acquired by the Group in February 2009.
Companies Act 2006	Principal legislation for United Kingdom company law.
Company	Antofagasta plc.
Corporate Governance Code	The UK Corporate Governance Code published by the Financial Reporting Council in May 2010 and applicable to listed companies for reporting years beginning on or after 29 June 2010. The code replaced the 2008 Combined Code on Corporate Governance and was first applied by the Group for the year ended 31 December 2011.
Desalant	Desalant S.A., former owner of a desalination plant located in Antofagasta and acquired by the Group through ADASA.
Directors	The Directors of the Company.
Duluth	Duluth Metals Limited, incorporated in Canada which has a 60% non-controlling interest in the Group's subsidiary Twin Metals.
EBITDA	Earnings Before Interest, Tax, Depreciation and Amortisation.
ECONSSA	Empresa Concesionaria de Servicios Sanitarios S.A., the Chilean state-owned company which previously operated the regulated and non-regulated water distribution business in Chile's Antofagasta Region (formerly known as ESSAN).
El Tesoro	Minera El Tesoro, a 70%-owned subsidiary of the Group incorporated in Chile (a wholly-owned subsidiary of the Group until 25 August 2008, before the Marubeni transaction).
ENAP	Empresa Nacional del Petróleo, the 40% joint venture partner of the Group in Energía Andina S.A.
Encuentro	The Caracoles project in the Centinela Mining District was renamed to Encuentro during 2012.
Energía Andina S.A.	Energía Andina S.A., a 60%-owned joint venture entity of the Group incorporated in Chile.
EPS	Earnings per share.
Equatorial	Equatorial Mining Limited, a wholly-owned subsidiary of the Group incorporated in Australia.
Esperanza	Minera Esperanza, a 70%-owned subsidiary of the Group incorporated in Chile.
Esperanza Sur	Copper prospect located in the Centinela Mining District held through Esperanza. Formerly known as Telegrafo.
ESSAN	Empresa de Servicios Sanitarios S.A., former name of ECONSSA.
EU	European Union.
FCA	Empresa Ferroviaria Andina S.A., a 50%-owned subsidiary of the Group incorporated in Bolivia.
FCAB	Ferrocarril de Antofagasta a Bolivia, the Chilean name for the Antofagasta Railway Company plc, a wholly-owned subsidiary of the Group incorporated in the United Kingdom and operating a rail network in Chile's Antofagasta Region.
FSA	Financial Services Authority.
FTSE 100 Index	A market-capitalisation weighted index representing the performance of the 100 largest UK-domiciled blue chip companies.
FTSE All-Share Index	A market-capitalisation weighted index representing the performance of all eligible companies listed on the London Stock Exchange's main market.
GAAP	Generally Accepted Accounting Practice or Generally Accepted Accounting Principles.

Government	The Government of the Republic of Chile.
Group	Antofagasta plc and its subsidiary companies.
Hedge accounting	Accounting treatment for derivatives financial instrument permitted under IAS 39 “Financial Instruments: Recognition and Measurement”, which recognises the offsetting effects on profit or loss of changes in the fair values of a hedging instrument and the hedged item.
IAS	International Accounting Standards.
IASB	International Accounting Standards Board.
IFRIC	International Financial Reporting Interpretations Committee.
IFRS	International Financial Reporting Standards.
Inversiones Hornitos	Inversiones Hornitos S.A., a 40%-owned associate of the Group incorporated in Chile which owns the 150MW Hornitos thermoelectric power plant in Mejillones in Chile’s Antofagasta Region.
IVA	Impuesto al Valor Agregado, or Chilean Value Added Tax (Chilean VAT).
Key Management Personnel	Persons with authority and responsibility for planning, directing and controlling the activities of the Group.
KPI	Key performance indicator.
LIBOR	London Inter Bank Offer Rate.
LME	London Metal Exchange.
Los Pelambres	Minera Los Pelambres, a 60%-owned subsidiary of the Group incorporated in Chile.
LSE	London Stock Exchange.
LTIFR	Lost Time Injury Frequency Rate.
Madeco	Madeco S.A., a subsidiary of Quiñenco.
Marubeni	Marubeni Corporation, the Group’s 30% minority partner in El Tesoro, Esperanza and Antucoya.
Metallica Resources Chile Limitada	Minera Metallica Resources Chile Limitada, a subsidiary of New Gold Inc. (formerly Metallica Resources Inc.), a company with exploration interests in the Río Figueroa Project.
Michilla	Minera Michilla S.A., a 74.2%-owned subsidiary of the Group incorporated in Chile.
Mirador	Copper oxide deposit which forms part of the El Tesoro operation.
Mulpun	Coal gasification project located near Valdivia in southern Chile.
Provisional pricing	A sales term in several copper and molybdenum concentrate sale agreements and cathodes sale agreements which provides for provisional pricing of sales at the time of shipment, with final pricing being based on the monthly average LME copper price or monthly average molybdenum price for specific future periods, normally ranging from 30 to 180 days after delivery to the customer. For the purposes of IAS 39, the provisional sale is considered to contain an embedded derivative (i.e. the forward contract for which the provisional sale is subsequently adjusted) which is separated from the host contract (i.e. the sale of metals contained in the concentrate or cathode at the provisional invoice price less tolling charges deducted).
Quiñenco	Quiñenco S.A., a Chilean financial and industrial conglomerate under the control of the Luksic family and listed on the Santiago Stock Exchange.
Realised prices	Effective sale price achieved comparing revenues (grossed up for tolling charges for concentrate) with sales volumes.
Reko Diq	Reko Diq is a substantial copper-gold porphyry district in south-west Pakistan. The Group’s interest is held through Tethyan Copper Company Limited, a 50-50 joint venture with Barrick Gold Corporation of Canada.
Río Figueroa	Río Figueroa, an exploration project located in Chile’s Atacama Region.
Sterling	United Kingdom currency.
SVS	Superintendencia de Valores y Seguros de Chile, the Chilean securities regulator.
Telégrafo	The former name of the Esperanza Sur copper prospect held through Esperanza and located in the Centinela Mining District.
Tethyan	Tethyan Copper Company Limited, a 50%-owned joint venture entity of the Group incorporated in Australia.
TSR	Total Shareholder Return, being the movement in the Company’s share price plus reinvested dividends.
Turnbull Guidance	The revised guidance on internal control for directors on Combined Code issued by the Turnbull Review Group in October 2005.
Twin Metals	Twin Metals Minnesota LLC, a 40%-owned subsidiary of the Group incorporated in the United States.
UK	United Kingdom.
2010 UK Corporate Governance Code	The UK Corporate Code published by the Financial Reporting Council in May 2010 and applicable to listed companies for reporting years beginning on or after 29 June 2010. The code replaced the 2008 Combined Code on Corporate Governance.
UKLA	United Kingdom Listing Authority.
US	United States.
US dollars	United States currency.

Glossary and definitions

Mining industry

Brownfield project	A development or exploration project in the vicinity of an existing operation.
By-products (credits in copper concentrates)	Products obtained as result of copper processing. Los Pelambres and Esperanza receive credit for the gold and silver content in the copper concentrate sold. Los Pelambres also produces molybdenum concentrate.
Concentrate	The product of a physical concentration process, such as flotation or gravity concentration, which involves separating ore minerals from unwanted wasted rock. Concentrates require subsequent processing (such as smelting or leaching) to break down or dissolve the ore minerals and obtain the desired elements, usually metals.
Contained copper	The proportion or quantity of copper contained in a given quantity of ore or concentrate.
Copper cathode	Refined copper produced by electrolytic refining of impure copper by electro-winning.
Cut-off grade	The lowest grade of mineralised material considered economic to process and used in the calculation of ore reserves and mineral resources.
Flotation	A process by which chemicals are added to materials in a solution which are attracted to bubbles and float, while other materials sink, resulting in the production of concentrate.
Grade A copper cathode	Highest quality copper cathode (LME registered and certificated in the case of El Tesoro and Michilla).
Greenfield project	The development or exploration of a new project not previously examined.
Heap-leaching	A process for the recovery of copper from ore. The crushed material is laid on a slightly sloping, impermeable pad and leached by uniformly trickling (gravity fed) chemical solution through the beds to ponds. The metal is then recovered from the solution through the SX-EW process.
JORC	Joint Ore Reserves Committee of Australia.
Leaching	The process by which a soluble mineral can be economically recovered by dissolution.
LOM or Life of Mine	The remaining life of a mine expressed in years, calculated by reference to scheduled production rates (i.e. comparing the rate at which ore is expected to be extracted from the mine to current defined reserves).
Mineral resources	Material of intrinsic economic interest occurring in such form and quantity that there are reasonable prospects for eventual economic extraction. Mineral resources are stated inclusive of ore reserves, as defined by JORC.
MW	Megawatts (one million watts).
Open pit	Mine working or excavation which is open to the surface.
Ore	Rock from which metal(s) or mineral(s) can be economically and legally extracted.
Ore grade	The relative quantity, or the percentage, of metal content in an ore body or quantity of processed ore.
Ore reserves	Part of Mineral Resources for which appropriate assessments have been carried out to demonstrate at a given date extraction could be reasonably justified and which include consideration of and modification by realistically assumed mining, metallurgical, economic, marketing, legal, environmental, social and governmental factors.
Oxide and Sulphide ores	Different kinds of ore containing copper. Oxide ore occurs on the weathered surface of ore-rich lodes and normally results in the production of cathode copper through a heap-leaching process. Sulphide ore comes from an unweathered parent ores process and normally results in the production of concentrate through a flotation process which then requires smelting and refining to produce cathode copper.
Payable copper	The proportion or quantity of contained copper for which payment is received after metallurgical deduction.
Porphyry	A large body of rock which contains disseminated chalcopyrite and other sulphide minerals. Such a deposit is mined in bulk on a large scale, generally in open pits, for copper and its by-product molybdenum.
Price participation	Part of the tolling charges for copper concentrate under a sales agreement, usually in addition to TC/RCs and calculated as a percentage of the difference between the copper price at final pricing and an agreed reference copper price, and which may result in an increase or decrease to TC/RCs.
Price sharing	Tolling charges calculated under a sales agreement as an agreed percentage of the price for the metal contained in copper concentrate, as an alternative to TC/RCs and/or price participation.
Run-of-Mine (ROM)	A process for the recovery of copper from ore, typically used for low-grade ores. The mined, uncrushed ore is leached with a chemical solution. The metal is then recovered from the solution through the SX-EW process.
Stockpile	Material extracted and piled for future use.
SX-EW	Solvent-Extraction and Electro-Winning. A process for extracting metal from an ore and producing pure metal. First the metal is leached into solution; the resulting solution is then purified in the solvent-extraction process; the solution is then treated in an electro chemical process (electro-winning) to recover cathode copper.
Tailings dam	Construction used to deposit the rock waste which remains as a result of the concentrating process after the recoverable minerals have been extracted in concentrate form.
TC/RCs	Treatment and refining charges, being terms used to set the smelting and refining charge or margin for processing copper concentrate and normally set either on an annual basis or on a spot basis.
Tolling charges	Charges or margins for converting concentrate into finished metal. These include TC/RCs, price participation and price sharing for copper concentrate and roasting charges for molybdenum concentrate.
Tpd	Tonnes per day, normally with reference to the quantity of ore processed over a given period of time expressed as a daily average.
Underground mine	Natural or man-made excavation under the surface of the Earth.

Currency abbreviations

US cents	Cents of US dollars.
US$	US dollar.
US$'000	Thousand US dollars.
US$m	Million US dollars.
£	Pounds sterling.
£'000	Thousand pounds sterling.
£m	Million pounds sterling.
p	pence.
C$m	Million Canadian dollars.
Ch$	Chilean peso.
CH$'000	Thousand Chilean pesos.
Ch$m	Million Chilean pesos.
A$	Australian dollars.
A$'000	Thousand Australian dollars.
A$m	Million Australian dollars.

Definitions and conversion of weights and measures

g/t	grammes per tonne.
lb	pound.
Ounce or oz	a troy ounce.
'000 m^3	thousand cubic metres.
'000 tonnes	thousand tonnes.
1 kilogramme =	2.2046 pounds.
1 metric tonne =	1,000 kilogrammes.
1 kilometre =	0.6214 miles.
1 troy ounce =	31.1 grammes.

Chemical symbols

Cu	Copper.
Mo	Molybdenum.
Au	Gold.
Ag	Silver.

Shareholder information

Dividends

Details of dividends proposed in relation to the year are given in the Directors' report on page 89, and in Note 12 to the financial statements.

If approved at the Annual General Meeting, the final dividend of 90.0 cents will be paid on 13 June 2013 to ordinary shareholders that are on the register at the close of business on 10 May 2013. Shareholders can elect (on or before 13 May 2013) to receive this final dividend in US Dollars, Pounds Sterling or Euro, and the exchange rate that will be applied to final dividends to be paid in Pounds Sterling or Euro will be set as soon as reasonably practicable after that date (which is currently anticipated to be on 16 May 2013).

Further details of the currency election timing and process (including the default currency for payment) are available on the Antofagasta plc website (www.antofagasta.co.uk) or from the Company's registrar, Computershare Investor Services PLC on +44 87 0702 0159.

Dividends are paid gross without deduction of United Kingdom income tax. Antofagasta plc is not resident in the United Kingdom for tax purposes and dividends paid by Antofagasta are treated in the same way as dividends received from any other foreign company.

Annual General Meeting

The Annual General Meeting will be held at Church House Conference Centre, Dean's Yard, Westminster, London SW1P 3NZ from 10.30 a.m. on Wednesday, 12 June 2013. The formal notice of the Annual General Meeting and resolutions to be proposed are set out in the Notice of Annual General Meeting.

London Stock Exchange listing

The Company's shares are listed on the London Stock Exchange.

The Company's American Depositary Receipts ("ADRs") also trade on the over-the-counter market in the United States. Each ADR represents the right to receive two ordinary shares.

Share capital

Details of the Company's share capital are given in Note 30 to the financial statements.

Shareholder calendar 2013

1 May 2013	Quarterly production report – Q1 2013
8 May 2013	Ex-Dividend date for 2012 Final Dividend
10 May 2013	Record date for 2012 Final Dividend
13 May 2013	Final date for receipt of 2012 Final Dividend Currency elections
16 May 2013	Pound Sterling/Euro rate set for 2012 Final Dividend
16 May 2013	Quarterly financial report – Q1 2013
12 Jun 2013	Annual General Meeting
13 Jun 2013	Payment date for 2012 Final Dividend
31 July 2013	Quarterly production report – Q2 2013
28 Aug 2013	Interim results announcement – Half year 2013
18 Sep 2013	Ex Dividend date for 2013 Interim Dividend
20 Sep 2013	Record date for 2013 Interim Dividend
23 Sep 2013	Final date for receipt of Interim Dividend currency elections
26 Sep 2013	Pound Sterling/Euro rate set for 2013 Interim Dividend
10 Oct 2013	Payment date for 2013 Interim Dividend
31 Oct 2013	Quarterly production report – Q3 2013
14 Nov 2013	Quarterly financial report – Q3 2013

Dates are provisional and subject to change.

Registrars

Computershare Investor Services PLC
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Bridgwater Road
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Tel: +44 87 0702 0159
www.computershare.com

Website

Antofagasta plc's annual and half-yearly financial reports, press releases and other presentations are available on the Group's website at **www.antofagasta.co.uk**

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Registered number

1627889

Additional information can be found in the Shareholder Information section of the Notice of Annual General Meeting and on the Group's website: **www.antofagasta.co.uk**

ANTOFAGASTA PLC

Visit **www.antofagasta.co.uk**
for up-to-date investor information
including our past financial results.

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Directors and advisors

Directors

Jean-Paul Luksic	Chairman
William Hayes	Non-Executive
Gonzalo Menéndez	Non-Executive
Ramón Jara	Non-Executive
Guillermo Luksic	Non-Executive
Juan Claro	Non-Executive
Hugo Dryland	Non-Executive
Tim Baker	Non-Executive
Manuel Lino Silva De Sousa-Oliveira (Ollie Oliveira)	Non-Executive
Nelson Pizarro	Non-Executive

Company Secretary

Petershill Secretaries Ltd
Plumtree Court, London EC4A 4HT

Auditor

Deloitte LLP

Solicitor

Clifford Chance LLP

Financial advisors

N M Rothschild & Sons

Stockbrokers

Merrill Lynch International

J.P. Morgan Cazenove

Banker

The Royal Bank of Scotland plc

Design and production

Radley Yeldar **www.ry.com**

Printing

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FSC – Forest Stewardship Council. This ensures that there is an audited chain of custody from the tree in the well-managed forest through to the finished document in the printing factory.

ISO 14001 – A pattern of control for an environmental management system against which an organisation can be credited by a third party.