Annual Report and Financial Statements 2009

Antofagasta

Antofagasta is a Chilean-based copper mining group with interests in transport and water distribution. It is listed on the London Stock Exchange and has been a constituent of the FTSE-100 index since 2004.

Antofagasta aims to be a significant and profitable enterprise by international standards. Its focus is on high-potential mining deposits and it seeks to realise value principally by developing and operating such deposits in order to produce copper and related by-products.

Sustainable development considerations form an integral part of Antofagasta's decision-making process. In the conduct of its activities, it places great importance on health and safety, management of human resources, community relations and environmental matters.

Today, Antofagasta's activities are mainly concentrated in Chile where it owns and operates three copper mines with a total production in 2009 of 442,500 tonnes of copper in cathode and concentrate and 7,800 tonnes of molybdenum in concentrate. It is also the principal provider of cargo transport and water distribution in the Antofagasta Region in the north of Chile.

As a result of the Los Pelambres expansion and Esperanza project the Group is expected to increase total copper production to over 700,000 tonnes per year by 2011. Antofagasta also has exploration and evaluation or feasibility programmes in North America, Latin America, Asia and Africa.

Antofagasta at a Glance

Antofagasta at a Glance

Mining

Antofagasta Minerals S.A. (AMSA) is the corporate centre for the mining division, based in Santiago, Chile. During 2009 its operations produced 442,500 tonnes of copper in concentrate (containing a small amount of gold and silver) and copper cathode as well as 7,800 tonnes of molybdenum in concentrate. Production is expected to increase to 543,000 tonnes in 2010 and exceed 700,000 tonnes in 2011. → Page 17

1 Securing and strengthening the Core Business

Current operations:	Los Pelambres	El Tesoro	Michilla
Shareholders:	60% Antofagasta plc, 40% Japanese consortia	70% Antofagasta plc, 30% Marubeni Corporation	74% Antofagasta plc, 26% other Chilean investors
2009 copper production:	311,600 tonnes payable copper	90,200 tonnes	40,600 tonnes
Forecast for 2010:	407,000 tonnes payable copper	96,000 tonnes	40,000 tonnes
2009 molybdenum production:	7,800 tonnes	–	–
Forecast for 2010:	9,500 tonnes	–	–
2009 cash costs:	80.4 cents per pound (114.5 cents per pound excluding by-products)	123.4 cents per pound	157.6 cents per pound
Forecast for 2010:	81 cents per pound (114 cents per pound excluding by-products)	156 cents per pound	162 cents per pound
2009 EBITDA:	US$1,408.9 million	US$231.7 million	US$27.9 million
Proved and probable reserves:	1.5 billion tonnes @ 0.64% copper with molybdenum	211.6 million tonnes @ 0.57% copper	9.5 million tonnes @ 1.35% copper

Development projects:

Los Pelambres expansion The US$1.0 billion plant expansion is now being commissioned and will increase plant throughput by approximately 30%, from the current 130,000 tonnes per day level to a 175,000 tonnes per day level in 2010, increasing payable copper production by approximately 90,000 tonnes per year from 2010. → Page 17

Esperanza The US$2.3 billion, 70% owned project located in Chile's Antofagasta Region which will produce on average approximately 191,000 tonnes of payable copper and 215,000 ounces of payable gold per year. The project is 65% complete at 31 December 2009 with commissioning expected to begin by the end of 2010. → Page 24

2 Organic and sustainable growth of the Core Business

Sierra Gorda District

Promising results from drilling programmes at Caracoles, Mirador and Telégrafo deposits.

Mineral inventory is estimated to be in the range of 2.6 to 4.1 billion tonnes with grades in the range of 0.50% to 0.41% copper.

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Los Pelambres District

Successful exploration programme conducted between 2006-2008.

Total mineral resources of 6.2 billion tonnes with an average copper grade of 0.52%.

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Michilla/Antucoya

Examining the potential to further extend the life of Michilla through to 2018.

Antucoya feasibility study for a stand-alone heap leach SX-EW project to be completed by mid-2011.

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3 Growth beyond the Core Business

Reko Diq

37.5% effective interest in exploration licences in Baluchistan, Pakistan.

Feasibility study and environmental and social impact study in final stages. Negotiations continuing for agreements with relevant authorities.

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Other exploration and evaluation activities

Exploration and evaluation activities both in Chile and internationally, through own exploration efforts and partnerships with other companies.

Early-stage exploration agreements in place for prospects in the Americas, Europe and Africa.

Heads of agreement signed with Duluth Metals Limited in January 2010 to acquire an interest in the Nokomis deposit in the United States.

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Transport

The Antofagasta Railway Company plc, founded in 1888, is the main cargo transport system in Chile's Antofagasta Region, with a network of over 900 kilometres in Chile and a controlling interest in the Ferrocarril Andino network in Bolivia. It has a 40% interest in Inversiones Hornitos S.A., a power plant under construction in Mejillones. → Page 30

Shareholders:	100% Antofagasta plc
2009 volume transported:	6.3 million tons by rail in Chile and Bolivia and 1.5 million tons by road in Chile
2009 EBITDA:	US$ 56.6 million

Water

Aguas de Antofagasta S.A. holds the concession for water distribution in Chile's Antofagasta Region. It produces and distributes potable water to customers and untreated water to industrial customers. → Page 31

Shareholders:	100% Antofagasta plc
2009 volume sold:	43.7 million cubic metres (including 1.1 million cubic metres of water transported)
2009 EBITDA:	US$ 60.2 million

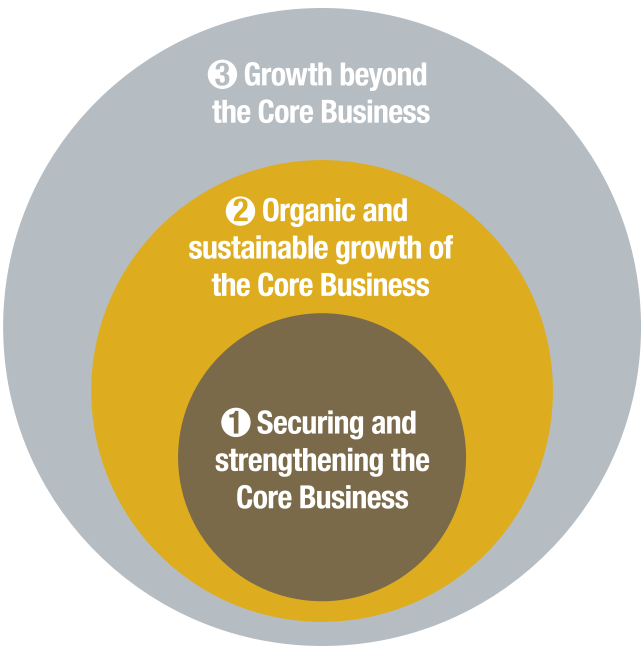
Antofagasta around the world

- Incorporated in the United Kingdom
- Listed on the London Stock Exchange (ANTO.L)
- FTSE-100 constituent since March 2004
- Level One ADR in United States (ANFGY)
- Market capitalisation at 31 December 2009 of US$15.7 billion
- 65% of ordinary share capital controlled by Luksic family of Chile with 35% free float

Key

- Operations and development projects
- Exploration and evaluation activities
- Registered office

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



→ More information on page 6

Strategic enablers

Quality of existing assets	**Strong financial position**	**Experienced management team**	**Extensive mineral resource base**
Commitment to health and safety	**Strong labour relations**	**Community relations**	**Efficient environmental management**

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Highlights

Group turnover (US$m)
2008: 3,372.6

2,962.6

Year-end net cash (US$m)
2008: 2,919.1

1,595.7

Earnings per share (US cents)
2008: 85.5 (excluding exceptional items);
173.1 (including exceptional items)[2]

67.7

Total dividends per ordinary share[3] (US cents)
2008: 60.0 (reflecting the exceptional gain on disposal in that year)

23.4

Strong operating performance with copper production of 442,500 tonnes, ahead of the original forecast for the year. Molybdenum production unchanged at 7,800 tonnes.

Reduced operating costs, with weighted average cash costs excluding by-product credits down 7% to 120.3 cents[1].

Financial position further strengthened in challenging market conditions, with US$1.8 billion raised in two major financings.

Continued progress with capital projects. The plant expansion at Los Pelambres was substantially complete by the end of 2009, and the Esperanza project is due to start commissioning by the end of 2010.

Increased potential through successful exploration from the Group's internal team and growing portfolio of international early-stage exploration and evaluation agreements.

[1] Cash costs are a measure of the cost of operational production expressed in terms of US cents per pound of payable copper produced. Further details are given in Note (c) on page 115.

[2] There were no exceptional items in the year ended 31 December 2009. Details of the 2008 exceptional items are set out in Note 5 to the financial statements.

[3] Total dividends represent dividends proposed in relation to the year.

Chairman's Statement

The Group achieved a strong operational performance during 2009 and, as a result of its strong asset base and sound financial position, has been able to continue its growth strategy without interruption in spite of the economic and financial pressures during the year.

J-P Luksic, Chairman

All three of the Group's business divisions performed well. Group copper production at the mining division was 442,500 tonnes, which was ahead of the original forecast for the year of 433,000 tonnes. Molybdenum production at Los Pelambres was 7,800 tonnes, in line with 2008. The transport and water divisions both achieved increased volumes. The Group's net earnings in 2009 were US$667.7 million compared with US$842.9 million in 2008 (excluding exceptional items in 2008). The decrease mainly reflects the expected reduction in copper volumes and lower molybdenum market prices in 2009. The Group's already strong financial position was further improved through the raising of US$1.8 billion in two major financings at Esperanza and Los Pelambres. At 31 December 2009 the Group's net cash balance was US$1,595.7 million.

Strategy

The mining division has achieved considerable progress in line with its strategic plan, which was established in 2008. The first pillar of the strategy is to secure and strengthen the core business of the Group. During 2009 the plant expansion at Los Pelambres was substantially completed, with the increased plant throughput level of 175,000 tonnes per day expected to be reached during the second quarter of 2010. Esperanza expects to complete construction and start commissioning of its new mine by the end of 2010. The second strategic pillar is to grow this core business by further developing the areas around its existing asset base. The Group's primary focus remains the Sierra Gorda district, which provides a range of excellent opportunities for growth in the medium and longer term. The Group intends in the medium term to assess how best to utilise the large resource base at Los Pelambres. Near Michilla, a feasibility study is in progress at the Antucoya deposit. The final element of the strategy is to develop and search for additional opportunities including early stage growth in copper both in Chile and abroad. At Reko Diq the feasibility study and the environmental and social impact assessment study are in their final stages. Discussions with the relevant authorities remain in progress, as agreements concerning a mining lease and mineral agreement have not yet been reached. During 2009 the Group has entered into a number of early-stage exploration agreements to further develop its portfolio of international exploration prospects. In January 2010 it also entered into an agreement to acquire an interest in the Nokomis deposit in the United States.

Sustainable development

The Group recognises that achieving its strategic plan depends on effective management of social and environmental issues, and during 2009 the mining division approved a social and environmental strategy which is integral to its business plan. This sets out the Group's objective to create economic, social and environmental value as a participant of the mining sector. It is founded on the principle that managing sustainability performance is key to maintaining the Group's social licence to operate and grow.

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Chairman's Statement continued

Health and safety

The Board deeply regrets the death of five of its workforce who lost their lives during the year at the Group's mining operations. The Board has a clear target of zero fatalities and considers any fatality to be unacceptable. Each incident was investigated by the relevant authorities and the Group, and we have taken action to prevent a recurrence.

Health and safety is one of the Group's key priorities and work to improve performance will continue over the year. The Group's lost time injury frequency rate improved in 2009 to an average of 2.8 injuries per million hours worked, from 4.4 in the previous year.

Dividends

The Board recommends a final dividend for 2009 of 20.0 cents per ordinary share, comprising an ordinary dividend of 6.0 cents and a special dividend of 14.0 cents. The final dividend amounts to US$197.2 million, and if approved at the Annual General Meeting will be paid on 10 June 2010. Including the interim dividend which was paid on 8 October 2009 this gives total dividends for the year of 23.4 cents per ordinary share, amounting to US$230.7 million and representing a distribution of 35% of 2009 net earnings. This is the same payout ratio as in 2008, when the total dividends of 60.0 cents in part reflected the exceptional profits realised in that year. As we have previously stated, our policy is to establish an ordinary dividend which can be maintained or progressively increased and to pay special dividends when appropriate, taking into account the profit earned, the Group's cash position and expected funding commitments. The Board believes this year's dividend payment combines the Group's desire to continue to return cash to shareholders with the ability to develop the Group's existing growth portfolio and to take advantage of opportunities that may arise.

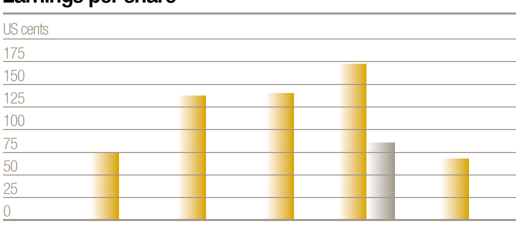
Recent events and outlook

Despite its severity and the very serious impact on parts of the country, the recent major earthquake in Chile of 27 February 2010 is not expected to have any material impact on the Group's existing operations, and none of our employees or contractors has suffered any injury at our sites as a result. However, some employees and many contractors at the Los Pelambres and Esperanza projects have families in the affected areas, and we have assisted them in temporarily returning home. There has also been some impact on power facilities for the expanded capacity at Los Pelambres and the supply of some steel structures for Esperanza which are fabricated in the damaged zone in the south of Chile. As a result, the commissioning of the Los Pelambres plant expansion is now expected to be completed in the second quarter of 2010, while the commissioning of Esperanza is expected to start by the end of the year. The earthquake has clearly caused great loss to some of our stakeholders in the country and we are working with them to provide support.

In January 2010 Sebastián Piñera was elected as the new president of Chile and will take office on 11 March. While this represents a change from the coalition which has governed since 1990, Chile is expected to remain both one of the most financially and politically stable countries in South America, and also one of the most favourable countries in which to conduct mining operations.

The near-term outlook for copper has improved significantly compared with early 2009, although prices could still remain volatile. Over the medium term the outlook for copper is positive, with the potential for significant supply side pressures over the forthcoming years.

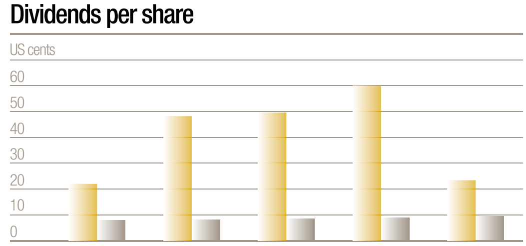
Earnings per share



2005	2006	2007	2008*	**2009**
73.6	137.4	140.2	173.1/85.5	**67.7**

*Earnings per share excluding exceptional items in 2008 were 85.5 cents.

Dividends per share



2005	2006	2007	2008	**2009**
22.0	48.2	49.6	60.0	**23.4**
8.0	8.2	8.6	9.0	**9.4**

Including special dividend   Excluding special dividend

For 2010, Group copper production from the existing three operations is expected to increase by approximately 23% to 543,000 tonnes, mainly as a result of the completion of the plant expansion at Los Pelambres. Molybdenum production at Los Pelambres is expected to be 9,500 tonnes compared with 7,800 tonnes in 2009, again due to the increased plant throughput as a result of the expansion. With the commissioning of Esperanza expected to start by the end of 2010, Group copper production in 2011 is expected to be over 700,000 tonnes.

The Group's sizeable exploration prospects in Chile, together with its increasing portfolio of international exploration projects, could provide further opportunities for long-term growth. The Group intends to use its sound financial position to continue to advance its existing assets and properties while continuing to seek opportunities globally to secure further world-class mining assets.

Board composition

Jozsef Ambrus retired from the Board on 14 October 2009. Jozsef had been a Non-Executive Director of Antofagasta plc since 2005, as well as for several years a Non-Executive Director of Antofagasta Minerals S.A. and Minera Michilla S.A. We are very grateful for his significant contribution to the Group over this period and would like to wish him every success for the future.

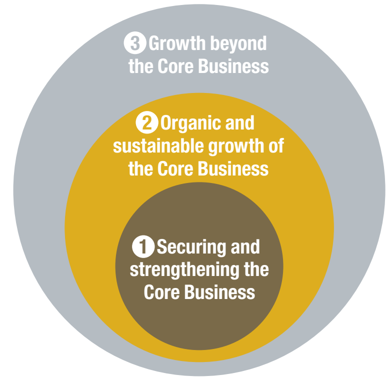
Antofagasta's team

The Group has an extremely strong and experienced management team, who have done a very impressive job of delivering such a positive operational performance in a very demanding environment during 2009. The chief executives of the Group's three divisions – Marcelo Awad in the mining division, Miguel Sepúlveda at the transport business and Marco Kútulas in the water division – have between them a wealth of experience both with the Group and in their respective industries. I would like to take this opportunity on behalf of the Board to thank them and all our staff for the commitment they have shown during a very challenging year, and for helping to ensure that the Group is well positioned for ongoing growth.

J-P Luksic
Chairman

8 March 2010

Strategy for the Mining Business



1 Securing and strengthening the Core Business

The first pillar of our strategy for the mining business is to optimise and enhance our existing core business – our operating assets and development projects.

Los Pelambres

Completion of the Los Pelambres plant expansion is expected to increase plant throughput by approximately 30%, from the current 130,000 tonnes per day level to a 175,000 tonnes per day level in 2010. As a result, the production of payable copper is expected to be 407,000 tonnes in 2010, compared with 311,600 tonnes in 2009.

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El Tesoro

During 2009 the El Tesoro plant began processing material from the Tesoro North-East deposit, and run-of-mine processing of the Esperanza oxide cap also commenced. These additional resources extend the mine life to 2019. As a result of the full year impact of these additional resources, production in 2010 is expected to increase to 96,000 tonnes from the 90,200 tonnes produced in 2009.

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Michilla

Michilla has approved an extension of its mine plan through to 2012 with expected production of 40,000 tonnes in 2010.

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Esperanza

Esperanza is expected to complete construction and begin commissioning by the end of 2010. Over its first 10 years of operation it is expected to produce on average 191,000 tonnes of payable copper in concentrate containing 215,000 ounces of payable gold annually.

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2 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.

Sierra Gorda District

The Group's primary focus for exploration in Chile remains the Sierra Gorda district, where El Tesoro and Esperanza are located. Promising exploration results have been obtained from drilling programmes at the Caracoles, Mirador and Telégrafo deposits. These could eventually provide further mineral resources to extend the life or scale of the existing El Tesoro and Esperanza plants, or for additional stand-alone operations in the future.

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Los Pelambres District

Los Pelambres has total mineral resources of 6.2 billion tonnes with an average copper grade of 0.52% which is significantly greater than the 1.5 billion tonnes of proven and probable reserves currently incorporated in Los Pelambres' mine plan. This presents opportunities for longer term planning either by providing additional material in future years to extend the existing mine life, or by enabling Los Pelambres in the longer term to consider possibilities for future growth.

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Michilla/Antucoya

The Group is currently carrying out studies to examine the potential to further extend the life of Michilla through to 2018. In August 2009 a decision was taken to progress with a full feasibility study for a stand-alone heap leach SX-EW operation at Antucoya, located approximately 45km east of Michilla. The feasibility study is expected to be completed by mid-2011.

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3 Growth beyond the Core Business

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

Reko Diq

The feasibility study and the environmental and social impact assessment study are in their final stages with negotiations continuing for agreements with relevant authorities for a mineral agreement and mining lease. The mineral resource estimate at Reko Diq is 5.9 billion tonnes with an average copper grade of 0.41% and an average gold grade of 0.22g/t.

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Other exploration and evaluation activities

The Group is undertaking extensive exploration work throughout the world. The Group's internal team conducts exploration on its own account principally in Chile. The Group has also been growing its portfolio of international early-stage exploration agreements.

In January 2010 a Heads of Agreement was signed with Duluth Metals Limited to acquire an interest in the Nokomis deposit in the United States.

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Strategy for the Mining Business continued

The Group uses the following enablers to support our strategy:

Quality of existing assets

The Group has a high-quality, low-cost portfolio of operating assets and development projects, with a weighted average net cash cost of 96.3 cents/lb in 2009. This means it is well positioned to perform strongly throughout the commodity price cycle. The Esperanza project will add additional new production also with a low net cash cost.

→ Page 17 to 25

Strong financial position

The Group has a strong balance sheet, with net cash of $1.6 billion at the end of 2009. Its strong financial position has allowed it to maintain its growth plans in full, despite the difficult financial markets. It further strengthened its position through two major financings for a total of US$1.8 billion.

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Experienced management team

The Group's stable, well-established management team has an excellent track record of delivering on planned production growth and operational performance.

→ Page 5

Extensive mineral resource base

The Group has substantial mineral resources, well in excess of the ore reserves incorporated in existing mine plans, which could provide the potential for expansions in production volumes or extensions of existing mine lives.

→ Page 26 to 29 and Page 108 to 113

Commitment to health and safety

Management of health and safety is a key priority for the Group. The Group aims to work to the highest standards to safeguard its employees, contractors and communities.

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Strong labour relations

The Group values the importance of its workforce. The Group provides its employees with training and opportunities to fulfil their potential, and with fair remuneration which reflects their contribution. This has been reflected in the good history of labour relations across the Group.

→ Page 36 and 37

Community relations

The Group seeks to manage the social impact of its activities, and aims to make use of its operations as a platform for the social and economic development of its local communities.

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Efficient environmental management

The Group recognises the importance of the effective management of the environmental impacts of its activities, from exploration through to closure. It promotes efficient management of natural resources, in particular energy efficiency and responsible water use.

→ Page 39 to 41

Social and environmental strategy

The Group recognises that achieving its strategic plan depends on effective management of social and environmental issues, and during 2009 the mining division approved a social and environmental strategy which is integral to its business plan. This sets out the Group's objective to create economic, social and environmental value as a participant of the mining sector. → Page 33

Marketplace

The Group's businesses, and in particular the mining division, are heavily dependent on the copper and molybdenum markets which in turn are significantly influenced by the international economy.

Our products

The principal product of the Group's mining business is copper. The Los Pelambres mine produces copper concentrate, through a milling and flotation process. The El Tesoro and Michilla mines produce refined copper cathodes, using heap-leaching processes (and in the case of El Tesoro also a run-of-mine leaching process) and then solvent-extraction electro-winning ("SX-EW"). The Group's Esperanza mine, which is due to start operating at the end of 2010, will produce copper concentrate. Los Pelambres' copper concentrate is normally sold to smelters for further processing and refining into copper cathodes. El Tesoro and Michilla's copper cathodes are typically sold to copper fabricators, for processing into applications including copper wiring and tubing for use by industrial end-users. The principal end markets for refined copper are construction and electrical and electronic products, which account for more than 60% of global copper demand, followed by industrial machinery, transport and consumer products.

Sales of copper are typically priced 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. Cathodes of a certain quality or from certain locations may attract a premium above the LME price. In addition, 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, 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 one month from the month of shipment in the case of cathode sales and on average three months from the month of shipment in the case of concentrate sales).

A significant proportion of the Group's sales of copper concentrate are made under long-term framework agreements. These framework contracts will typically set out the annual volumes to be supplied, with the pricing of the contained copper in accordance with market prices as explained above, and the TC/RCs to be determined annually, normally in line with industry benchmark terms. A significant proportion of the Group's copper cathode sales are made under annual contracts, which again specify volumes to be supplied, and with pricing in line with market prices as explained above.

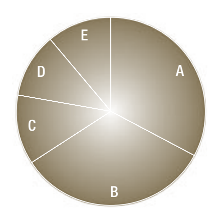
Los Pelambres also produces molybdenum, a metal which is primarily used in the production of high-quality steel alloys, and to a lesser extent in the catalyst sector. This is sold in concentrate form to molybdenum roasters for further processing and refining. These sales are priced in accordance with market prices, and as with copper concentrate are subject to final pricing adjustments (on average one month from the month of shipment).

The transport division provides rail and road services, with its main business being the transportation of copper cathodes from and sulphuric acid to mines in Chile's Antofagasta Region. These services are typically provided to customers under long-term contracts, often with agreed pricing levels which are subject to adjustments for inflation and movements in fuel prices.

The water division operates a 30-year concession for the distribution of water in Chile's Antofagasta Region, which it acquired in 2003. It consists of two businesses – a regulated business supplying approximately 144,000 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.

Global copper consumption by market sector

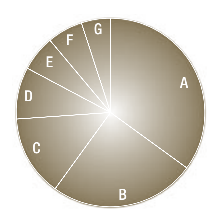
	%
A Construction	33
B Electronic and electronic products	33
C Industrial machinery	12
D Transport	11
E Consumer products	11
TOTAL	100



Source: Brook Hunt, A Wood MacKenzie company (December 2009)

Global molybdenum consumption by market sector

	%
A Constructional steel	35
B Stainless steel	25
C Chemicals	14
D Tools and highspeed steel	9
E MoMetals	6
F Cast Iron	6
G Superalloys	5
TOTAL	100



Source: IMOA (2008 data)

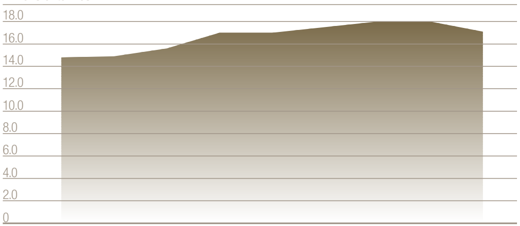
Global economy

There was a pronounced, global downturn in industrial activity during 2009 which began in the second half of 2008. The decrease in global industrial production ("IP") in 2009 has been estimated at approximately 7%, with the decrease particularly sharp in OECD countries, which experienced an average fall of around 11%. Some emerging economies, though, continued to grow, with Chinese IP growth estimated at approximately 11%. Prospects for 2010 are more positive, with initial forecasts for IP growth of approximately 4% in this year.

Marketplace continued

World copper consumption

Millions of tonnes

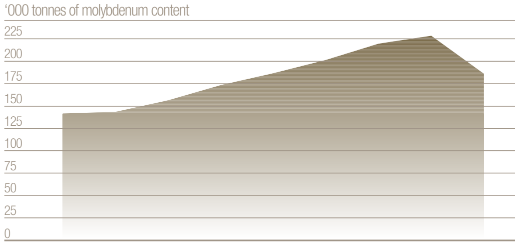


2001	2002	2003	2004	2005	2006	2007	2008	**2009**
14.8	14.9	15.6	17.0	17.0	17.5	18.0	18.0	**17.1**

Source: Brook Hunt, A Wood Mackenzie company (December 2009)

World molybdenum consumption

'000 tonnes of molybdenum content



2001	2002	2003	2004	2005	2006	2007	2008	**2009**
141.7	143.5	156.4	173.4	186.7	201.6	219.8	228.6	**186.1**

Source: IMOA

Refined copper market

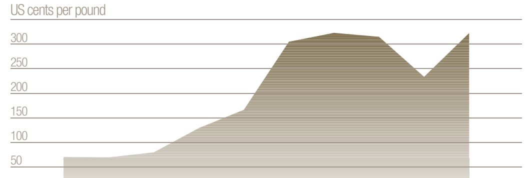
After three years of very strong prices, the copper price suffered a sharp fall in the second half of 2008 as a result of the global financial crisis and ensuing economic downturn. By the end of 2008 the copper price had fallen to approximately 130 cents per pound, its lowest level for more than four years, prompting production cuts and project delays across the industry. However, the relative speed and extent of the recovery in the copper price during 2009 was stronger than many had envisaged at the start of the year. This was driven mainly by strong demand from China as a result of underlying growth, restocking and support from the government-led fiscal stimulus package, but also an increased level of financial investment in commodities particularly in the second half of the year. The price rose relatively steadily throughout most of 2009, and by 31 December 2009 had reached 333.2 cents per pound despite rising visible inventory levels particularly in the final quarter. Over the course of 2009 the LME copper price averaged 234.2 cents per pound, compared with an average of 315.3 cents per pound in 2008. However, the Group's average realised copper price actually increased by 1.5% to 270.6 cents per pound (2008 – 266.7 cents), despite this decrease in the average LME price. This was mainly due to the positive impact of adjustments to provisionally priced sales which offset the lower market prices and the impact of realised hedging losses. The general increase in the copper price during 2009 resulted in positive provisional pricing adjustments; conversely, the sharp fall in the copper price in the second half of 2008 had resulted in negative adjustments in that year.

In the first two months of 2010 LME copper prices have averaged 323 cents per pound, just slightly below the position at 31 December 2009. Trade figures from China remain encouraging and several commentators expect Chinese demand to remain robust in 2010, while there are tentative signs of a recovery of demand in Europe and the United States. Current consensus estimates are for the copper price to average over 300 cents per pound in 2010, with the market expected to be in balance or possibly a small surplus. Nevertheless, concerns remain about the extent and sustainability of a recovery in the OECD, possible monetary tightening in China and the impact of eventual withdrawal of fiscal stimulus measures taken last year. With increased levels of financial investment in commodity markets, prices could remain sentiment-driven and therefore volatile through the year.

Over the medium term the outlook for copper is positive. Copper faces supply side pressures over the forthcoming years, which have been increased by the project delays and cancellations seen in the second half of 2008 and early 2009. Limited major new production coming on stream, combined with declining ore grades at existing mature mines, could result in a tight copper market, particularly if a sustained recovery in demand occurs in the OECD. Consensus views are for the copper market to move into deficit in 2011.

LME copper price

US cents per pound



2001	2002	2003	2004	2005	2006	2007	2008	**2009**	**2010***
71.6	70.7	80.7	130.0	167.1	305.3	323.3	315.3	**234.1**	**322.8**

*Represents first two months of 2010 only.

Copper concentrate market

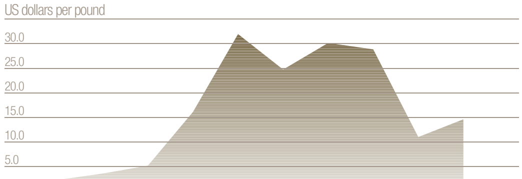
The concentrate market has continued to be in deficit, with available smelting capacity significantly in excess of mine supply, resulting in low treatment and refining charges (TC/RCs) which favour mine producers. Current consensus estimates are for a deficit of approximately 1.5 million tonnes of contained copper in 2010, with a deficit expected to continue for a number of years. This has been reflected in improved terms for miners with settlements for the annual negotiations for 2010 at the level of US$46.5 per dry metric tonne of concentrate for smelting and 4.65 cents per pound of copper for refining, compared with US$75 and 7.5 cents respectively agreed for 2009. However, the impact of this improvement in annual terms is staggered by the "brick system" in many contracts whereby the benchmark is often averaged over two years.

Molybdenum market

Realised molybdenum prices in 2009 were US$11.3 per pound, which was broadly in line with the average market price of US$11.1 per pound but significantly lower than the average 2008 realised price of US$23.9 per pound and average market price of US$28.9 per pound. Poor demand in Europe and the United States for most of the year was mitigated, like copper, by a strong supply response through production cuts and project deferrals in late 2008 and a high level of imports into China, which had previously been a net exporter of this metal.

The first two months of 2010 have seen a further recovery in the price, reaching over US$17.0 per pound at the end of February 2010. Europe and the United States have shown an improvement in the level of spot activity following a poor year for demand in 2009, with little current sign of the return of excess supplies for export from China. Consensus estimates suggest prices close to the current level could be sustainable during 2010. Nevertheless, prices remain well below the peak levels of 2007 and early 2008. While several molybdenum projects were put on hold during 2008 and have not been re-initiated, some idled production capacity could become available should prices strengthen. The LME started trading three-month molybdenum futures in February 2010. This new market still remains at an early stage, but could provide greater depth and transparency to molybdenum prices in the longer term as it develops.

Molybdenum market price



2001	2002	2003	2004	2005	2006	2007	2008	**2009**	**2010***
2.4	3.7	5.3	16.2	32.0	24.8	30.2	28.9	**11.1**	**14.7**

*Represents first two months of 2010 only.

Key inputs

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, 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.

There was a general easing of market cost pressures in the latter part of 2008 and early 2009, in line with the general economic downturn and fall in demand for commodities. The improvement in the commodity markets seen during the course of 2009 and into 2010 has, however, also seen a return of market cost pressures.

The Group enters into medium and long-term contracts for a range of key inputs to help ensure continuity of supply and in some cases to guarantee cost levels. Labour agreements are in place at all of the Group's mining operations, generally covering periods of between three to four years. In May 2009 Esperanza reached a two-year collective agreement with its labour union, and now all of the labour agreements in the mining business run until at least 2011. The Group has long term electricity supply contracts in place at each of its mines. In most cases the cost of electricity under these contracts will be linked to some degree to the current cost of electricity on the Chilean grids or the costs of generation of the particular supplier.

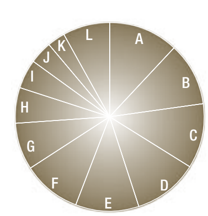
The Group also normally contracts for the majority of its sulphuric acid requirements for future periods of a year or longer, at specified rates. The average price per tonne of acid for the Group during 2009 was approximately 20% lower than in 2008, reflecting the general easing of the acid market. Spot acid prices were starting to rise towards the end of 2009 and at the start of 2010. However, the Group has been able to contract for its 2010 requirements at rates significantly below those achieved in 2009, which could further reduce the average price per tonne of acid by approximately 30% compared with 2009.

The Group benefitted from the reduction in oil prices in 2009. The average market price for oil during 2009 was US$62 per barrel (WTI), compared with US$100 in 2008, a decrease of approximately 40%. Again, though, prices were rising during 2009 and into 2010, increasing from US$45 per barrel at the start of 2009 to US$80 per barrel by 31 December 2009, with prices remaining at these levels in the first two months of 2010.

The Group's costs are also impacted by the Chilean peso exchange rate, as on average across the Group's mining operations approximately 35% 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 exchange rate at the start of 2009 was Ch$640/US$ a weakening in the Peso of almost 50% from its high point during 2008 of Ch$430/US$. However, the peso strengthened relatively steadily throughout 2009, finishing the year at Ch$507/US$, and the average exchange rate during 2009 of Ch$560/US$ was only 7% weaker than the 2008 average of Ch$522/US$.

2009 Group weighted average cash cost excluding by-products credits by type

	%
A Energy	12
B Administration	11
C Equipment rental	11
D Labour	11
E Maintenance	11
F Explosives and reactives	10
G Sulphuric acid	8
H Other consumables	6
I Shipping & TC/RC	5
J Steel milling balls	4
K Services	3
L Other costs	8
TOTAL	100



% breakdown of weighted average cash costs excluding by-product credits of 120.3 cents per pound.

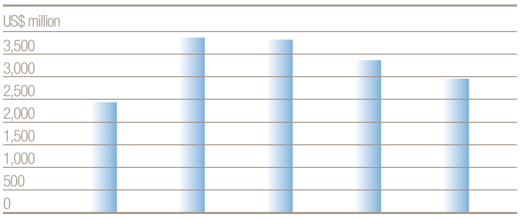
Key Performance Indicators

The Group uses the following KPIs to assess progress against our strategy:

Financial KPIs

Turnover — US$2,962.6m

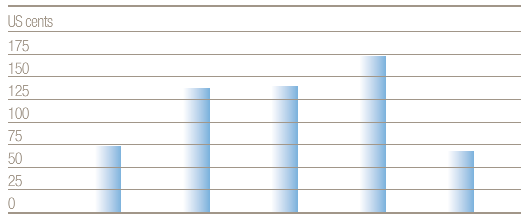
Turnover represents the value of goods and services supplied to third parties during the year.



2005	2006	2007	2008	**2009**
2,445.3	3,870.0	3826.7	3,372.6	**2,962.6**

Earnings per share — US67.7 cents

Earnings per share is calculated as the net profit attributable to equity holders of the Company, divided by the number of ordinary shares in issue.



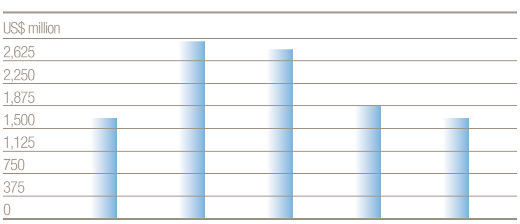
2005	2006	2007	2008*	**2009**
73.6	137.4	140.2	173.1	**67.7**

*Earnings per share excluding exceptional items in 2008 were 85.5 cents

→ An analysis of Financial KPIs is included within the Financial Review on pages 42 to 49.

EBITDA — US$1,680.7m

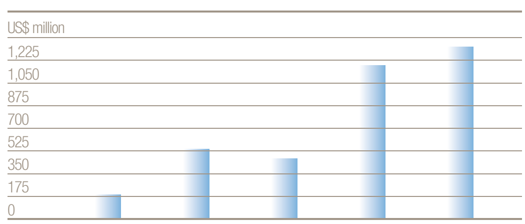
EBITDA refers to Earnings Before Interest, Tax, Depreciation and Amortisation. EBITDA is calculated by adding back depreciation, amortisation and profit or loss on disposals of property, plant and equipment and impairment charges to operating profit from subsidiaries and joint ventures.



2005	2006	2007	2008	**2009**
1,674.1	2,957.3	2,824.0	1,899.8	**1,680.7**

Capital expenditure — US$1,335.4m

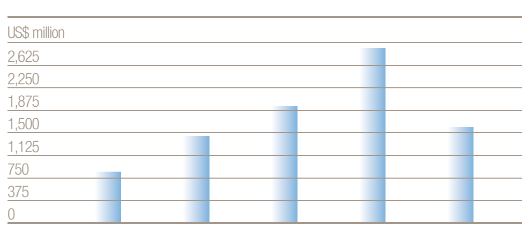
Capital expenditure refers to amounts capitalised in respect of the purchase of property, plant and equipment.



2005	2006	2007	2008	**2009**
186.3	539.0	466.0	1,189.6	**1,335.4**

Net cash — US$1,595.7m

Net cash represents cash and cash equivalents less borrowings.

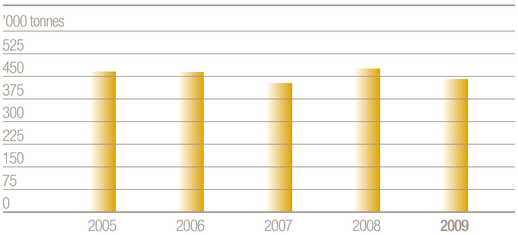


2005	2006	2007	2008	**2009**
851.5	1,446.8	1,946.5	2,919.1	**1,595.7**

Operational KPIs

Copper production — 442,500 tonnes

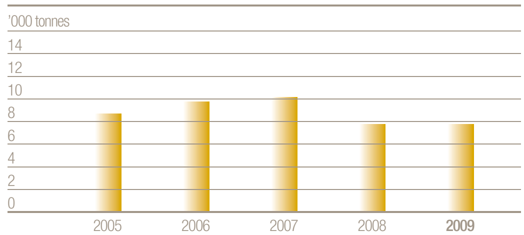
Copper production comprises the concentrate and cathode output of the Group's three operating mines, Los Pelambres, El Tesoro and Michilla. Los Pelambres produces copper concentrate, and its figures are expressed in terms of payable metal contained in concentrate.



2005	2006	2007	2008	**2009**
467.3	465.5	428.1	477.7	**442.5**

Molybdenum production — 7,800 tonnes

Molybdenum production is the concentrate output from the Group's Los Pelambres mine. These production figures are expressed in terms of payable metal contained in concentrate.

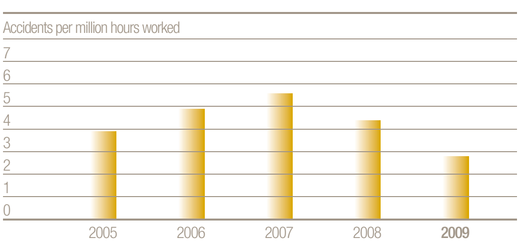


2005	2006	2007	2008	**2009**
8.7	9.8	10.2	7.8	**7.8**

→ An analysis of the Group's copper and molybdenum production are included within the review of each operation in the Business Review on pages 17 to 24 and within the Financial Review on pages 42 and 43.

Lost time injury frequency rate (LTIFR) — 2.8

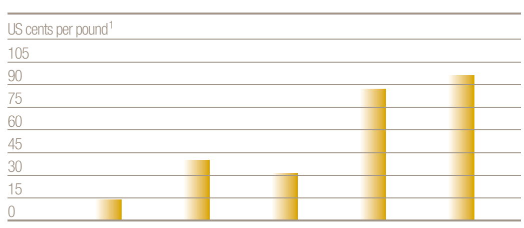
The safety and health of employees and contractors is a priority to the Group. The lost time injury frequency rate is the number of accidents with lost time during the year per million hours worked.



2005	2006	2007	2008	**2009**
3.9	4.9	5.6	4.4	**2.8**

Cash costs — US96.3 cents

Cash costs are a measure of the cost of operational production expressed in terms of US 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. Cash costs exclude depreciation, financial income and expenses, hedging gains and losses, exchange gains and losses, and corporation tax.



2005	2006	2007	2008	**2009**
13.9	40.2	31.6	87.3	**96.3**

[1] Cash costs are an industry measure of the cost of production and are further explained in Note (c) on page 115.

→ An analysis of the Group's cash costs are included within the review of each operation in the Business Review on pages 17 to 24 and within the Financial Review on pages 42 and 43.

→ An analysis of the lost time injury frequency rate is set out within the Corporate Sustainability report on page 36.

Principal Risks and Uncertainties

The Group faces a variety of risks which could negatively impact its performance, earnings, financial position, reputation and future prospects. Over the past year we have refined the process of identifying, evaluating and monitoring strategic risks in order to focus on the most significant events that could impact the Group's performance. Set out below are the principal risks and uncertainties identified and the steps the Group has taken to mitigate each of them. There may be additional risks unknown to the Group and other risks, currently believed to be insignificant, could turn out to be significant. These risks, whether they materialise individually or simultaneously, could significantly affect the Group's business and financial results.

→ Further information about the Group's risk management systems are given in the Corporate Governance Report on pages 56 and 57 and in the Sustainability Report on page 35. Further detailed disclosure in respect of financial risks relevant to the Group are set out in Note 25(c) to the financial statements and on pages 46 and 47 of the Financial Review.

Risk	Mitigation	
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 47. Details of hedging arrangements put in place by the Group are included within the Financial Review on page 46 and in Note 25(e) to the financial statements.
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 could impact opportunities for the growth of the Group. A 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 Marketplace section on page 11, and details of significant operational or cost factors related to key inputs are included within the Business Review on pages 17 to 31.
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. The withdrawal or variation of permits already granted and changes to 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.	→ Details of any significant political, legal or regulatory developments impacting the Group's operations are included within the review of operations in the Business Review on pages 17 to 31.
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 is committed to managing the social impact of its activities by utilising several instruments to ensure clear communication with local stakeholders, such as local perception surveys, local media and community meetings.	→ Details of the Group's community relations activities are included in the Corporate Sustainability report on page 38.

Risk	Mitigation	
Growth opportunities The Group needs to identify new mineral resources and development opportunities in order to ensure continued future growth. The Group seeks to identify new mineral resources through exploration. There is a risk that exploration activities may not identify viable mineral resources. 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 has teams conducting active exploration programmes both within Chile and elsewhere. The Group has also entered into early-stage exploration agreements with third parties in a number of countries throughout the world. The Group assesses a wide range of potential growth opportunities, both from its internal portfolio and external opportunities, to maximise the growth profile of the Group. A rigorous assessment process is followed to evaluate all potential business acquisitions.	→ A review of the Group's exploration activities, its exploration agreements and other growth opportunities are set out in the Business Review on pages 26 to 29.
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 being deemed uneconomic, and could lead to a reduction in reserves.	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 ore reserves and mineral resources estimates, along with supporting explanations, are set out on pages 108 to 113.
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. 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 is included within the Business Review on pages 17 to 31.
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 is included within the Business Review on pages 17 to 31.
Employees and contractors The Group's skilled workforce is essential both to maintain its current operations and to successfully complete the Group's development projects. The loss of skilled workers and failure to recruit new staff may lead to increased costs or delays. Labour disputes may lead to operational interruptions and higher costs and could have a negative impact on the Group's earnings.	There are long-term labour contracts in place at each of the Group's mining operations which help to ensure labour stability. The Group maintains appropriate and transparent dialogue with its employees, and invests in employee training and development. 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 Corporate Sustainability report on pages 36 and 37 and within the review of the operations in the Business Review on pages 17 to 31.
Health, safety and the environment The Group operates in an industry that is subject to numerous health, safety and environmental laws and regulations as well as community expectations. Non-compliance could result in harm to the Group's workers, the environment and the communities in which the Group operates, disruption to the Group's operations, as well as fines and penalties and damage to its reputation.	The Group attaches a very high priority to health, safety and environmental matters. The Group monitors relevant legislation and regulations relating to health, safety and the environment to ensure continued compliance. The Group provides for future site closure and remediation costs, based on analysis produced by external expert advisors.	→ Further information in respect of the Group's activities in respect of health, safety and the environment is set out in the Corporate Sustainability report on pages 36 and 39 to 41.

Business Review

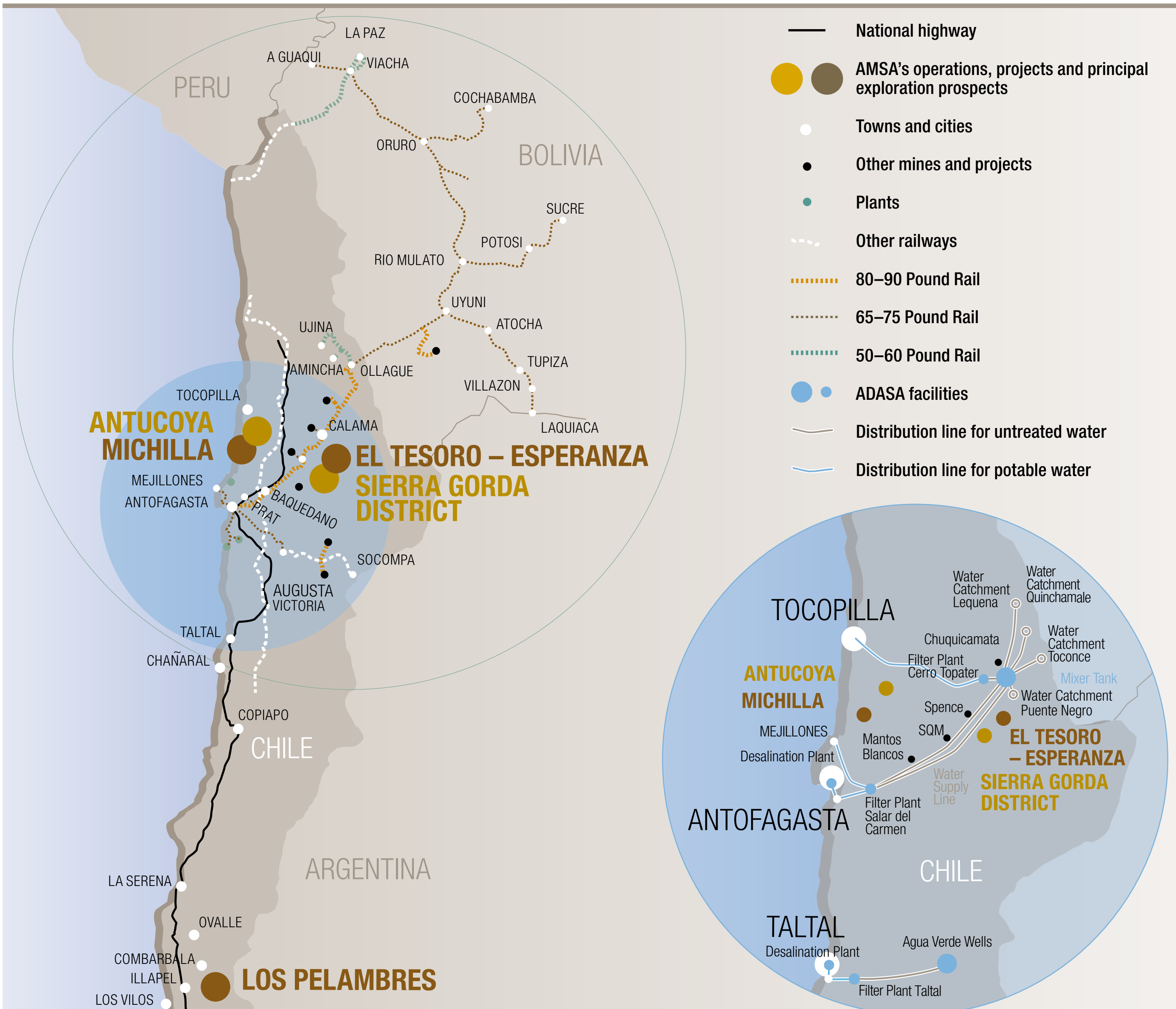
Mining

1 Securing and strengthening the Core Business
2 Organic and sustainable growth of the Core Business
3 Growth beyond the Core Business

Transport

Water

Corporate sustainability



Mining

1 Securing and strengthening the Core Business

Los Pelambres

Completion of the Los Pelambres plant expansion is expected to increase plant throughput by approximately 30%, from the current 130,000 tonnes per day level to a 175,000 tonnes per day level in 2010. As a result, the production of payable copper is expected to be 407,000 tonnes in 2010, compared with 311,600 tonnes in 2009.

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.

Revenue at Los Pelambres in 2009 was US$2,081.5 million, slightly below the US$2,172.0 million achieved in 2008. The reduction reflected a decrease in copper volumes and the lower molybdenum price, largely offset by an increase in the realised copper price.

Los Pelambres produced 311,600 tonnes of payable copper in 2009, a reduction compared to the 2008 full year production of 339,200 tonnes, although ahead of the original forecast for the year of 300,000 tonnes. The decrease in production compared to 2008 was mainly due to lower plant throughput due to the higher level of harder primary ore and a marginal decrease in ore grades. Ore throughput averaged 129,200 tonnes per day (2008 – 136,800 tonnes per day), while the ore grade in the area of the open pit mined during the year was 0.74% copper (2008 – 0.76%). Molybdenum production was unchanged from 2008 at 7,800 tonnes, with marginally higher ore grades and metallurgical recoveries offsetting the lower plant throughput.

Realised copper prices at Los Pelambres were 286.8 cents per pound, 16% higher than the 2008 realised price of 246.5 cents per pound. This was despite the average LME price for the year of 234.2 cents per pound actually being 26% lower than in the previous year (2008 – 315.3 cents per pound). The general increase in the copper price during 2009 resulted in positive pricing adjustments of US$380.3 million, reflecting both the settlement of open sales in the year and the impact of mark-to-market adjustments at the beginning and end of the year. Conversely, the sharp fall in the copper price in the second half of 2008 resulted in negative adjustments of US$541.9 million in 2008. Realised molybdenum prices were US$11.3 per pound (2008 – US$23.9 per pound) which was broadly in line with the average market price of US$11.1 per pound (2008 – US$28.9 per pound). Further details of pricing adjustments for both copper and molybdenum are given in the Financial Review on pages 42 and 43 and in Note 25(d) to the financial statements.

Key data for 2009

311,600

Payable copper (tonnes)
2008: 339,200

80.4

Cash costs
(US cents per pound)
2008: 57.3

Location:	Chile's Coquimbo Region, 240km northeast of Santiago
Shareholders:	60% Antofagasta plc 40% Japanese Consortia
Ore Reserves:	1,502.6 million tonnes @ 0.64% copper, 0.018% molybdenum and 0.03 g/tonne gold
Mineral Resources:	6,164.9 million tonnes @ 0.52% copper, 0.011% molybdenum and 0.03 g/tonne gold

Los Pelambres open pit

Mining continued

1 Securing and strengthening the Core Business

Cash costs for 2009, which are stated net of by-product credits and include tolling charges, were 80.4 cents per pound compared with 57.3 cents per pound for 2008, an increase of 23.1 cents. This was mainly due to a 25.1 cents per pound decrease in by-products credits as a result of lower molybdenum market prices. There was a decrease of 4.2 cents in on-site and shipping costs compared with 2008, mainly due to lower shipping costs and energy prices offset by the effect of the lower production. Tolling charges were 2.2 cents per pound higher than in 2008. The individual components of Los Pelambres' cash costs are set out on page 114.

Los Pelambres achieved an operating profit of US$1,280.7 million in 2009, 5.0% below 2008, reflecting the lower copper production and reduced molybdenum prices as well as increased depreciation charges, partly offset by higher realised copper prices and lower on-site and shipping costs.

Between December 2009 and January 2010 Los Pelambres entered into new corporate loan facilities for US$750 million, partly to fund costs associated with the plant expansion and also to refinance existing short-term facilities. This comprised a five-year commercial bank facility for US$505 million in December 2009 and a seven-year facility with Japan Bank for International Cooperation ("JBIC") in January 2010, which is expected to be drawn down during the first quarter of 2010. Total borrowings (net of deferred financing costs) at the end of 2009 were US$821.9 million (2008 – US$376.6 million).

The Mauro tailings dam, which started up in November 2008, became fully operational in the first quarter of 2009. As previously disclosed, in late 2008 Los Pelambres became aware of legal proceedings which had been initiated in first instance courts in Santiago and in Los Vilos by certain members of the Caimanes community located near the Mauro valley. These claims, several of which have now been rejected by the relevant courts, seek to prevent the continued operation of the Mauro tailings dam. Los Pelambres continues to take necessary steps to protect its position and remains confident of its rights to continue the operation of the dam.

Total capital expenditure during 2009 was US$475 million. This expenditure predominantly related to the expansion of the plant's throughput capacity to 175,000 tonnes per day, through additional infrastructure including a third SAG mill and sixth ball mill. The construction work on the expansion was substantially complete by the end of 2009. The expansion remains on budget at approximately US$1 billion. Cumulative expenditure on this project at the end of 2009 was approximately U$920 million, of which US$400 million was incurred in 2009. The capitalised expenditure in respect of the plant expansion will start to be depreciated during 2010, resulting in increased depreciation at Los Pelambres. The additional throughput is expected to increase production of payable copper by an annual average of 90,000 tonnes over the next 15 years.

As explained below Los Pelambres is also continuing to review options for the long-term development of the mine. The total mineral resources base for Los Pelambres is 6.2 billion tonnes, compared with the 1.5 billion tonnes of ore reserves reported. This will present opportunities for longer-term planning either to extend the existing mine life or by enabling Los Pelambres to consider possibilities for long-term future growth.

Los Pelambres port facility at Punta Chungo

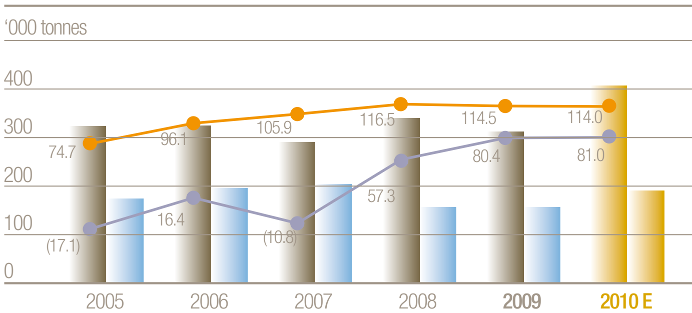
During the recent earthquake near Concepción on 27 February 2010, Los Pelambres suffered a brief stoppage to production as a result of interruption to power supply, but operations were successfully restarted the following day. Repairs are required to facilities which provide the power requirements for the additional production at the plant expansion. Some workers and contractors involved in the commissioning process who have families in affected areas have also been given assistance in temporarily returning home. Accordingly the 175,000 tonnes per day level is expected to be reached in the second quarter of this year rather than at the end of the first quarter as was originally anticipated. Nevertheless, the plant is expected to be able to run in excess of this level in the second half of the year, and hence the ore processing level is expected to average 175,000 tonnes per day for the year as a whole, which represents the annual limit under existing environmental permits.

The ore grade for the year is expected to average 0.72%. Accordingly, forecast production of payable copper for 2010 is expected to remain at approximately 407,000 tonnes, a 30% increase on 2009.

Molybdenum production is also expected to be significantly higher than 2009 at 9,500 tonnes, due to the higher plant throughput, although the increased throughput is expected to be partly offset by slightly lower molybdenum grades of approximately 0.019%.

On-site and shipping costs are expected to remain broadly stable in 2010 at approximately 95 cents per pound compared with 95.3 cents in 2009, with economies of scale from the plant expansion expected to offset general cost inflation. Tolling charges are also expected to remain largely flat at approximately 19 cents against 19.2 cents in 2009, with the lower benchmark terms for 2010 offset by the averaging effect of the brick system, although tolling charges in a small portion of contracts will be impacted by changes in the copper price. Cash costs before by-product credits are, therefore, expected to remain largely unchanged at approximately 114 cents per pound compared with the 114.5 cents per pound in 2009. Based on a molybdenum price of approximately US$13 per pound, by-product credits are expected to be around 33 cents per pound, compared with 34.1 cents in 2009, which would give net cash costs of approximately 81 cents in 2010, compared with 80.4 cents in 2009.

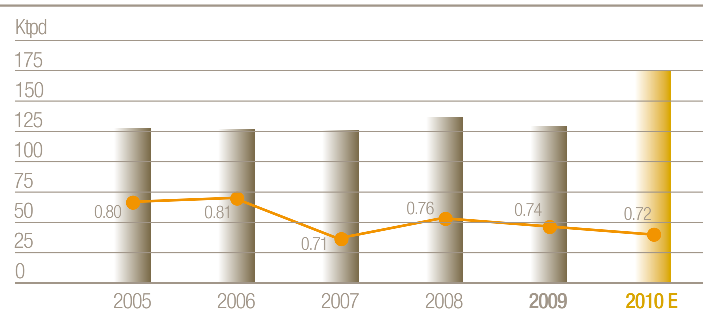
Production and cost data for Los Pelambres



	2005	2006	2007	2008	2009	2010 E
'000 tonnes	322.8	324.2	289.9	339.2	**311.6**	**407.0**
'000 tonnes	8.7	9.8	10.2	7.8	**7.8**	**9.5**

Copper production ('000 tonnes) — Pre-credit cash costs (US cents per pound)

Molybdenum production ('000 tonnes) — Cash costs (US cents per pound)



	2005	2006	2007	2008	2009	2010 E
ktpd	128.1	127.4	126.3	136.8	**129.2**	**175.0**

Plant throughput ('000 tonnes per day of ore (ktpd)) — Copper grade (%)

Mining continued

1 Securing and strengthening the Core Business

El Tesoro

During 2009 the El Tesoro plant began processing material from the Tesoro North-East deposit, and run-of-mine processing of the Esperanza oxide cap also commenced. These additional resources extend the mine life to 2019. As a result of the full year impact of these additional resources production in 2010 is expected to increase to 96,000 tonnes, from the 90,200 tonnes produced in 2009.

El Tesoro is a deposit located in Chile's Antofagasta Region, 1,350 km north of Santiago. It now comprises two open-pit mines feeding a heap-leach operation and a run-of-mine ("ROM") leaching operation, which produces copper cathodes using a solvent-extraction electro-winning process.

Revenue at El Tesoro was US$487.6 million in 2009, compared with US$632.4 million in 2008, as a result of a lower realised copper price.

Copper cathode production for 2009 was 90,200 tonnes compared with 90,800 tonnes in 2008. During the year production commenced from both the Tesoro North-East deposit and the ROM processing of the Esperanza oxide cap. These projects mitigate the decline in grades that would otherwise occur from mining exclusively from the original open pit and extend the life of the operation to 2019.

The heap-leach operation processed 9.8 million tonnes of ore during 2009. Of this, 8.3 million tonnes was feed from El Tesoro and Tesoro North-East open pits and 1.5 million tonnes was feed of sufficiently high grade oxide ore from the pre-stripping of the Esperanza open pit. The ore grade of this combined heap-leach feed averaged 1.25% copper, an increase on the 1.16% grade in 2008. This higher average grade was a result of the blend of ore from the three sources, with better grades at El Tesoro and Tesoro North-East offsetting the comparatively lower grades of the feed from the Esperanza open pit. Plant throughput of ore averaged 26,200 tonnes per day, compared with 28,500 tonnes per day in 2008. Metallurgical recoveries at the SX-EW plant were also slightly below 2008.

Construction work for ROM processing of the Esperanza oxide cap was substantially completed during 2009, with the only work remaining being the replacement of pump impellers required to reach design pumping capacity, which is expected to be achieved in the first quarter of 2010. Production from the ROM commenced in the second half of 2009, and by December had reached over 1,000 tonnes of copper in cathode per month.

Key data for 2009

90,200
Payable copper (tonnes)
2008: 90,800

123.4
Cash costs
(US cents per pound)
2008: 144.7

Location:	Chile's Antofagasta Region, 1,350 km north of Santiago
Shareholders:	70% Antofagasta plc, 30% Marubeni Corporation
Ore Reserves:	211.6 million tonnes @ 0.57% copper
Mineral Resources:	270.3 million tonnes @ 0.56% copper


El Tesoro open pit

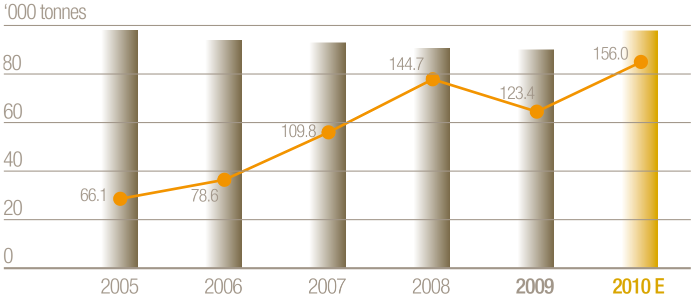
Realised copper prices at El Tesoro were 246.3 cents per pound compared with 315.6 cents per pound in 2008. This decrease was mainly due to the reduction in the average LME copper price, which in 2009 averaged 234.2 cents per pound, compared with 315.3 cents in 2008. The increasing price environment during 2009 also resulted in positive provisional pricing adjustments of US$31.1 million in 2009, although these were partly offset by realised losses on hedging instruments which matured in the year of US$20.0 million. Further details of the effects of commodity hedging instruments in place are given in the Financial Review under "Treasury Management and Hedging" and in Note 25(e) to the financial statements.

Cash costs for 2009 were 123.4 cents per pound compared with 144.7 cents per pound in 2008. This was mainly due to lower sulphuric acid and electricity prices, as well as the impact of the cost reduction programme implemented from the start of 2009. Given the sharp down-turn in the copper market in the latter part of 2008 El Tesoro implemented measures to minimise costs during 2009. This included the deferral of non-essential material movement and waste removal not required for current production to minimise the volume of material moved at the open pit. There will be a resultant increase in material movement, and related costs, during 2010 as this deferred activity is implemented.

Operating profit at El Tesoro was US$177.9 million, compared with US$124.9 million in 2008. The prior year results included a one-off impairment charge of US$160 million. The 2008 results excluding this charge were a profit of US$284.9 million. The reduction in the underlying profit, excluding the effects of the prior year impairment, was mainly the result of the lower realised copper price, partly offset by the reduced cash costs.

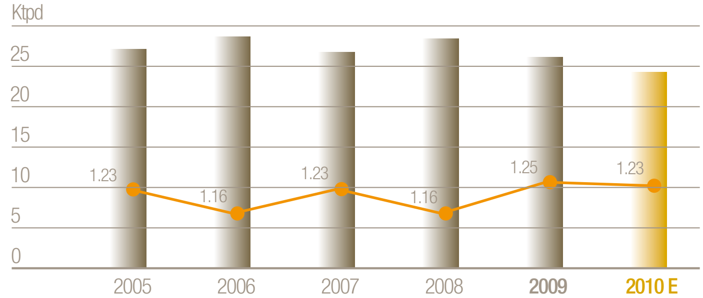
Capital expenditure in the year was US$65.2 million. This included US$43.1 million related to the ROM operation (resulting in total cumulative spend of US$65.4 million) and US$11.5 million related to the final pre-stripping at the Tesoro North-East deposit (resulting in total cumulative spend for that project of US$80.8 million). The full year effect of depreciation in respect of the capitalised costs relating to Tesoro North-East and the ROM will result in increased depreciation at El Tesoro from 2010. Capital expenditure in 2010 is estimated at approximately US$45 million.

Production and cost data for El Tesoro



	2005	2006	2007	2008	2009	2010 E
'000 tonnes	98.1	94.0	93.0	90.8	**90.2**	**96.0**

Copper production ('000 tonnes) — Cash costs (US cents per pound)



	2005	2006	2007	2008	2009	2010 E
ktpd	27.2	28.7	26.8	28.5	**26.2**	**24.3**

Plant throughput ('000 tonnes per day of ore (ktpd)) — Copper grade (%)

The above throughput and grade figures relate to the El Tesoro and Tesoro North-East open pits, and do not include the ROM processing.

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Mining continued

1 Securing and strengthening the Core Business

For 2010, cathode production is expected to be approximately 96,000 tonnes due to the full year impact of production from the Tesoro North-East deposit and the ROM processing. Production from the ROM is expected to reach nearly 2,000 tonnes per month by the last quarter of 2010, and to contribute almost 20% of El Tesoro's total production of cathodes in 2010. The Tesoro North-East deposit is forecast to be responsible for approximately 60% of El Tesoro's total production in 2010, with the balance from the original El Tesoro pit. Average ore grades from the original open pit and the Tesoro North-East deposit (but excluding the ROM operation) are expected to remain relatively stable at approximately 1.24% copper.

Cash costs at El Tesoro for 2010 are expected to average approximately 156 cents per pound, largely as a result of higher levels of material movement, partly reflecting the work deferred from 2009 as part of the cost reduction programme, partially offset by a significantly lower contracted sulphuric acid price.

Under its updated mine plan which was approved in 2009 El Tesoro should be able to maintain annual production at approximately the 90,000 tonnes level until at least 2013, when lower ore grades under the existing mine plan cause output to decrease. As explained in the Sierra Gorda section below, the Group has an ongoing exploration programme in the Sierra Gorda district to identify further oxide deposits that could in future years provide additional ore to the El Tesoro plant. In particular, feasibility work is being performed in respect of the Mirador oxide deposit, as a potential source of higher grade ore. Such deposits could be used to both offset reductions in production levels due to declining grades, as well as to potentially extend the life of the operation beyond the current mine plan which runs until 2019.

Maximising the potential of El Tesoro

The start-up of production from the Tesoro North-East deposit and the run-of-mine ("ROM") operation during the year represented a significant step in the development of the Sierra Gorda mining district – the area surrounding El Tesoro and Esperanza where the Group also owns or controls a number of other mining properties. It demonstrates the synergies and opportunities which can arise from having operations and mining properties located in close proximity to each other in this area. The oxide ore which had to be removed as part of the pre-stripping of the main sulphide deposit at Esperanza is already being profitably processed through the El Tesoro plant. Along with the additional resources from the Tesoro North-East pit it should be possible to maintain production at the El Tesoro plant at around the 90,000 tonnes level until at least 2013. The original mine plan for El Tesoro envisaged production of approximately half that volume over the same period. Once the Esperanza plant is operational by the end of 2010 the Group will also have a concentrate plant processing sulphide ore in the area. The combination of the oxide and sulphide plants gives important optionality to the Group, particularly as the Group continues to conduct exploration and evaluation work on its mining properties in the Sierra Gorda district such as Caracoles and Mirador, which contain both sulphide and oxide deposits.

Michilla

Michilla has approved an extension of its mine plan through to 2012 with expected production of 40,000 tonnes in 2010. Michilla is a 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 solvent-extraction electro-winning process.

Revenue at Michilla for 2009 was US$170.5 million, against US$332.7 million in 2008, as a result of a lower realised copper price and reduced production volumes.

Total annual production in 2009 was 40,600 tonnes of copper cathodes, ahead of the original forecast for the year of 38,000 tonnes, although lower than the 2008 production of 47,700 tonnes. The reduction compared with the prior year was mainly due to the decision at the start of 2009 to suspend operations at the higher cost Lince open pit mine and certain third-party workings, given the weak copper price environment at that point. Accordingly, ore throughput averaged 15,100 tonnes per day compared to 15,500 tonnes in 2008. Ore grades were 0.96% compared with 1.06% in 2008, partly due to the decision to process lower-grade ore stockpiles which became economic as the copper price strengthened during the year.

Realised copper prices in the period were 195.7 cents per pound, a significant reduction compared with the 317.7 cents per pound realised in 2008. This was predominantly due to the lower average LME copper price over the course of the year, which in 2009 averaged 234.2 cents per pound, compared with 315.3 cents in 2008. In addition, realised losses of US$45.8 million in respect of copper derivatives which had been put in place in late 2008 and early 2009, and which matured during the course of the year, also decreased the realised price. These effects were partly offset by positive provisional pricing adjustments of US$11.8 million. Further details of the effects of commodity hedging instruments in place are given in the Financial Review under "Treasury Management and Hedging" and in Note 25(e) to the financial statements.

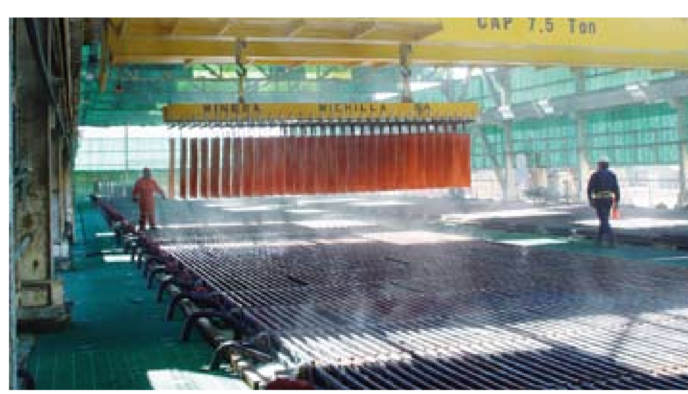
Cash costs averaged 157.6 cents per pound during 2009, compared with 191.1 cents in 2008. This was mainly due to cost savings from the suspension of the Lince open pit, lower electricity prices and the weakening of the Chilean peso. Costs increased during the course of the year, partly as a result of the improving copper price. Michilla purchases a portion of the ore which it processes through its plant from third parties and the price paid for some of those materials was linked to the market value of the contained copper. High copper prices in the year accordingly resulted in higher materials cost. The decision to process lower-grade ore stockpiles given the increasing copper price also resulted in higher operating costs.

Key data for 2009

40,600
Payable copper (tonnes)
2008: 47,700

157.6
Cash costs
(US cents per pound)
2008: 191.1

Location:	Chile's Antofagasta Region, 1,500 km north of Santiago
Shareholders:	74% Antofagasta plc, 26% other Chilean investors
Ore Reserves:	9.5 million tonnes @ 1.35% copper
Mineral Resources:	42.8 million tonnes @ 2.27% copper



Copper cathodes in the electro-winning plant at Michilla

Mining continued

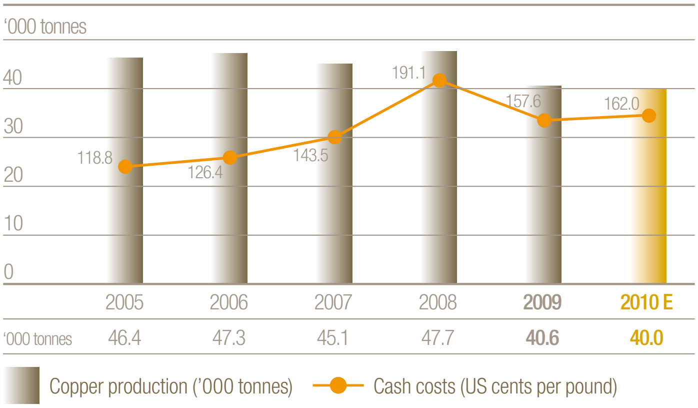
1 Securing and strengthening the Core Business

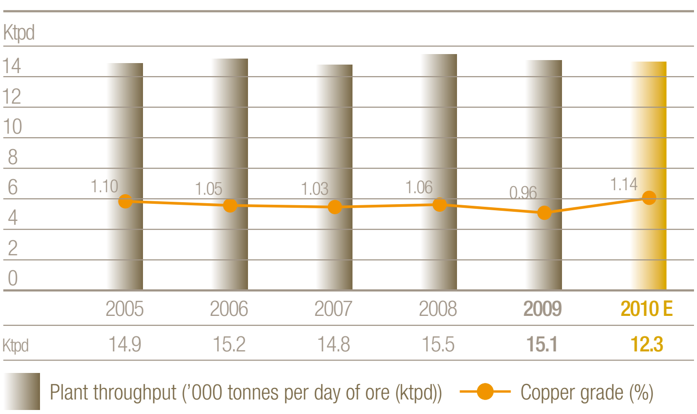
Operating profit at Michilla was US$21.7 million, compared with US$71.3 million in 2008. The prior year results included a one-off impairment charge of US$28.3 million, and the 2008 results excluding this charge were a profit of US$99.6 million. The lower profit in 2009 reflected the reduction in the realised copper price and the lower production volumes, partly offset by the lower cash costs.

Cathode production in 2010 is expected to be approximately 40,000 tonnes. 80% of this expected 2010 production was hedged during the first half of 2009 through futures and min-max instruments. Further details are given in Note 25(e) to the financial statements. During the year Michilla approved an extension of its mine plan through to 2012, which includes the remnant reserves from the final stage of the Lince pit. Michilla is currently carrying out studies to examine the potential to extend the life of the operation to 2018.

In 2010 cash costs are expected to be approximately 162 cents per pound, a slight increase compared with the 157.6 cents per pound in 2009. Increased costs due to the reopening of the Lince open pit and other operational and market factors are expected to be largely offset by a significant reduction in the contracted price for sulphuric acid.

Production and cost data for Michilla





Esperanza

Esperanza is expected to complete construction and begin commissioning by the end of 2010. Over its first 10 years of operation it is expected to produce on average 191,000 tonnes of payable copper in concentrate containing 215,000 ounces of payable gold annually.

Project data

Location:	Chile's Antofagasta Region, 1,350 km north of Santiago
Shareholders:	70% Antofagasta plc, 30% Marubeni Corporation
Estimated total development costs:	US$2.3 billion
Ore reserves:	583.3 million tonnes @ 0.54% copper, 0.22 g/tonne gold and 0.010% molybdenum
Mineral resources:	1,204.4 million tonnes @ 0.45% copper, 0.15 g/tonne gold and 0.012% molybdenum

Esperanza is a copper-gold sulphide deposit located in Chile's Antofagasta Region approximately five kilometres south of the Group's El Tesoro mine. It will produce copper concentrate containing gold and silver by-product credits through a conventional milling and flotation process, with ore throughput expected to average approximately 98,000 tonnes per day. The Esperanza deposit includes an oxide resource that is part of the overburden removed through pre-stripping and which, as explained in the El Tesoro section above, has started being processed by the El Tesoro plant during 2009 through ROM leaching. In August 2009 Esperanza was awarded the Avonni prize in Chile for the most innovative mining operation, reflecting in particular Esperanza's efficiency in water usage, through its use of sea water and its thickened tailings system.

The mine life given current reserves is 16 years. In its first ten years of operation Esperanza is projected to produce on average per year approximately 714,000 tonnes of concentrate containing 191,000 tonnes of payable copper; although with lower grades in its initial year production in 2011 will be below this average level. In addition, the concentrate is expected to contain an annual average of 215,000 ounces of payable gold, as well as silver which is treated as a by-product credit. Cash costs before by-product credits are currently estimated to be approximately 136 cents per pound over the same period. The gold by-product is expected to reduce cash costs on average during this period by approximately five cents per pound per US$100 in the gold price. There is potential for molybdenum production from 2015 at a rate of 2,000 tonnes per year over the following ten years. The adjacent Telégrafo Sur and Telégrafo Norte deposits could utilise the Esperanza plant and facilities well beyond Esperanza's mine life.

All key contracts relating to the construction are in progress. As at 31 December 2009 overall construction was approximately 65% complete, with construction of the plant more than 40% complete. Pre-stripping has progressed as planned, with a total of 108 million tonnes of material moved by the end of 2009.

Capital expenditure during 2009 was US$716 million. Cumulative expenditure up to the end of 2009 was US$1,218 million. Total development costs, including working capital and financing but before exchange impacts, remain estimated at US$2.3 billion.

Esperanza reached a two-year collective agreement with its labour union in May 2009, with the next labour negotiation not expected to be due until the mine is fully operational.

In May 2009, Esperanza signed definitive agreements for a 12-year US$1.05 billion project financing facility with a consortium of senior lenders including governmental agencies and commercial banks. Up to 31 December 2009 US$716.1 million had been drawn down under this facility. The Group is responsible for its 70% share of the development costs not covered by this facility and its partner Marubeni is responsible for the remaining 30%.

While the recent earthquake has not had any direct impact on Esperanza's facilities or its employees which were on site, some employees and many contractors have families in the affected areas of the south of Chile and the company has assisted them in temporarily returning home. Supply of some key steel structures for Esperanza fabricated in the damaged zone may also be affected. This may delay some of the construction activities from the original schedule but Esperanza expects to start commissioning the mine by the end of this year. Group forecasts for 2010 do not take into account any production from Esperanza.

Financing our growth

The Group has been able to raise US$1.8 billion in two major sets of financings, despite extremely challenging financial markets. In May 2009 Esperanza signed a 12-year US$1.05 billion project financing facility, and between December 2009 and January 2010 Los Pelambres entered into new corporate loan facilities for a total of US$750 million. The ability to raise these amounts during very difficult market conditions is testament both to the quality of these assets and also the wider financial strength of the Group. The achievement of the Esperanza project financing was recognised in London by Project Financial International, who named the transaction Mining Deal of the Year for the Americas for 2009, as well as in New York by Project Finance Magazine who named it as Mining Deal of the Year.

Mining continued

2 Organic and sustainable growth of the Core Business

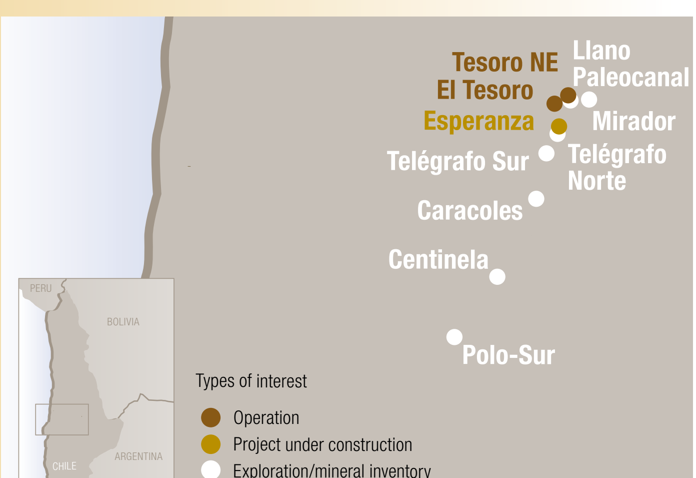
Sierra Gorda District

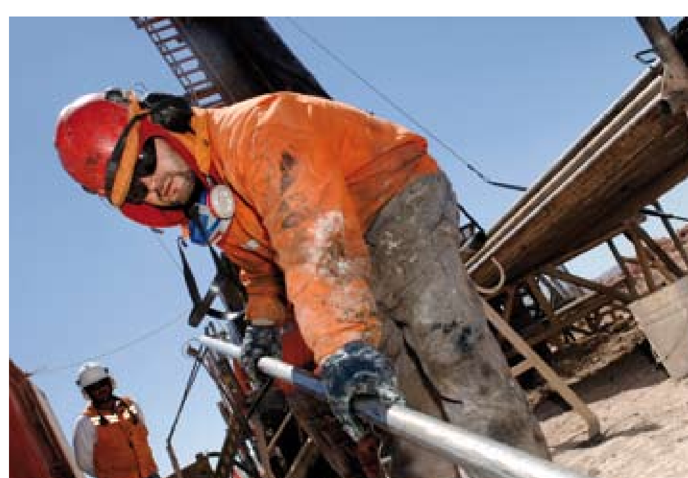
The Group's primary focus for exploration in Chile remains the Sierra Gorda District, where El Tesoro and Esperanza are located. Promising exploration results have been obtained from drilling programmes at the Caracoles, Mirador and Telégrafo deposits. These could eventually provide further resources to extend the life or scale of the existing El Tesoro and Esperanza plants, or for additional stand-alone operations in the future.

The Group owns or controls a number of properties in the Sierra Gorda District and during 2009 a total of US$20.4 million of exploration expenditure was incurred in respect of this district, predominantly in respect of the Caracoles deposit.

Caracoles is situated approximately 10 kilometres south-east of Esperanza, and was identified by the Group's exploration team in 2007. In February 2009, the Group consolidated its interest in Caracoles to 100% by acquiring the remaining 18.5% interest from Compañía Minera Milpo of Peru S.A.A. for a cash consideration of US$25.0 million. During 2009 total exploration spend amounted to US$14.3 million. The total mineral inventory at the deposit is estimated at between 0.7–1.1 billion tonnes, with a corresponding copper grade of between 0.60% and 0.49%. It is anticipated that a pre-feasibility study in respect of the deposit could commence later in 2010, following the incorporation of the results of the 2009 drilling programme into a block model and potentially into a mineral resources estimate by the first half of this year. Depending on the results of this work, it will be possible to evaluate whether the deposit could provide additional feed for the Esperanza plant, or support a stand-alone project.

The Mirador oxide deposit, located approximately five kilometres east of Tesoro North-East and 100% owned by the Group, was identified by the Group's exploration team in 2008. Following completion of in-fill drilling work in April 2009, the decision was taken to proceed with a feasibility study, evaluating the potential for processing the oxides from this deposit at the El Tesoro plant. It is expected that this feasibility study could be completed during the first half of 2010. The deposit has total mineral resources of 32 million tonnes, with an average copper grade of 1.04% at a cut-off grade of 0.20%. There is a relatively limited amount of overburden above the deposit, and so only a comparatively low level of pre-stripping is likely to be required to exploit the deposit. Mirador could provide additional higher grade feed for the El Tesoro plant, to supplement the existing ore reserves at the original El Tesoro pit and the Tesoro North-East satellite deposit, which have an average grade of 0.77% copper. Work is also continuing to explore for sulphide potential at Mirador.





Drilling work in the Sierra Gorda District

The mineral inventory at Telégrafo Sur is estimated at between 1,100–1,600 million tonnes, with a corresponding copper grade of between 0.45% and 0.38%, and at Telégrafo Norte is estimated at between 330–660 million tonnes, with a corresponding copper grade of between 0.44% and 0.34%, along with gold and molybdenum credits. The Telégrafo Sur and Telégrafo Norte deposits are adjacent to Esperanza and, as explained above, could extend the life of Esperanza beyond its current mine plan. These deposits are owned through Minera Esperanza and hence the Group's interest is 70%. A drilling programme totalling 24,100 metres was carried out during 2009, which will allow the completion of the geological model and the calculation of a mineral resource estimate which is expected in the first half of 2010. Additional drilling work will continue throughout 2010 with a view to further recategorisation of any mineral resources which could potentially lead to the initiation of pre-feasibility work during the course of 2011.

Exploration work is also continuing at other targets and potential deposits in the district. With combined total mineral resources for Esperanza, El Tesoro and Mirador of over 1.5 billion tonnes and a mineral inventory for other prospects in the range of 2.6 to 4.1 billion tonnes, the Sierra Gorda district provides a range of good opportunities for growth in the medium and longer term.

Los Pelambres District

Los Pelambres has total mineral resources of 6.2 billion tonnes with an average copper grade of 0.52%. This includes mineral resources at the existing open pit, and neighbouring deposits including the Frontera deposit, which were identified following an exploration programme between 2006 and 2008. The increase in mineral resources from the amounts reported in 2008 (4.9 billion tonnes with an average copper grade of 0.56%) is principally due to a reduction in the cut-off grade from 0.40% to 0.35%, as well as the incorporation of low grade stockpiles (42 million tonnes) and updates to the block model. These mineral resources are significantly greater than the 1.5 billion tonnes of ore reserves currently incorporated in Los Pelambres' mine plan.

While the scale of the mineral resource has no immediate impact on the existing mine plan for Los Pelambres, it presents opportunities for longer term planning either by providing additional material in future years to extend the existing mine life, or by enabling Los Pelambres in the longer term to consider possibilities for future growth.

Michilla/Antucoya

Michilla district

Michilla is currently carrying out studies to examine the potential to utilise its existing mineral resources to further extend the life of the operation from 2012 through to 2018. The Group has also conducted exploration at Michilla in previous years which has identified some prospects which could eventually supplement the existing mineral resources at Michilla. The mineral inventory at these deposits is currently estimated at between 20 to 33 million tonnes, with a corresponding average copper grade of between 1.25% and 1.02%.

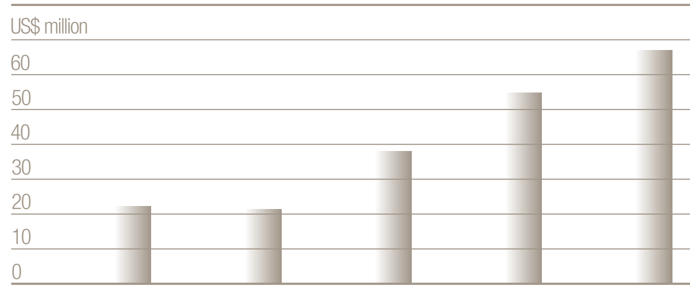
Antucoya

Antucoya is an oxide deposit located approximately 45 kilometres east of Michilla. The deposit has a mineral resource of 1.5 billion tonnes, with an average copper grade of 0.27% at a cut-off grade of 0.10%.

Studies initially intended to bring the Antucoya project to feasibility stage were started in 2008, which to date have examined a number of options which included a ROM operation to produce enriched copper solution which could be processed at Michilla's SX-EW plant as well as a stand-alone SX-EW project to produce copper cathodes. In August 2009 a budget of US$19.8 million was approved to progress with a full feasibility study for a stand-alone project, based on a combination of heap leaching on dynamic pads and ROM leaching on permanent pads.

The environmental permitting process for the feasibility study is currently in progress. It is expected that during 2010 a test pit will be constructed at the deposit, to allow the extraction of ore for metallurgical testwork. The feasibility study is expected to be completed by mid-2011.

Group exploration expenditure



2005	2006	2007	2008	**2009**
22.4	21.5	38.1	54.9	**67.1**

Including core business areas, share of Reko Diq and international exploration.

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3 Growth beyond the Core Business

Reko Diq

The Group holds a 50% interest in Tethyan Copper Company Limited ("Tethyan"), its joint venture with Barrick Gold Corporation ("Barrick") established in 2006. Tethyan's principal assets are a 75% interest in the exploration licence encompassing the Reko Diq prospects in the Chagai Hills region of South-West Pakistan (in which the Government of Baluchistan holds the remaining 25%) including the Western Porphyries, and a 100% interest in certain other licences in the region.

The mineral resource at Reko Diq is estimated at 5.9 billion tonnes with an average copper grade of 0.41% and an average gold grade of 0.22 g/tonne at a cut-off grade of 0.20% copper equivalent (2008 – 4.1 billion tonnes with an average copper grade of 0.50% and an average gold grade of 0.298 g/ tonne), and the Group's attributable share of this joint venture interest amounts to 2.2 billion tonnes (2008 – 1.5 billion tonnes). The increase compared with 2008 is primarily due to the inclusion of three neighbouring deposits – H13, Tanjeel (also referred to as H4) and H8 – into the resource estimate, along with the existing H14 and H15 deposits.

The Group's 50% share of expenditure relating to Tethyan during 2009 amounted to US$36.6 million. This includes US$32.5 million relating to exploration and pre-feasibility costs which have been expensed and US$4.1 million relating to the costs of the feasibility study which have been capitalised.

Work on the feasibility study and the related environmental and social impact assessment study is in its final stages. Discussions for agreements with the relevant authorities in Pakistan are continuing, as agreement has not yet been reached concerning a mineral agreement and the conversion of the exploration licence encompassing Reko Diq (which currently expires in February 2011) into a mining lease.

Chagai Hills region of South-West Pakistan

Exploration and evaluation activities

The Group is also undertaking exploration and evaluation work in a number of other countries. Normally when the Group wishes to engage in early-stage exploration work in areas outside of its traditional areas of deepest experience, namely Chile and in previous years Peru, it typically does so through partnerships with other companies already established in those locations or otherwise with significant international experience.

United States – Nokomis deposit/Duluth Metals Limited

Subsequent to the year end, on 14 January 2010 the Group signed a legally binding Heads of Agreement ("HoA") with Duluth Metals Limited ("Duluth Metals"), a company listed on the Toronto Stock Exchange ("TSX") to acquire an interest in Duluth Metals' Nokomis copper-nickel-platinum group metal ("PGM") deposit ("Nokomis").

Nokomis is a potentially world-class base and precious metal deposit located in the highly prospective Duluth Complex in north-eastern Minnesota. Duluth Metals published a NI 43-101 compliant resource estimate for Nokomis in October 2009 which consisted of 550 million tonnes of indicated resources with average grades of 0.639% for copper, 0.200% for nickel and 0.660 grams per tonne for platinum, palladium and gold, plus an additional 274 million tonnes of inferred resources with average grades of 0.632% for copper, 0.207% for nickel and 0.685 grams per tonne for platinum, palladium and gold.

The Group will initially become a 40% partner in Nokomis by committing to fund a total of US$130 million of further exploration and feasibility study expenditure over a three year period. The Group will have the option to acquire an additional 25% interest in Nokomis (to own in aggregate 65%) at the then net present value of the project based on operating parameters outlined in the bankable feasibility study, which will become exercisable and payable upon receipt of the required permits to develop the project. The Group has also subscribed for approximately 6.55 million new ordinary shares in Duluth Metals by way of a private placement and a subsequent anti-dilution pre-emptive subscription at Cdn$2.00 per share in cash, to become an approximately 7% shareholder in Duluth Metals.

The Group and Duluth Metals expect to establish the project company and conclude a definitive Participation and Shareholder Agreement in the second quarter of 2010.

Other international exploration agreements

The Group has made significant progress during 2009 in expanding its portfolio of early-stage international exploration interests through a number of exploration agreements.

In November 2009 the Group entered into an agreement with International Base Metals Limited ("IBML") of Australia in respect of its Kopermyn mining property in northern Namibia. The Group can earn up to a 60% interest in the property over a two year period by funding up to US$1.8 million of exploration activities, with a minimum commitment of US$0.5 million.

The Group entered into an agreement with Ormonde Mining plc ("Ormonde") in respect of its La Zarza deposit in southern Spain during October 2009. The Group has the right to earn a 51% interest in the deposit over a three year period by funding US$7 million of exploration and subsequent evaluation activities, with a minimum commitment of US$1 million in the first year. Antofagasta will have the right to increase further its interest in the La Zarza project to 75% by funding a feasibility study for the project.

In September 2009 the Group entered into an agreement with Sunridge Gold Corp ("Sunridge"). The Group can earn an initial 60% interest in Sunridge's Asmara project in Eritrea by funding US$10 million of exploration work over a five year period, and a further 15% interest (for an aggregate 75% interest in the project) by delivering a feasibility study on the project. In October 2009 the Group acquired approximately 18% of the issued share capital of Sunridge under a private placement for a consideration of US$5.0 million.

During March 2009 the Group entered into an agreement with Almaden Minerals Ltd ("Almaden") in respect of the Tuligtic copper-gold project in Mexico. Following the review of initial drilling results, the Group has decided not to proceed further with this project.

In 2008 the Group entered into an agreement with TEAL Exploration & Mining Incorporated ("TEAL") to acquire an initial interest in two of TEAL's exploration licences on the Zambian Copperbelt, and the Group is continuing to review the potential of these deposits.

Opportunities in geothermal and coal exploration and generation

The Group is also continuing with its exploration and development activities relating to geothermal and coal energy prospects.

Energía Andina S.A, the joint venture between the Group and the Chilean state-owned Empresa Nacional del Petróleo ("ENAP"), is continuing with its activities for the exploration and development of geothermal energy prospects in Chile. Following initial exploration work Energía Andina opted to apply for further concessions, and during 2009 was granted the Puchuldiza Sur 1 concession, increasing its total number of concessions to eight. The company is currently engaged in the application process for additional concessions, which could further enhance its exploration portfolio. During 2010 the company intends to continue its exploration activities, both to evaluate its existing concessions, with a view to commencing drilling work, and also to identify further potential concessions.

Work is continuing on the potential underground coal gasification project at the Mulpun coalfield, situated near Valdivia in southern Chile. The Group acquired an option over this deposit in 2008. During 2009 the Group completed its initial hydrology studies for the project, which included the drilling of six wells. In December 2009 the Group entered into an agreement with Carbon Energy Limited ("Carbon Energy") of Australia in respect of the project. Carbon Energy can earn a 30% stake in the deposit through contributing its underground coal gasification technology to the project, and will fund 30% of the development costs of a trial project. During 2010 the Group is planning to undertake engineering studies in relation to the trial project, and commence environmental permitting.

Transport

In Chile, the Antofagasta Railway Company's ("FCAB") main business continues to be the transport of copper cathodes from and sulphuric acid to mines in the Antofagasta Region, one of the main copper mining districts in the world. It has benefited in recent years from the new mines and expansions of existing mines. FCAB's trucking service, Train Ltda., is a key part of FCAB's bi-modal transport service. Train Ltda.'s main business continues to be the transport of sulphuric acid from transfer terminals operated by FCAB, as well as other supplies such as the transport of quicklime from Inacesa's cement plant to various mines. In Bolivia, FCAB has a 50% controlling interest in the Ferrocarril Andino, with the remainder held by Bolivian pension funds. The Ferrocarril Andino connects to the Chilean network at Ollague.

Key data for 2009

6,335

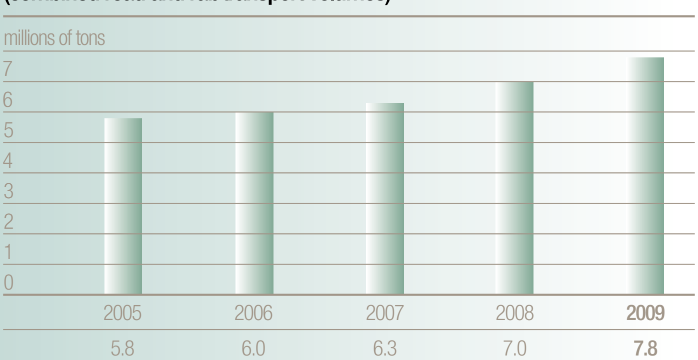
Rail tonnage transported ('000 tons)
2008: 5,644

1,505

Road tonnage transported ('000 tons)
2008: 1,353

Location:	Chile's Antofagasta Region
Shareholders:	100% Antofagasta plc

Transport Division
(combined road and rail transport volumes)



The rail businesses in Chile and Bolivia had a solid operational performance during 2009 with rail volumes increasing by 12.2% to 6.3 million tons. This was due to the full-year effect of increased volumes from the San Cristóbal mine in Bolivia, which achieved full tonnage volumes in the second half of 2008, as well as increases from other mining customers. Train Ltda., FCAB's trucking subsidiary, increased volumes by 11.2% during 2009 to 1.5 million tons.

Combined turnover at the transport division in 2009 was US$139.4 million, compared to US$151.0 million in the prior year. This decrease mainly reflected tariff adjustments, partly due to rates indexed to inflation and fuel costs. As a result, operating profit also decreased to US$41.3 million (2008 – US$50.4 million).

In July 2009 the FCAB exercised an option to acquire a 40% interest in Inversiones Hornitos S.A. ("Inversiones Hornitos") from GDF SUEZ, which continues to hold the remaining 60% interest. Inversiones Hornitos is the owner of the 150 MW Hornitos thermoelectric power plant which is being constructed in Mejillones, in Chile's Antofagasta Region. The Hornitos plant, which is expected to begin commercial operation in 2011, will provide energy to Minera Esperanza under a long-term supply agreement. The FCAB is responsible for its 40% share of the estimated total US$0.4 billion development costs of the Hornitos plant, and during 2009 has contributed a total of US$109.5 million.

The Antofagasta port, which is managed by the Group's 30% associate investment Antofagasta Terminal Internacional S.A. ("ATI") contributed US$1.5 million to Group results (2008 – US$2.3 million). 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 2009, Forestal continued with its ongoing forestation, fertilisation and thinning programme to maintain these assets.

FCAB's workshop in Antofagasta

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. ADASA's operation consists of two businesses, a regulated water business supplying approximately 144,000 domestic customers and an unregulated business serving mines and other industrial users. It also provides sewage and treatment services in a number of cities in the Region.

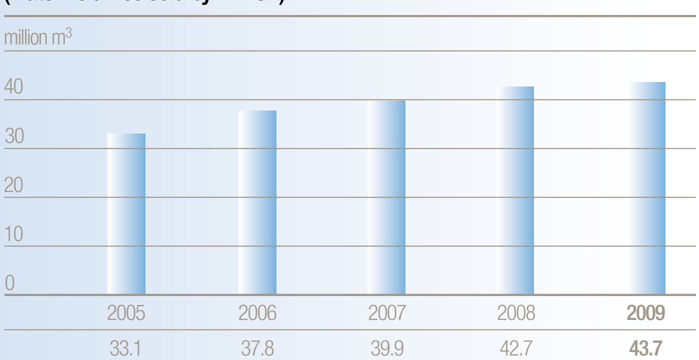
Key data for 2009

43.7

Water volume sold (million cubic metres)
2008: 42.7

Location:	Chile's Antofagasta Region
Shareholders:	100% Antofagasta plc

Water Division (water volumes sold by ADASA)



Combined domestic and industrial water sales in 2009 amounted to 43.7 million cubic metres, a 2.3% increase on the 42.7 million cubic metres in 2008. Domestic sales remained relatively stable, increasing by 1.3% to 30.5 million cubic metres. Industrial sales increased 5.3% to 13.2 million cubic metres.

Turnover decreased by 1.1% to US$83.6 million, with a slight reduction in average tariffs and the weaker Chilean peso offsetting the improvement in volumes. Reduced operating costs, however, saw operating profit increase by 7.1% to US$45.3 million in 2009, from US$42.3 million in the previous year.

In March 2009 ADASA acquired the desalination plant located in the city of Antofagasta from the previous owner, Desalant S.A. ("Desalant"), for a purchase price of US$52.5 million. As part of this agreement, ongoing arbitration proceedings between ADASA and Desalant were also terminated. As ADASA is presently the sole customer of the plant the acquisition will have no direct impact on water volumes or sales. Nevertheless, the acquisition has consolidated ADASA's position by placing it in full control of the plant, which provided it with 21.2% of its water for its distribution business in 2009. The desalination plant is held under the terms of the concession acquired from ECONSSA for a 30-year period from 2003.

ADASA is forecasting a slight increase in volumes in 2010. 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.

Inspection of water tank

Corporate Sustainability

As explained in the Chairman's Statement on pages 3 and 4, the Board continues to place importance on a range of considerations including health and safety, management of human resources, environment and community relations. Sustainable development forms an integral part of the Group's decision-making process.

Workforce at Esperanza

Strategy

As set out in more detail on pages 6 to 8, the Group adopted a strategic plan for its mining operations in 2008 to cover the period 2009–2015. The plan is based on three pillars:

– securing and strengthening the core business of the Group in Chile, comprising its existing operations and new projects under development (Los Pelambres expansion and Esperanza);

– continuing to grow this core business in the longer term with particular focus on the significant Sierra Gorda, Los Pelambres and Michilla districts; and

– continuing to develop and search for additional opportunities beyond the core business for early-stage growth in copper both in Chile and abroad, such as the Group's interests in Reko Diq in Pakistan, Nokomis in the United States and the international exploration programme.

The Group recognises that achieving its strategic plan depends on effective management of social and environmental issues and maximising the benefits the Group provides. Achieving good sustainability performance is a key part of meeting the expectations of the Group's stakeholders and complying with current and future regulation.

→ For more information on the Group's strategic plan see pages 6 to 8, and for more information on the Group's stakeholders see page 35.

Sustainable Development Principles

The Board has approved ten Sustainable Development Principles to guide the decision making and actions of its employees and contractors. The principles underpin the Group's approach to gaining the approval of its stakeholders and maintaining its social licence to operate and grow.

The Principles were adopted during 2008 together with Social and Environmental Policies for the mining division and have been framed within the context of the Group's strategic plan. Employees and contractors can review these in a single document, The Way We Think, The Way We Act which is available on the Group's website.

Since the adoption of the Principles, the Group has continued to enhance its governance structure from corporate level to operations to ensure their implementation.

Group social and environmental strategy

During 2009, the Group achieved another important milestone in its sustainability efforts when the Board of Antofagasta Minerals S.A. ("AMSA"), approved a social and environmental strategy for the mining division which is integral to the Group's business plan.

The Choapa Valley near Los Pelambres

The social and environmental strategy sets out the Group's objective to create economic, social and environmental value as a participant of the mining sector. It is founded on the principle that managing sustainability performance is key to maintaining the Group's social licence to operate and grow.

This strategy defines how the Group intends to generate social and environmental value. The strategy has two core elements:

Social Responsibility – defined as building relationships of trust and mutual benefit with stakeholders. This will be achieved by taking action in three areas:

Behaving responsibly – by prioritising the health and safety of employees and contractors, maintaining a beneficial work environment, preventing adverse impacts on society, engaging with key stakeholders, creating local employment opportunities for local suppliers.

Managing risk – by identifying and managing socio-political risk and managing crises.

Developing human capital – by providing development opportunities to workers, contractors and suppliers, contributing to local development in the communities within an operation's area of influence, supporting education and training, implementing initiatives to improve local life quality and supporting other economic activities (see the description of Fundación Minera Los Pelambres on page 38).

Environmental Responsibility – defined as using natural resources efficiently and where possible more economically and adding environmental benefit. This will be achieved by taking action in three areas:

Achieving operational efficiencies – including managing waste, water, electricity, fuel consumption and land use.

Controlling environmental impacts – including air and water quality, water availability, biodiversity, greenhouse gas emissions and environmental incidents.

Providing environmental benefits – by providing environmental education, using renewable energy, enhancing biodiversity and protecting cultural heritage and developing beneficial new technologies.

The Group is working further to embed sustainability issues into management systems and decision making to ensure delivery of its strategy. It is developing key performance indicators through social and environmental performance assessments and defining social and environmental criteria for project due diligence and design.

Corporate Sustainability continued

Corporate sustainability governance

The corporate sustainability governance arrangements are part of the overall Group governance arrangements described in the Corporate Governance Report on pages 54 to 58. The Board has put in place corporate procedures, management structures and risk management procedures at both Group and business unit level to ensure the implementation of its sustainable development principles and social and environmental strategy.

The Directors' responsibilities, including those relating to risk management and control, are described in the Statement of Directors' Responsibilities on page 62.

The Board established a Corporate Sustainability Committee in 2008, comprising two Non-Executive Directors, RF Jara and GS Menéndez, and J-P Luksic, the Group Chairman (see Directors' biographies on pages 50 and 51). The committee met once in 2009 to review performance and establish future strategic direction. As part of this process, it reviewed and approved the 2008 Sustainability Report.

A second executive committee, the Corporate Sustainability Reporting Committee, comprises the Chief Executive Officer of AMSA, the General Managers of Antofagasta Railway Company plc and Aguas de Antofagasta S.A., the Vice-President of Corporate Affairs and the Corporate Managers responsible for environmental and external affairs. The committee oversaw publication of the Group's 2008 sustainability reports and continues to steer the businesses towards best practice in performance measurement and reporting.

The Group reports sustainability performance to different stakeholders through a range of reports: Group Annual Report, Group Summary Sustainability Report and the Group Full Sustainability Report. The Group's two largest mines, Los Pelambres and El Tesoro, also produce annual site reports. AMSA provides information for the Social and Environmental Report published by the Chilean Mining Council, a national industry organisation.

Ethics

The Group seeks to maintain high ethical standards in all its activities. It has an Ethics Committee comprising the Vice-Presidents of Risk, Human Resources and Corporate Affairs and it monitors compliance with the Group's Ethics Code, which is described below.

The Committee reports to the Chief Executive Officer of AMSA, with oversight by the Audit Committee, and its responsibilities include investigating allegations of breaches of the Ethics Code. The Ethics Committee met four times during 2009. It focused on approving a revised Ethics Code and its dissemination and communication to the Group.

The Group's Ethics Code emphasises the Board's commitment to carry out business in a responsible and transparent manner. The Code demands honesty, integrity and responsibility from all employees and contractors. It also establishes the requirement to respect human rights, local customs and values and the rights of neighbouring communities. In addition, it establishes a procedure to identify and manage potential conflicts of interest. Employees may report any unethical behaviour, anonymously if necessary, via the intranet.

During 2009 four reports were made. The reports referred to the Ethics Committee, were fully investigated and dealt with in an appropriate manner. In 2010 the Group will conduct training for all employees and contractors to raise awareness of the revised Ethics Code.

Workforce at El Tesoro

Risk assessment and management systems

Risk assessment

The Group has a risk management system to monitor centrally the risks relevant to each operating company, including social and environmental risks, and to enable its management to prevent or mitigate possible situations and incidents that might have a negative effect on business objectives. The findings of the stakeholder engagement activity (see below) are fed into the risk identification process. Risk maps are prepared to identify the main areas of risk in each division and risk management processes are incorporated at each level of the Group's operations and projects.

→ More may be read about key risks on pages 14 and 15 and the Group's internal control systems on pages 56 and 57.

Safety and environmental management systems

Each operating division has implemented management systems for safety and the environment. The major copper mining operations have independent certification to both the environmental management standard ISO 14001 and the safety management standard OHSAS 18001. Antofagasta Railway Company is also certified to OHSAS 18001.

All the mining operations and Antofagasta Railway Company are certified to the ISO 9001 quality standard.

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

At each operating company, an Environmental Manager and a Public Affairs Manager are responsible for management of sustainability issues. Both report directly to the Chief Executive Officer of their respective companies. Operating companies have established internal reporting systems to monitor performance.

Sites are frequently audited to review operational, environment, health and safety, labour and legal compliance performance against Group and certification standards every two to three months. Third-party auditors conduct certification audits every six months at El Tesoro, Michilla and the Antofagasta Railway Company and every 12 months at Los Pelambres.

Stakeholder engagement

The Group recognises the importance of stakeholder engagement at the local, national and international levels. Together with continual monitoring of national and international trends, this dialogue enables the Group and its operating divisions to identify and address the most material sustainability issues and maximise its opportunities to contribute to local development. It enables the Group to understand the perspectives of others, explain its operations and plans, and build relationships of trust and mutual benefit.

The Group has identified its key stakeholders as: investors, employees and contractors, communities, local and national governments and regulators, and the media.

Examples of stakeholder engagement in 2009 included:

- client satisfaction surveys in ADASA and FCAB; and a buyers' survey conducted at Los Pelambres for copper and molybdenum concentrates;
- community engagement programmes by all operating companies. For example Los Pelambres has developed a formal procedure to allow participation of the neighbouring communities in operational decisions such as the eventual closure plan for the Quillayes tailings dam (see case study on page 38);
- an annual reputation survey conducted by mining companies among their principal stakeholders including local communities and authorities, workers and contractors, and the media;
- investor meetings to gain feedback on the Group's sustainability reporting and performance; and
- engagement with government and regulatory authorities through direct dialogue and through industry associations such as the Sociedad Nacional de Minería and the Consejo Minero, and other representative bodies.

Community engagement in the Sierra Gorda district

Corporate Sustainability continued

Activity in 2009

Workforce

Safety

Safety is a major priority for the Group given the inherent risks in the different operations and development projects and hence requires constant vigilance. The Group's goal is to create a safety culture through regular training and awareness campaigns for employees, contractors, families and local communities. Focus areas also include road safety training and awareness to prevent transport accidents.

The Group investigates serious incidents and implements action plans to prevent recurrence. Safety performance is reviewed at regular divisional board meetings. Safety and health management systems are established across the Group, and its major mining operations and railway are certified to OHSAS 18001.

The Group invests in preventative health programmes, including health examinations and risk awareness and accident prevention training. Occupational health issues among employees and contractors are relatively rare, but the Group provides support for affected people, even if the illness was contracted before working for the Group.

The Board deeply regrets the death of five of its workforce who lost their lives during the year at the Group's operations as a result of three separate incidents. Three people lost their lives in a driving accident within the Los Pelambres open pit; one person lost his life at the Los Pelambres concentrator plant and another lost his life at El Tesoro.

The Board has a clear target of zero fatalities and considers any fatality to be unacceptable. Each incident was investigated by the authorities concerned, as well as by AMSA and mine management which took action to prevent a recurrence.

Health and safety is one of the Group's key priorities and work to improve performance will continue over the year. The Group's lost time injury frequency rate improved in 2009 to an average of 2.8 injuries per million hours worked, from 4.4 in the previous year (see below).

Employee development and labour relations

The Group applies an equal opportunities policy throughout its operations and believes that all employees and contractors should have opportunities for development and receive fair reward for their contribution and potential. In 2009 the Group reviewed and strengthened its employment policies.

Contractors form a significant element of the Group's total workforce and under Chilean law are subject to the same obligations and responsibilities as employees.

At the end of 2009 the Group's mining division workforce in Chile comprised approximately 2,500 employees and 19,000 contractors. Of the total number of contractors, 14,000 worked on specific projects including construction at Los Pelambres and Esperanza.

The Group continues to make a significant investment in employee training and development. Programmes include:

– the AMSA talent management programme to develop leadership ability and promote high performance and site level training programmes;

– the ADASA management and technical skills programme to develop specific competencies within teams; and

– the FCAB leadership training programme and sponsorship of pre- and post-graduate training courses.

	Lost Time Injury Frequency Rate (LTIFR)				All Injury Frequency Rate (AIFR)				Number of Fatalities			
	2009	2008	2007	2006	**2009**	2008	2007	2006	**2009**	2008	2007	2006
Chilean mining industry	*	5.8	5.9	5.8	**n/a**	n/a	n/a	n/a	*	43	40	31
Los Pelambres	**1.3**	1.3	1.7	2.3	**3.6**	6.6	5.3	7.5	**4**	–	–	–
El Tesoro	**1.7**	2.0	1.2	2.2	**6.0**	6.6	13.1	19.4	**1**	–	–	–
Michilla	**3.2**	4.4	2.6	1.3	**9.9**	12.1	12.8	12.7	**–**	–	1	1
Esperanza	**1.5**	1.6	n/a	n/a	**15.0**	8.2	n/a	n/a	**–**	–	n/a	n/a
AMSA including exploration	**6.0**	5.4	n/a	n/a	**23.0**	13.1	–	–	**–**	1	n/a	n/a
Mining	**1.7**	2.2	1.8	2.0	**8.5**	8.2	9.0	11.6	**5**	1	1	1
FCAB	**12.0**	13.9	19.2	15.3	**33.9**	35.7	44.3	37.5	**–**	–	–	3
ADASA	**7.0**	11.5	8.6	9.1	**16.8**	21.6	28.7	29.9	**–**	–	–	–
Group	**2.8**	4.4	5.6	4.9	**11.0**	12.9	17.1	17.5	**5**	1	1	4

Definitions:
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.
*Chilean mining industry source – Servicio Nacional de Geología y Minería. 2009 full year figures have not yet been released by Servicio Nacional de Geología y Minería and therefore are not shown above.

The Group respects freedom of association and union membership by its workforce. Labour relations are managed at operating company level with management working to maintain compliance with the requirements of the Chilean Labour Codes. There are 13 labour unions across the Group.

In 2009 Esperanza agreed a two-year contract with employees with its recently formed union, with the result that collective agreements are in place in all mining operations until 2011. These agreements cover remuneration levels as well as terms and conditions of employment.

The Group was not involved in any labour disputes in 2009.

The Group aims to keep employees informed about the business and uses a range of channels including a company intranet, newsletters, bulletin boards and social events. In 2009 it held training and awareness sessions to inform employees about Group strategy and its plan to face the economic crisis.

The downturn in the global economy and the sharp drop in commodity prices at the end of 2008 significantly affected the mining industry. Despite the economic crisis, AMSA continued with the Esperanza project and the Los Pelambres plant expansion project as scheduled and increased employee and contractor numbers at these sites during 2009. 120 employees were made redundant at El Tesoro and Michilla in early 2009 as a result of the decision to stop production at the high-cost open-pit at Michilla and to defer operational stripping at El Tesoro in response to low copper prices. These workers were provided with support and benefits beyond legal requirements.

The Group complies with legal requirements contained within employment laws in Chile, including those relating to child labour, discrimination and equal opportunity. Human rights considerations form part of human capital management programmes. As in previous years, no cases of human rights breaches have been identified in 2009.

Boosting gender diversity at El Tesoro

In 2009, El Tesoro completed a three-year project to increase the proportion of women in its workforce.

In 2007, it launched the project by becoming the first privately owned company in Chile to adhere to the Good Practice Code for Non Discrimination developed by the National Women Service (Sernam). The Code aims to overcome gender inequality by promoting women's access to the job market, ensuring better working conditions, opportunities and equal salaries for women.

In the second year, El Tesoro developed a training plan for local women to give them the skills needed to work at the mine. It hired 22 women to operate mining equipment. By the end of 2009, 10% of El Tesoro's workforce were women.

The success of the project inspired the Esperanza project to launch its own programme, which resulted in 64 women joining its workforce. Both companies have received recognition for their initiative from the Chilean President.

Recognition for labour relations

In 2009 Los Pelambres became the first mining company to win the Carlos Vial Espantoso national award for best practice in labour relations.

75 companies in Chile were nominated for the award. Los Pelambres was selected from the shortlisted companies by a jury comprising public and private sector professionals.

The award recognises the company's efforts to build strong working relations based on trust between employees and business partners, its high level of staff training and the close working relationship between the company's top executives and workers.

The award is a reflection of the value Los Pelambres places on ensuring the development and wellbeing of every employee.

Corporate Sustainability continued

Society

The Group aims to manage the social impact of its activities and maximise benefits it can provide. The social and environmental strategy (see page 33), launched in 2009, sets out how it will achieve this objective.

It sets out how the Group intends to maintain its social licence to operate and to establish its reputation as a socially responsible company capable of establishing relationships based on trust and mutual benefits with its stakeholders.

AMSA is developing criteria to monitor performance and to assist in implementation of the social and environmental strategy. In 2009 the business launched guidelines setting out best social and environmental practice in exploration projects.

Consulting the Cuncumen community

Los Pelambres has been working closely with the residents of Cuncumen, the community closest to its old Quillayes tailings dam.

The site established a forum in 2008, with representatives from the community and the company, to discuss residents' concerns about the closure of Quillayes.

The residents had concerns about the stability of the dam, and dust and water quality. Through the forum, Los Pelambres and the community jointly developed a closure plan for the dam. This included a commitment to provide the community with independent technical advice and to include them in all future closure proposals.

Los Pelambres also agreed to use "fitostabilisation" in the old Quillayes tailings dam, a technique that uses vegetation to stop dust being caught by the wind and to make it blend in more with the landscape.

Socio-economic development

The Group places importance on good community relations through respecting local people and cultures, building local capacity and hold constructive dialogue with local stakeholders. It gains feedback from local people through perception surveys and engages with communities through various means including meetings, radio programmes and newsletters (see case study on Los Pelambres below).

Through its role as taxpayer, employer, and purchaser of local goods and services, the Group aims to have a positive socio-economic impact on the communities in which it operates. The Group's Social Relations Policy commits companies to help local people access job opportunities by training local people in the skills needed at sites (see case study on Esperanza at page 39).

Key initiatives in 2009 included:

– an ADASA programme to teach young people the skills they need to succeed in the workplace and to encourage them to start their own businesses. The entrepreneurship education programme will target third and fourth grade high school students in the region's major cities.

– support for the Fundación Minera Los Pelambres' (the Foundation) efforts to contribute to sustainable development in the Choapa Valley near Los Pelambres. The Foundation is working to create 1,500 metres of irrigation channels to reduce water losses, and is providing resources and expertise to help farmers boost productivity; and

– an Esperanza project to strengthen family values among residents of the nearby towns of Sierra Gorda and Michilla.

Other AMSA initiatives in 2009 included:

– support for music concerts near Michilla, El Tesoro and Esperanza, as well as the national ballet in the Choapa valley near Los Pelambres;

– the provision of free internet access for communities around Los Pelambres; and

– a project to improve the local fishermen's wharf in Michilla.

Community initiatives at Esperanza

Creating local skills and employment at Esperanza

Esperanza is determined to ensure that the project benefits local people as much as possible and it has set a goal for at least 30% of construction and operational workers to come from the Antofagasta Region.

Esperanza has launched an extensive training programme in surrounding villages to give 800 residents the skills they need to be recruited to work at the mine.

The programme includes:

– training for 800 people, mainly school leavers, in the Antofagasta area in safety, quality, the environment and community relationships; and
– training for 200 people selected from previous courses on specific construction areas.

Additionally, the company has developed a competency training programme for operators and maintenance personnel for the mine and plant areas:

– training for 150 people in the region as mine operators. 90 of them currently work at Esperanza; and
– training for 270 school graduates in the area of plant maintenance. 70 of them now work at Esperanza.

Esperanza offers training for up to 100 people in how to prepare social projects and how to manage trade services and deal with local suppliers.

Environment

The Group takes into account the environmental impact of its activities – including mine planning, construction, operation and closure – and endeavours to prevent negative impacts where possible. Where impacts cannot be avoided the Group implements mitigation and compensation programmes in accordance with legal and international standards.

The mining operations have the most significant environmental impact within the Group and AMSA management continued to implement its management plan in 2009 in support of the division's environmental policy.

As explained above, the Board agreed the Group social and environmental strategy in 2009.

In order to implement the strategy, the Group has focused on strengthening AMSA's team of environmental managers and empowering them to promote a culture of environmental protection in their respective companies and to embed environmental thinking into decision making.

The mining division developed a performance assessment tool called Assessment of Environmental Performance based on key performance indicators for the three environmental focus areas identified in the environmental and social strategy: operational efficiency, impact control and environmental benefit. Using this framework, each company set its own goals reflecting its main impacts and priorities.

In 2009, the AMSA team of environmental managers conducted gap analyses to review implementation of its environmental policy, implemented the Assessment of Environmental Performance and measured AMSA's carbon footprint.

The team also completed the Group's submission to the Carbon Disclosure Project for the first time in 2009.

Fundacíon Minera Los Pelambres' Agricultural project El Manque

Corporate Sustainability continued

Audits and assessments

The Group conducted an environmental performance assessment of its principal operations in 2009, evaluating their environmental management against performance indicators in three areas: operational efficiency, impact control and benefits to the environment.

The Group established a reporting system that companies can use to report against environmental performance indicators.

It conducted two internal environmental audits of mining operations in 2009, which were coordinated by AMSA's environment team and conducted in partnership with site environment teams. The teams assessed whether sites are managing environmental issues in a proactive, prioritised and risk-preventive way and assessed the implementation of 2009 environmental programmes (including at the Esperanza mine due to start production at the end of 2010).

Environmental incidents

During 2009, the Group implemented new protocol for identifying and reporting environmental incidents at its mining operations. The protocol records all operational incidents including those with no environmental consequence. Two operational incidents were reported at Los Pelambres during the year. These incidents were of serious concern to both the Group and the local communities.

In February 2009 a crack in one of the valves of the energy generator station caused minor discharge to a local stream. The authorities were informed and subsequent monitoring did not identify any environmental damage.

The second operational incident occurred in August 2009 when a faulty monitoring valve at Los Pelambres caused a spill of copper concentrate into the River Choapa in the locality of Panguesillo. The incident was notified to the authorities who initiated an investigation. Los Pelambres performed a monitoring and a full technical analysis to ensure there was no environmental damage.

No other operational incidents were reported.

Energy security, management and carbon emissions

The Group recognises the need to conserve energy and develop a suitable response to climate change which recognises the needs of the business. Operations implement energy efficiency projects and look for ways to use renewable energy where possible.

Operations also invest in innovative technology to reduce energy use. For example at Los Pelambres, the concentrator plant is located 1,600 metres below the mine site and the loaded conveyor belt system between the two points uses the height difference to generate around 10% of the power used at the operation.

The Group continues to work towards securing alternative energy supplies and establishing longer term agreements and contracts with energy suppliers.

In 2009 AMSA signed an agreement with Carbon Energy of Australia to assess jointly and eventually develop a coal deposit in Mulpun, Chile, using Underground Coal Gasification ("UCG") technology. If trial projects are successful, the project will generate energy from gasified coal.

The Group acquired a 40% stake in Inversiones Hornitos S.A., the owner of the Hornitos thermoelectric power plant which is being constructed in Mejillones in the Antofagasta Region. The power plant is expected to begin commercial operation in 2011 and will supply up to 150MW to the Esperanza project, under a long-term supply agreement. This will be a coal-powered plant also capable of burning biomass and other fuels.

Together with Empresa Nacional del Petróleo ("ENAP"), the Chilean state-owned oil company, AMSA created Energía Andina, a new company with aims to acquire concessions and explore for and eventually develop geothermal power stations.

Water management and supply

Using water efficiently is key to ensuring the availability of water for local communities and our operations. The Group closely monitors its water consumption and quality to ensure it complies with legislative requirements and community expectations.

All operating companies implement water management plans that seek to minimise demand on local water resources, in particular through water recycling. Los Pelambres recycles approximately 85% of the water it uses and El Tesoro recycles the majority of the water it uses. Michilla uses 100% seawater as will Esperanza when it commences operations.

ADASA is seeking to increase the supply of desalinated water for domestic consumption in the Antofagasta Region. As part of this strategy it acquired the desalination plant located in the city of Antofagasta in March 2009 for which it was previously the sole customer.

Desalination plant at ADASA

Waste management

The Group implements solutions to enable waste reduction and reuse where possible. The Group's operations have arrangements in place to dispose of waste according to applicable legal requirements.

At Los Pelambres, the Mauro tailings dam is now operational, providing sufficient waste disposal capacity for the remaining life of the existing mine.

Due to Esperanza's geographical and meteorological location, it will be able to use "thickened tailings" technology, which will reduce water consumption and improve evaporation, mitigating the risk of soil contamination. The technology will also ensure a high level of stability for the tailings during operations and after the mine has closed.

Biodiversity

The Group recognises the importance of maintaining existing ecosystems and biodiversity and minimising habitat disturbance. The Group takes into account the interests and concerns of different groups when dealing with biodiversity issues, including farmers and landowners, local communities and non-governmental organisations. All mining operations have formal closure plans for the restoration of land.

Sites implement biodiversity plans in compliance with legislative requirements and planning conditions. At Los Pelambres there are more than 25,000 hectares of protected areas, including the Laguna Conchalí, a Ramsar Convention area. The site implements mitigation and compensation plans, internal management procedures to reduce environmental impact and monitoring programmes.

Los Pelambres manages a nature sanctuary at the Laguna Conchalí wetlands which has significant biological diversity, variations in forest structure and provides a habitat for endangered species. Los Pelambres conducted basic research on the area and after consulting with local people established a conservation zone with an information centre with the objective of improving the use of this area in a more sustainable way.

Closure provisions

The group has prepared Closure Plans for all its operations according to local regulations, and provisions have been allocated for these plans accordingly. These plans and provisions will be routinely updated. All new projects contain outlines for closure plans within the Environmental Impact Assessment report submitted to authorities.

Developments in environmental regulation

REACH

The European Union ("EU") has introduced the Regulation, Evaluation and Authorisation of Chemicals ("REACH") to control risks to human health and the environment. REACH requires companies involved in manufacturing or importing chemicals into the EU to collect or generate toxicity data on the substances.

Antofagasta's molybdenum and copper products are covered by REACH. Through the Consortia of Copper and Molybdenum Producers and Manufacturers, AMSA has been working to conduct research and to prepare classification dossiers. The Group has met its pre-registration and is on track to meet the November 2010 registration deadline.

Global Harmonising System

The Global Harmonising System ("GHS") will be implemented jointly with REACH in the EU by the end of 2010. The GHS is intended to create an internationally consistent system of chemical hazard management and reporting through standard product labelling and Safety Data Sheets.

It will require industry to classify hazards and modify current labelling systems. The Group is on track to meet all GHS requirements.

Wildlife at Laguna Conchalí

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Financial Review

Basis of preparation

The Group's financial statements on page 64 to 102 have been prepared in accordance with International Financial Reporting Standards ("IFRS"). The accounting policies followed are set out in Note 2 to the financial statements. The presentation currency of the Group and the functional currency of the Company is the US dollar, the principal currency in which the Group operates and in which assets and liabilities are denominated.

Review of performance

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

Turnover

	Year ended 31.12.09 US$m	Year ended 31.12.08 US$m
Turnover	**2,962.6**	3,372.6

Group turnover in 2009 was US$2,962.6 million, 12.2% below the US$3,372.6 million achieved in 2008. This mainly reflected decreased sales at the mining division in respect of both copper and molybdenum, and to a lesser extent also at the transport and water divisions.

Turnover from the mining division

Turnover from copper concentrate and copper cathodes

Turnover from copper concentrate and copper cathode sales from the Group's three mines decreased by 6.9% to US$2,516.1 million, compared with US$2,702.9 million in 2008. The decrease mainly reflected the impact of lower copper volumes and to a lesser extent increased tolling charges, partly offset by the effect of increased realised prices.

(i) Realised copper prices

The Group's average realised copper price increased by 1.5% to 270.6 cents per pound (2008 – 266.7 cents), despite the fact that the average LME copper price decreased to 234.2 cents per pound (2008 – 315.3 cents). This was mainly due to the positive impact of adjustments to provisionally priced sales which offset lower market prices and the impact of realised hedging losses.

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 an average of about 90 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 in accordance with IAS 39 "Financial Instruments: Recognition and Measurements".

In 2009 there were significant positive close-out and mark-to-market adjustments to provisionally invoiced sales as a result of the significant increase in the LME copper price during the year. In the case of Los Pelambres, pricing adjustments increased initially invoiced sales (before adjusting for tolling charges) by US$380.3 million in 2009, compared with a US$541.9 million reduction of sales in 2008. The adjustments in 2009 comprised an uplift of US$78.0 million in respect of sales invoiced in 2008 (net of the reversal of mark-to-market adjustments made at the end of 2008) which were finally priced in 2009, and an uplift of US$302.3 million in respect of sales invoiced in 2009 (including a positive mark-to-market provision for open sales at the end of the year of US$62.1 million). Pricing adjustments in 2009 at El Tesoro and Michilla increased revenues by US$31.1 million (2008 – reduced revenues by US$27.9 million) and US$11.8 million (2008 – reduced revenues by US$12.2 million) respectively. Further details of provisional pricing adjustments are given in Note 25(d) to the financial statements.

In 2009 turnover also included a loss of US$65.8 million (2008 – gain of US$30.0 million) on commodity derivatives at El Tesoro and Michilla which matured during the year. Further details of hedging activity in the year are given in Note 25(e) to the financial statements.

Realised prices are analysed by mine in the Business Review on pages 17 to 24. The movement in the LME copper price during the year is described in the Marketplace section on page 10.

(ii) Copper volumes

Copper sales volumes decreased by 7.5% from 479,000 tonnes in 2008 to 442,900 tonnes this year. Sales volumes differed slightly from production each year mainly due to differences in shipping and loading schedules.

Production volumes are analysed by mine in the Business Review on pages 17 to 24. The lower production volumes in the year were mainly due to lower production at Los Pelambres due to reduced throughput as expected due to harder ore quality and to a lesser extent lower production at Michilla due to the decision to suspend production at the Lince open pit mine due to low commodity prices at the start of the year.

(iii) Tolling charges

Tolling charges for copper concentrate at Los Pelambres increased from US$113.1 million in 2008 to US$125.1 million in 2009, reflecting the increased level of annual treatment and refining charges (partly mitigated by the "brick system" under which terms are often averaged over two years) and the impact of increased realised copper prices on certain contracts. Tolling charges are deducted from concentrate sales in reporting turnover and hence the increase in these charges has had a negative impact on turnover compared with 2008.

Turnover from molybdenum and other by-products

Turnover from by-products at Los Pelambres, which relate mainly to molybdenum, decreased by 48.5% to US$223.5 million in 2009 compared with US$434.2 million in 2008, mainly due to lower molybdenum realised and market prices. Molybdenum revenues (net of roasting charges) were US$180.1 million (2008 – US$394.8 million).

(i) Realised molybdenum prices

The realised molybdenum price decreased by 52.7% to US$11.3 per pound in 2009 (2008 – US$23.9 per pound), compared to a 61.6% decrease in the average market price to US$11.1 per pound (2008 – US$28.9 per pound). Molybdenum concentrate sales are also subject to provisional pricing with an average open period of up to approximately 90 days. As prices have increased slightly during 2009, realised prices were marginally higher than the average market price. In contrast, during 2008 prices weakened sharply during the fourth quarter, resulting in a realised price that was significantly lower than the average market price.

(ii) Molybdenum volumes

Molybdenum sales volumes were 7,700 tonnes in both 2008 and 2009. Small differences with production in each year reflected shipping and loading schedules.

Production volumes for Los Pelambres are analysed in the Business Review on page 17.

(iii) Gold and silver credits in copper concentrate sales

Credits received from gold and silver contained in copper concentrate sold increased to US$43.4 million (2008 – US$39.4 million). This was mainly due to the increase in gold content from 19,700 ounces in 2008 to 23,500 ounces in 2009, and the increase in average gold prices in this period, partly offset by lower silver volumes.

Turnover from the transport and water divisions

Turnover from the transport division (FCAB) decreased by US$11.6 million or 7.7% to US$139.4 million, mainly due to normal tariff adjustments under contracts in line with reduced costs. This was partly offset by an increase in transport volumes which reflected the full year effect of the San Cristóbal and Gaby contracts which came fully on stream in the second half of 2008, as well as increases in volumes from other customers.

Turnover at Aguas de Antofagasta, which operates the Group's water business, decreased by US$0.9 million or 1.1% to US$83.6 million in 2009, despite a 2.5% increase in volumes. This mainly reflected the impact of the weaker Chilean peso on the company's peso denominated revenues and a slight decrease in average tariffs. 2008 also benefitted from sundry income from installation and construction services which were not repeated in 2009.

EBITDA and operating profit from subsidiaries and joint ventures

	Year ended 31.12.09 US$m	Year ended 31.12.08 US$m
EBITDA	**1,680.7**	1,899.8
Depreciation and amortisation	**(217.5)**	(180.2)
Loss on disposals	**(4.2)**	(5.3)
Operating profit from subsidiaries and joint ventures excluding exceptional items	**1,459.0**	1,714.3
Impairments	**–**	(188.3)
Operating profit from subsidiaries and joint ventures including exceptional items	**1,459.0**	1,526.0

EBITDA

EBITDA (earnings before interest, tax, depreciation, and amortisation) from subsidiaries and joint ventures decreased by 11.5% to US$1,680.7 million (2008 – US$1,899.8 million).

EBITDA at the mining division decreased by 12.2% from US$1,781.8 million to US$1,563.9 million, due to the reduction in turnover as explained in greater detail above, partly offset by lower operating costs as a result of both lower copper volumes and the cost reduction programme. At Los Pelambres, EBITDA decreased from US$1,429.7 million in 2008 to US$1,408.9 million this year. EBITDA at El Tesoro decreased by US$111.1 million to US$231.7 million. At Michilla, EBITDA decreased by US$90.5 million to US$27.9 million.

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 cash costs in the case of the other two operations) decreased from 117.2 cents per pound in 2008 to 106.7 cents per pound. This decrease partly reflected the thorough cost reduction programme implemented from the start of 2009 as well as a general easing of market costs, although cost pressures began to return in the second half of the year. Cash costs are analysed by mine in the Business Review on pages 17 to 24.

Exploration costs increased from US$54.9 million in 2008 to US$67.1 million, reflecting the increased level of exploration activity across the Group. Net costs in respect of corporate and other items were lower at US$37.5 million (2008 – US$54.2 million) mainly as a result of the cost reduction programme implemented from the start of 2009.

EBITDA at the transport division decreased by US$7.6 million to US$56.6 million, with the decreased revenue as explained above partly offset by lower operating costs. Aguas de Antofagasta contributed US$60.2 million compared to US$53.8 million last year, mainly reflecting the increased volumes and decrease in costs which were partly offset by the decreased revenues discussed above.

Financial Review continued

Depreciation, amortisation and impairments

Depreciation and amortisation increased by US$37.3 million to US$217.5 million in 2009, mainly due to higher charges at Los Pelambres (as a result of commencement of depreciation of amounts capitalised at the Mauro tailings dam and some elements of the expansion) partly offset by a reduction at Michilla due to its reduced carrying value. The loss on disposal of property, plant and equipment in 2009 was US$4.2 million, compared with US$5.3 million in the prior year.

During 2008 an impairment charge of US$188.3 million relating to property, plant and equipment at El Tesoro (US$160.0 million) and Michilla (US$28.3 million) was recorded within operating profit, following an impairment review undertaken in light of the commodity market environments during the last quarter of 2008. There have been no impairments during 2009.

Operating profit from subsidiaries and joint ventures

As a result of the above factors, operating profit from subsidiaries and joint ventures (excluding 2008 exceptional items) decreased by 14.9% to US$1,459.0 million. Including 2008 exceptional items, operating profit from subsidiaries and joint ventures decreased by 42.8%.

Share of income from associates

	Year ended 31.12.09 US$m	Year ended 31.12.08 US$m
Share of income from associates	**4.5**	2.3

The Group's share of net profit from its associates was US$4.5 million (2008 – US$2.3 million), comprised of a net profit of US$3.2 million (2008 – nil) from its 40% interest in Inversiones Hornitos S.A. ("Inversiones Hornitos"), a net profit of US$1.5 million (2008 – US$2.3 million) from its 30% interest in Antofagasta Terminal Internacional S.A. ("ATI") and a net loss of US$0.2 million (2008 – nil) from its 17.8% interest in Sunridge Gold Corp ("Sunridge").

Profit on part-disposal of subsidiaries

During 2008 the Group's disposal of its 30% interest in both Esperanza and El Tesoro to Marubeni Corporation for a consideration of US$1,401.2 million resulted in a profit before tax of US$1,024.9 million. Further details of this exceptional profit are set out in Note 5 to the financial statements.

There were no comparable exceptional items in 2009.

Net finance (expense)/income

Net finance income	Year ended 31.12.09 US$m	Year ended 31.12.08 US$m
Investment income	**13.2**	78.9
Interest expense	**(24.0)**	(13.7)
Other finance items	**(15.1)**	(8.9)
Net finance (expense)/income	**(25.9)**	56.3

Net finance expense in 2009 was US$25.9 million, compared with an income of US$56.3 million in 2008.

Interest receivable decreased from US$78.9 million in 2008 to US$13.2 million in 2009, reflecting the lower market interest rates and lower yields on securities held.

Interest expense increased from US$13.7 million in 2008 to US$24.0 million, mainly due to additional short-term loans taken out at Los Pelambres.

Other finance items comprised a loss of US$15.1 million (2008 – loss of US$8.9 million). A loss of US$1.1 million (2008 – loss of US$1.6 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 the income statement. Foreign exchange gains included in finance items were US$1.2 million in 2009, compared with a loss of US$3.9 million in the previous year. A loss on foreign exchange derivatives of US$12.4 million (2008 – loss of US$1.4 million) is also included in other finance items and partly offsets exchange gains on cash balances included within the overall foreign exchange gains of US$1.2 million. An expense of US$2.8 million (2008 – US$2.0 million) has been recognised in relation to the unwinding of the discount on provisions.

Profit before tax

The resulting profit before tax for the period was US$1,437.6 million compared to US$2,609.5 million in 2008, reflecting the reduction in turnover and the net finance expense compared with net finance income in 2008, and the one-off profit on part disposal of subsidiaries in 2008. This was partly offset by the decrease in operating costs.

Income tax expense

	Year ended 31.12.09 US$m	Year ended 31.12.08 US$m
Total tax charge (Income tax expense)	**(317.7)**	(519.7)

The rate of first category (i.e. corporation) tax in Chile was 17% for both 2009 and 2008. Los Pelambres, El Tesoro and Michilla are also subject to a mining tax (royalty) which imposes an additional tax of 4% of tax-adjusted operating profit. Production from the Tesoro North-East deposit and the run-of-mine processing at El Tesoro is subject to the mining tax at a rate of 5% of tax-adjusted operating profit.

In addition to first category tax and the mining tax, the Group incurs withholding taxes on the remittance of profits from Chile. Withholding tax is levied on remittances of profits from Chile at 35% less first category tax already paid. Accordingly, the effective tax rate of withholding tax for the purpose of paying dividends to Group shareholders is approximately 18% of the amount remitted or expected to be remitted.

The tax charge for the year was US$317.7 million and the effective tax rate was 22.1%. This rate varies from the standard rate principally due to the provision of withholding tax of US$28.1 million, the effect of the mining tax which resulted in a charge of US$55.1 million, exchange gains of US$18.3 million on Chilean peso denominated tax prepayments due to the strengthening of the Chilean peso during the year, and the effect of items which are not subject to or deductible from first category tax. In 2008 the total tax charge was US$519.7 million and the effective tax rate was 19.9%. This was principally due to the provision of withholding tax of US$72.1 million, and the effect of the mining tax, which resulted in a charge of US$66.2 million, exchange losses of US$66.3 million on Chilean-peso denominated tax prepayments due to the weakening of the US dollar during the year and the effect of items which are not subject to or deductible from first category tax.

Minority interests

	Year ended 31.12.09 US$m	Year ended 31.12.08 US$m
Minority interests	**452.2**	383.3

Profit for the financial year attributable to minority shareholders was US$452.2 million, compared with US$383.3 million in 2008. The increase is mainly due to the effect of the disposal of the 30% interest in El Tesoro to Marubeni Corporation in August 2008. Weak commodity prices and the impairment provision resulted in a loss for El Tesoro in the final four months of 2008 (although it remained profitable for the 2008 year as a whole), significantly reducing the overall minority share of Group profit for that year. By contrast, all operations with minorities remained profitable in 2009 and there were no changes in the share of minority interests in each operation during this year.

Earnings per share

	Year ended 31.12.09 US$m	Year ended 31.12.08 US$m
Earnings per share including exceptional items	**67.7**	173.1
Earnings per share excluding exceptional items	**67.7**	85.5

Earnings per share calculations are based on 985,856,695 ordinary shares. As a result of the factors set out above, profit for the 2009 financial year attributable to equity shareholders of the Company was US$667.7 million compared with US$1,706.5 million in 2008. Accordingly, basic earnings per share were 67.7 cents in 2009 compared with 173.1 cents for 2008. Basic earnings per share excluding exceptional items (detailed in Note 5 of the financial statements) were 85.5 cents for 2008. During 2009 there were no exceptional items.

Dividends

	Year ended 31.12.09 US cents	Year ended 31.12.08 US cents	Year ended 31.12.07 US cents	Year ended 31.12.06 US cents	09 v 08 change	08 v 07 change	07 v 06 change
Ordinary							
Interim	**3.4**	3.4	3.2	3.2			
Final	**6.0**	5.6	5.4	5.0			
	9.4	9.0	8.6	8.2	**4.4%**	4.7%	4.9%
Special							
Interim	**–**	3.0	3.0	2.0			
Final	**14.0**	48.0	38.0	38.0			
	14.0	51.0	41.0	40.0			
Total dividends to ordinary shareholders	**23.4**	60.0	49.6	48.2	**(61.0%)**	21.0%	2.9%
Dividends as percentage of profit attributable to equity shareholders	**35%**	35%	35%	35%			

Dividends represent dividends proposed in relation to the year.

Financial Review continued

The Board recommends a final dividend of 20.0 cents per ordinary share payable on 10 June 2010 to shareholders on the Register at the close of business on 7 May 2010. The final dividend comprises an ordinary dividend of 6.0 cents and a special dividend of 14.0 cents. Including the interim dividend, this represents a distribution of approximately 35% of net earnings (profit attributable to equity holders of the Company). 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. 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 continued to increase its ordinary dividend and has adjusted its total recommended dividends in line with profits by means of special dividends in the years of high copper prices. The cost of the final dividend is US$197.2 million and the cost of total dividends for the year is US$230.7 million. The board considers that this level of distribution retains adequate working capital and provides sufficient flexibility for the Group to progress with capital projects and its portfolio of early-stage prospects as well as to take advantage of opportunities which may arise in the current economic environment.

Capital expenditure

Details of capital expenditure during the year are set out in the cash flow summary below on pages 47 and 48.

Treasury management and hedging

The Group periodically uses derivative financial instruments to reduce exposure to commodity price movements. The Group does not use such derivative instruments for speculative trading purposes. The impact of derivative instruments on the Group's results for the period is set out above in the sections on turnover, operating profit from subsidiaries and net finance income, and in Note 25(e) to the financial statements.

The Group has applied the hedge accounting provisions of IAS 39 "Financial Instruments: Recognition and Measurement" to its commodity derivatives. 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 turnover. 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.

At 31 December 2009 the Group had min/max instruments for 22,200 tonnes of copper production and futures for 9,800 tonnes at Michilla covering a total period up to 31 December 2010. The weighted average remaining period covered by the min/max hedges calculated with effect from 1 January 2010 is 6.5 months. The instruments have a weighted average floor of 186.8 cents per pound and a weighted average cap of 237.8 cents per pound. The weighted average remaining period covered by the futures hedges calculated with effect from 1 January 2010 is 6.4 months. The instruments have a weighted average price of 199.9 cents per pound. The total hedged amount of 32,000 tonnes represents approximately 80% of Michilla's forecast production for 2010, and the Group's exposure to the copper price will be limited to the extent of these instruments.

At 31 December 2009 the Group also had futures for 6,500 tonnes at El Tesoro to both buy and sell copper production, with the effect of swapping COMEX prices for LME prices without eliminating underlying market price exposure, covering a period up to 31 January 2011. The remaining weighted average period covered by these instruments calculated with effect from 1 January 2010 is 7.0 months. Between 31 December 2009 and 28 February 2010 the Group entered into further futures instruments of this type for 100 tonnes of copper production at El Tesoro covering a total period up to 31 March 2010 with a remaining weighted average period covered by these instruments calculated with effect from 1 January 2010 of two months.

Details of the mark-to-market position of these instruments at 31 December 2009, 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 reduce its exposure to fluctuations in the fair value of non-US dollar denominated assets or liabilities. At 31 December 2009 the Group had cross currency swaps with a principal value of US$102.8 million (of which US$68.8 million relates to the Railway and other transport services, US$24.7 million relates to Corporate and other items and US$9.3 million relates to the Water concession) to swap Chilean pesos for US dollars, at an average rate of Ch$510.3/US$, covering a total period up to 1 April 2010. The weighted average remaining period covered by these hedges calculated with effect from 1 January 2010 is 1.3 months. Between 31 December 2009 and 28 February 2010 the Group entered into further cross currency swaps with a principal value of US$134.8 million (of which US$56.8 million relates to the Railway and other transport services, US$10.0 million relates to Corporate and other items and US$68.0 million relates to Corporate and other items) to swap Chilean pesos for US dollars, at an average rate of Ch$532.7/US$, covering a total period up to 2 June 2010.

The Group also periodically uses interest rate swaps to swap floating rate interest for fixed rate interest. At 31 December 2009 the Group had entered into contracts in relation to the Esperanza financing for a maximum notional amount of US$787.8 million at a weighted average fixed rate of 1.353% maturing in February 2011 and a maximum notional amount of US$840.0 million at a weighted average fixed rate of 3.372% maturing in February 2018.

Commodity price sensitivities

Based on 2009 production volumes and without taking into account the effects of provisional pricing and any hedging activity, a ten cent change in the average copper price would affect turnover and profit before tax by US$97.5 million and earnings per share by 5.0 cents. Similarly, a one-dollar change in the average molybdenum price would affect turnover and profit before tax by US$17.2 million and earnings per share by 0.8 cents.

Cash flows

The consolidated cash flow statement is presented on page 67. The key features are summarised in the following table.

	Year ended 31.12.09 US$m	Year ended 31.12.08 US$m
Cash flows from operations	**1,167.8**	2,454.3
Income tax paid	**(135.2)**	(561.4)
Net interest (paid)/received	**(11.2)**	66.3
Acquisition of minority interest in subsidiary	**(25.0)**	(243.1)
Acquisition of associates and subsequent capital contributions	**(114.5)**	–
Part-disposal of subsidiaries	**–**	1,401.2
Purchases of property, plant and equipment	**(1,323.6)**	(1,135.0)
Purchases of intangible assets	**(52.5)**	(10.7)
Dividends paid to equity holders of the Company	**(561.9)**	(491.0)
Dividends paid to minority interests	**(310.0)**	(495.6)
Capital increase from minority interest	**–**	57.7
Other items	**0.5**	6.9
Changes in net cash relating to cash flows	**(1,365.6)**	1,049.6
Exchange and other non-cash movements	**42.2**	(77.0)
Movement in net cash in the year	**(1,323.4)**	972.6
Net cash at the beginning of the year	**2,919.1**	1,946.5
Net cash at the end of the year (analysed on page 48)	**1,595.7**	2,919.1

Cash flows from operations were US$1,167.8 million in 2009 compared with US$2,454.3 million last year, reflecting the operating results adjusted for depreciation, amortisation, impairments and disposals gains and losses of US$221.7 million (2008 – US$373.8 million) and a net working capital increase of US$513.0 million (2008 – decrease of US$554.5 million). The significant working capital movements relate mainly to changes in the levels of trade debtors as a result of copper prices and provisional pricing mark-to-market adjustments at the end of each period, and to a lesser extent increased inventory levels with the start-up of Tesoro North-East and the ROM project.

A dividend of US$0.7 million (2008 – US$1.8 million) was received from the Group's investment in ATI.

Cash tax payments in the year were US$135.2 million (2008 – US$561.4 million), comprising corporation tax of US$95.0 million (2008 – US$399.5 million), mining tax of US$40.1 million (2008 – US$41.7 million) and withholding tax of US$0.1 million (2008 – US$120.2 million). These amounts differ from the current tax charge in the consolidated income statement of US$185.1 million (2008 – US$541.7 million) because cash tax payments partly comprise lower monthly payments on account in respect of current year profits as compared with the previous year and partly comprise refunds of amounts due to the Group on the settlement of the outstanding balance for the previous year.

The cash outflow for the acquisition of the minority interest in Minera Caracoles amounted to US$25.0 million. In 2008 the cash outflow for the acquisition of the minority interest in Antomin Limited amounted to US$243.1 million. The cash outflow for the acquisition of the interests in Inversiones Hornitos S.A. and Sunridge Gold Corp amounted to US$85.9 million and subsequent capital contributions to Inversiones Hornitos S.A. amounted to US$28.6 million. In 2008, cash proceeds from the part-disposal of subsidiaries, relating to the disposal of a 30% interest in Esperanza and El Tesoro to Marubeni Corporation, amounted to US$1,401.2 million.

Cash disbursements relating to capital expenditure in 2009 was US$1,323.6 million compared with US$1,135.0 million in 2008. This included expenditure of US$716.4 million relating to the Esperanza project (2008 – US$460.6 million), US$399.4 million (2008 – US$272.7 million) relating to the plant expansion at Los Pelambres, US$11.5 million (2008 – US$69.3 million) relating to the Tesoro North-East deposit and US$43.1 million (2008 – US$19.8 million) at El Tesoro relating to the project for the Run-of-Mine (ROM) leaching of low-grade oxides from Esperanza.

Financial Review continued

Purchase of intangibles in 2009 was US$52.5 million relating to acquisition of the desalination plant by ADASA. In 2008, purchase of intangibles of US$10.7 million related to exploration licences and related rights in Pakistan and Zambia.

Dividends (including special dividends) paid to ordinary shareholders of the Company this year were US$561.9 million (2008 – US$491.0 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 minority shareholders were US$310.0 million (2008 – US$495.6 million), principally due to decreased distributions by Los Pelambres.

New borrowings in the year amounted to US$2,051.6 million (2008 – US$229.5 million), mainly due to drawdowns from the Esperanza Project finance facility and the short term loans and new corporate facilities taken out by Los Pelambres. Repayments of borrowings and finance leasing obligations in the year, were US$874.5 million relating mainly to repayment of the Los Pelambres short-term borrowings taken out during the year and to a lesser extent regular repayments on existing loans (2008 – US$109.5 million mainly relating to regular repayments on existing loans).

Details of other cash inflows and outflows in the year are contained in the Consolidated Cash Flow Statement on page 67.

Financial position

	At 31.12.09 US$m	At 31.12.08 US$m
Cash and cash equivalents	**3,222.3**	3,358.0
Total borrowings	**(1,626.6)**	(438.9)
Net cash at the end of the year	**1,595.7**	2,919.1

At 31 December 2009 the Group had cash and cash equivalents of US$3,222.3 million (2008 – US$3,358.0 million). Excluding the minority share in each partly owned operation, the Group's attributable share of total cash and cash equivalents was US$2,934.3 million (2008 – US$3,085.7 million).

Total Group borrowings at 31 December 2009 were US$1,626.6 million (2008 – US$438.9 million). Of this, US$1,067.6 million (2008 – US$282.3 million) is proportionally attributable to the Group after excluding the minority shareholdings in partly owned operations. The increase in debt is mainly due to draw downs on the Esperanza and Los Pelambres facilities entered into during the year and new short-term borrowings at Los Pelambres, offsetting further principal repayments on existing borrowings principally at Los Pelambres.

Balance sheet

Net equity (i.e. equity attributable to ordinary shareholders of the Company) increased from US$5,266.8 million at 1 January 2009 to US$5,338.6 million at 31 December 2009, relating mainly to profit after tax and minority interests for the period less ordinary dividends declared and paid in the year. Other changes relate mainly to movements in the fair value of hedges and available for sale investments and the currency translation adjustment; these are set out in the Consolidated Statement of Changes in Equity.

Minority interests increased from US$1,165.8 million at 1 January 2009 to US$1,278.8 million at 31 December 2009. This principally reflected the minority's share of profit after tax less the minority's share of the dividends paid by subsidiaries in the year. Other movements affecting minority interest are also set out in the Consolidated Statement of Changes in Equity.

Long-term provisions increased from US$18.0 million at 31 December 2008 to US$127.9 million at 31 December 2009. New assessments of the closure provisions for all mining operations were performed by external consultants, resulting in a US$105.1 million increase to the capitalised decommissioning and restoration provision. The increase in the provision balance is mainly due to the significant amount of construction work at Esperanza since the previous assessments.

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 2009 the currency translation adjustment gain to net equity of US$46.1 million resulted mainly from the strengthening in the Chilean peso during the year from Ch$636/US$ at the start of 2009 to Ch$507/US$ at the end of 2009. In 2008 the currency translation adjustment charge to net equity of US$41.8 million resulted mainly from the weakening in the Chilean peso during the year from Ch$497/US$ at the start of 2008 to Ch$636/US$ at the end of 2008.

Going concern

The Group's business activities, together with those factors likely to affect its future performance, are set out in the Business Review, and details on the Principal Risks and Uncertainties relevant to the Group are set out on pages 14 and 15. Details of the cash flows of the Group during the year, along with its financial position at the year-end are set out in this Financial Review. The Directors' Report includes details of the Group's capital structure, as well as significant medium and long-term contracts with customers and suppliers. The financial statements includes details of the Group's cash and cash equivalent balances in Note 22, and details of borrowings are set out in Note 23. Details of the Group's financial risk management including details of the management of liquidity and counterparty risk, are set out in Note 25(c) to the financial statements.

In assessing the Group's going concern status the Directors have taken into account the above factors, including the financial position of the Group and in particular its significant net-cash position, the current copper price and market expectations in the medium term, and the Group's 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.

Cautionary statement about forward-looking statements

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

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

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

Directors' Report

The Directors present their Annual Report, together with the audited financial statements for the year ended 31 December 2009.

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. 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 page 3 to 5, the Marketplace section on pages 9 to 11, the Business Review (including information on expected future developments) on pages 16 to 41, the Financial Review on pages 42 to 49 and the Corporate Governance Report on pages 54 to 58. A summary of the key performance indicators considered most relevant to the Group is on pages 12 and 13. A description of the principal risks and uncertainties facing the Group is on pages 14 and 15. Information on environmental, employee and social and community matters is included within the Corporate Sustainability report on pages 32 to 41. Information on significant contractual and other arrangements which are essential to the business of the Group is included within this Directors' Report on pages 50 and 53. A description of the financial risk management objectives and policies of the Group, together with the principal risks to which the Group is exposed, is contained in the Financial Review on pages 46 and 47 and in Note 25(c) to the financial statements. Significant events since the balance sheet date requiring disclosure are set out in Note 39 to the financial statements. All the above matters are incorporated into this report by reference.

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. The 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$2,609.5 million in 2008 to US$1,437.6 million in 2009.

The Board has recommended a final dividend of US 20.0 cents (2008 – US 53.6 cents) per ordinary share, comprising an ordinary dividend of US 6.0 cents (2008 – US 5.6 cents) and a special dividend of US 14.0 cents (2008 – US 48.0 cents). An ordinary interim dividend of US 3.4 cents was paid on 8 October 2009 (2008 ordinary dividend – US 3.4 cents, 2008 special dividend – US 3.0 cents). This gives total dividends per share proposed in relation to 2009 of US 23.4 cents (2008 – US 60.0 cents), including the special dividend. The total cost of dividends to ordinary shareholders (including special dividends) proposed in relation to 2009 will be US$230.7 million, compared with US$591.5 million in 2008.

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 (2008 – US$0.2 million).

Further information relating to dividends is set out in the Financial Review on pages 45 and 46, and in Note 12 to the financial statements.

Directors

The Directors who served during the year are set out on page 121. Mr. JW Ambrus resigned as an Independent Non-Executive Director on 14 October 2009. No Director has a service contract with the Company which cannot be terminated within 12 months.

Biographical details of those Directors seeking re-election are set out below. The reasons why the Board considers that these Directors should be re-elected are set out in the Corporate Governance statement on pages 54 to 58 and in particular in the sections headed "Performance Evaluation" and "Re-election".

Mr. CH Bailey was appointed a Non-Executive Director in 1987 and is the Senior Independent Non-Executive Director. Mr. Bailey is a Chartered Accountant, and a director of General Oriental Investment Limited and RIT Capital Partners plc. Mr. Bailey will be aged 76 at the date of the Annual General Meeting.

Mr. WM Hayes was appointed a Non-Executive Director in 2006. He is a director of Royal Gold Inc. He was previously a senior executive with Placer Dome Inc. from 1988 to 2006. Mr. Hayes is a former president of the Consejo Minero, the industry body representing the largest international mining companies operating in Chile. He holds a M.A. degree in International Management from the American Graduate School of International Management. Mr. Hayes is aged 65.

Mr. GS Menéndez was appointed a Non-Executive Director in 1985. He holds a degree in business administration from the Universidad de Chile and is a public accountant. He is a director of Quiñenco S.A., Banco de Chile, Teléfonica del Sur S.A. and is chairman of the board of directors of Banco Latinoamericano de Comercio Exterior S.A. (Bladex). He is also the Vice- chairman of Fundación Andrónico Luksic A. and Fundación Pascual Baburizza, both of which are charitable foundations in Chile. Mr. Menéndez is aged 61.

Mr. DE Yarur was appointed a Non-Executive Director in 2004. Mr. Yarur is a director of several Chilean companies including Banco de Crédito e Inversiones S.A., Sociedad Química y Minera de Chile S.A. and Invertec Pesquera Mar de Chiloé. He holds a M.Sc. degree in Finance from the London School of Economics and completed the Advanced Management Program at Harvard Business School. He is a qualified accountant, and a former Chairman of the Chilean Securities and Exchange Commission. Mr. D E Yarur is aged 53.

Biographical details of the other Directors are given below:

Mr. J-P Luksic is Executive Chairman. He was appointed a Director in 1990 and Deputy Chairman in 2000. He holds a B.Sc. degree in management and science from the London School of Economics. He was also Chief Executive Officer of Antofagasta Minerals S.A. until his appointment as Chairman of the Group in 2004. He is a non-executive director of Quiñenco S.A. and Madeco S.A. He is vice-chairman of the Consejo Minero, the industry body representing the largest international mining companies operating in Chile. Mr. J-P Luksic will be aged 46 at the date of the Annual General Meeting.

Mr. GA Luksic was appointed a Non-Executive Director in 2005. Mr. Luksic is a director of Nexans and Banco de Chile and chairman of Quiñenco S.A., Compañía Cervecerías Unidas S.A., Vina San Pedro S.A. and Madeco S.A. Mr. GA Luksic is aged 54.

Mr. JG Claro was appointed a Non-Executive Director in 2005. He is currently chairman of Embotelladora Andina S.A. He is a director of several other companies in Chile, including Entel Chile S.A., Empresas CMPC S.A., Red Televisiva Chilevisíon S.A. and Empresas Lafarge Chile 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. 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). Mr. Claro is aged 59.

Mr. RF Jara was appointed a Non-Executive Director in 2003. He is a lawyer and a director of Empresa Nacional del Petróleo. He is deputy chairman of the Sociedad Nacional de Minería (Sonami), an organisation which represents a number of mining companies in Chile. He is chairman of the Fundación Minera Los Pelambres and a director of Fundación Andrónico Luksic A. and Fundación Pascual Baburizza, all of which are charitable foundations in Chile. Mr. Jara will be aged 57 at the date of the Annual General Meeting.

Directors' interests

The interests of the persons (including the interests of their families) who were Directors at the end of the year, in the preference and ordinary share capital of the Company are shown on page 60.

Directors' indemnities and insurance

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 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 next financial year. Neither the Company's indemnity nor the insurance provides cover in the event that the Director is proven to have acted dishonestly or fraudulently.

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. The Directors of the Company have identified all 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, that 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 on-going 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.

Directors' Report continued

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 tolling 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(d) to the financial statements;
- there are collective labour agreements with each of the labour unions at the Group's mining 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 and long-term contracts for the supply of key inputs such as electricity, sulphuric acid, oil and explosives with a number of suppliers;
- the Group has a number of engineering, construction and supply contracts in respect of the development of the Esperanza project, including an Engineering, Procurement and Construction Management (EPCM) contract with Aker Solutions;
- the contract for the feasibility study at the Reko Diq project, which has been assigned to SNC Lavalin;
- foreign investment agreements with the Chilean government (known as DL 600 agreements) are in place in respect of Los Pelambres and Esperanza. These agreements provide a stable legal, and in some cases tax, framework for a specified period of time, ensuring non-discriminatory and non-discretionary treatment for foreign investors;
- 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;
- 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; and
- the Group has a number of borrowing facilities in place to provide financing for it its operations and projects. For example:
  - during 2009 Minera Esperanza signed a 12-year US$1.05 billion project financing facility with a consortium of senior lenders including governmental agencies and commercial banks. Antofagasta plc, as a sponsor to the facility, has provided certain guarantees for the financing until the Esperanza project has satisfied certain specified completion tests, at which point the financing will become non-recourse to Antofagasta plc; and
  - in December 2009 and January 2010 Minera Los Pelambres entered into new corporate loan facilities totalling US$750 million for a period of up to seven years provided by a group of commercial banks and export credit agencies.

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 29 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. Details of significant holdings in the Company's shares are set out in the Substantial Shareholdings section below.

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 Combined Code 2006, 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.

Donations

The Group made charitable donations of US$2.2 million during the year ended 31 December 2009 (2008 – US$11.3 million). This includes US$32,000 (2008 – US$0.1 million) of charitable donations in the United Kingdom, principally related to educational studies with a focus on Chile. The Group made political donations of US$2.2 million during the year ended 31 December 2009, in relation to Chilean presidential and parliamentary elections (2008 – US$1.0 million in relation to Chilean municipal elections). These donations were made in accordance with the Chilean legislation which governs the financing of political parties and candidates in order to facilitate the democratic process of the country. The donations were made via the Chilean Electoral Management Body, which transfers funds to political parties and candidates.

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 40 days (2008 – 39 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.

Environment

The Group seeks to ensure that its operations and products cause minimal harm to the environment. Care is taken to limit discharges of environmentally harmful substances and to dispose of waste material in a safe manner. Contingency arrangements and plans exist to reduce the risk and limit the effect of any accidental spillage. The Group's policy is that all its operations should comply fully with or exceed applicable Chilean regulations. Further information regarding the Group's environmental performance and activities is given in the Corporate Sustainability report on pages 32 to 41.

Auditors

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 auditors are 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 auditors are 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.

A resolution to re-appoint Deloitte LLP as the Company's auditor will be proposed at the forthcoming Annual General Meeting.

Substantial shareholdings

As at the date of this report, the following significant holdings of voting rights in the share capital of the Company have been disclosed to the Company under Disclosure and Transparency Rule 5:

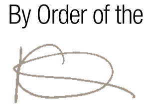
Table of substantial shareholdings	Ordinary Share Capital %	Preference Share Capital %	Total Share Capital %
Metalinvest Establishment	50.72	94.12	58.04
Kupferberg Establishment	9.94	–	8.27
Aureberg Establishment	4.26	–	3.54

Metalinvest Establishment and Kupferberg Establishment are both controlled by the E. Abaroa Foundation, in which members of the Luksic family are interested. As explained on page 102, 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 Mr. J-P Luksic, the Chairman of the Company.

Annual General Meeting

The Annual General Meeting of the Company will be held from 10.30 a.m. on 9 June 2010 at Church House Conference Centre, Dean's Yard, Westminster, London SW1P 3NZ. The Notice of the Meeting, together with an explanation of the business to be dealt with at the Meeting, is included in a separate document sent to shareholders with this Annual Report.

By Order of the Board



For and on behalf of
Petershill Secretaries Limited
Company Secretary

8 March 2010

Corporate Governance Report

Introduction

Antofagasta plc ("Antofagasta") has an uncommon ownership structure for a company listed on the London Stock Exchange. The E. Abaroa Foundation, an entity in which members of the Luksic family are interested, controls 60.66% of the ordinary share capital and 94.12% of the preference share capital of the Company through two investment vehicles, Metalinvest Establishment and Kupferberg Establishment. Aureberg Establishment, which is controlled by Antofagasta's Chairman, Mr. J-P Luksic, holds 4.26% of the ordinary share capital of the Company. Although incorporated in the United Kingdom and listed on the London Stock Exchange, the Group's businesses, which comprise mining, transport and water distribution, are principally located in Chile, the largest copper producing country in the world.

Antofagasta's Board is committed to managing the operations of the Group with a view to maximising value for all shareholders. The Board currently has eight members, comprising an Executive Chairman and seven Non-Executive Directors. Two of the eight Directors (including the Chairman) are members of the Luksic family. Six of the Directors, including the Chairman, are based in Chile, where the Group's operations are principally located; one Director is based in the United Kingdom, where the Company is incorporated and listed on the London Stock Exchange; and one Director is based in the United States.

The day-to-day operations of the Group are carried on through the boards of each division of the Group, Antofagasta Minerals S.A. (mining), Antofagasta Railway Company plc (FCAB – railway and other transport services) and Aguas de Antofagasta S.A. (water distribution). Each division is headed by a chief executive officer who reports to his divisional board and the Chairman of the Group. The Antofagasta Board oversees these divisional boards and provides strategic direction.

In its consideration of Corporate Governance matters, the Board is mindful of the principles set out in the Combined Code on Corporate Governance issued by the Financial Reporting Council in June 2008 ("the Combined Code"). However, given the ownership structure and asset base of the Group, the Board believes that full adherence to the Combined Code is not practicable. Nevertheless, the Board considers that its structure and balance (as set out in more detail below under the heading "Directors") provide an appropriate basis for ensuring its effectiveness and the protection of the interests of all shareholders in the Company.

The Board describes below how it applied the corporate governance principles contained in the Combined Code during 2009. Two areas where the Company did not comply with the detailed Combined Code provisions are set out at the end of this report under the heading "Statement of Compliance with the Detailed Provisions of the Combined Code".

Directors

The Board

The Directors collectively have responsibility for the conduct of the Group's business. The Board, which met five times during 2009, comprises an Executive Chairman and seven Non-Executive Directors, five of whom are considered by the Board to be independent. Prior to his resignation in October 2009, the Board also included Mr. JW Ambrus, who was considered by the Board to be independent. 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;

– reviewing the Group's performance; and

– overseeing the Group's internal control systems.

The Chairman 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. The agenda for Board meetings are set by the Chairman in consultation with the other Directors.

Responsibility for developing and implementing the Group's strategic and financial objectives is delegated to the senior management of the Group. Accordingly, the boards of Antofagasta Minerals S.A. (mining), the Antofagasta Railway Company plc (railway and other transport services) and Aguas de Antofagasta S.A. (water distribution) meet regularly to consider strategic, operational and risk management issues in more detail. There is substantial overlap between membership of the Board of Antofagasta plc and these three divisional boards. The chief executive officer of each division reports to his divisional board and to the Chairman of the Group; the Board oversees these divisional boards and provides strategic direction. The Board is also responsible for reviewing the performance of management. The Non-Executive Directors scrutinise the performance of management in meeting goals and objectives and also monitor the reporting of performance, through the activities of the Remuneration Committee and the Audit Committee.

The Directors of the Company as at 8 March 2010 are set out on page 121. As noted above, Mr. JW Ambrus resigned as a Director on 14 October 2009.

The recognised senior independent Non-Executive Director is Mr. CH Bailey, who is also Chairman of the Audit Committee. Mr. GS Menéndez is Chairman of the Remuneration and Nomination Committees. The Board does not have a Director formally designated as Chief Executive.

The role of the Chairman

Mr. J-P 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. As explained above, the Group does not have a Board member who is designated as Chief Executive. Mr. Marcelo Awad is chief executive officer of Antofagasta Minerals S.A.; Mr. Miguel Sepúlveda is chief executive officer of the Antofagasta Railway Company plc; and Mr. Marco Kútulas is the chief executive officer of Aguas de Antofagasta S.A.

The Board believes that the Company is not at risk from a concentration of power by Mr. J-P Luksic having executive responsibilities as Chairman. In reaching this conclusion, it has taken into consideration the strong presence of Non-Executive Directors on the Board, the structure of the Audit, Remuneration and Nomination Committees designed to devolve away from the Chairman responsibility and control of certain key areas of Board responsibility, and the delegation of management responsibility to the chief executive officer of each division.

Board balance and independence

The Board considers five of its seven Non-Executive Directors to be independent – Mr. CH Bailey, Mr. GS Menéndez, Mr. DE Yarur, Mr. JG Claro and Mr. WM Hayes. The Board is satisfied that this balance limits the scope for an individual or small group of individuals to dominate the Board's decision-making. The Directors' Report sets out biographical details of each Director and identifies those Directors standing for re-election on pages 50 and 51.

Mr. Yarur, Mr. Claro and Mr. Hayes meet the independence criteria set out in Combined Code provision A.3.1 and the Board is satisfied as to their independence.

The Board is satisfied that Mr. Bailey remains independent in character and judgement, notwithstanding that he has served on the Board for more than nine years, since he does not receive any remuneration from the Company other than Non-Executive Directors' fees, nor does he have any other relationships with the Company or its majority shareholder. The Board is also satisfied that Mr. Menéndez remains independent in character and judgement, notwithstanding that he has also 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, including Banco de Chile and Telefónica del Sur S.A. This is because he does not receive any remuneration from the Group other than in a non-executive capacity. His position in the Quiñenco group is also solely as a non-executive director. The Board considers that Mr. Bailey's and Mr. Menéndez's length of service is of considerable benefit to the Board given their wealth of knowledge and experience of the Group and of Latin America and of the mining industry, and therefore proposes both for re-election.

The Board does not consider Mr. RF Jara or Mr. GA Luksic to be independent. Mr. RF Jara provides advisory services to the Group, as explained in the Remuneration Report on page 60. Mr. GA Luksic is the brother of Mr. J-P Luksic, the Chairman of Antofagasta plc. Mr. GA Luksic is chairman of Quiñenco S.A. and chairman or a director of Quiñenco's other listed subsidiaries. Mr. J-P Luksic and Mr. GS Menéndez are also non-executive directors of Quiñenco and some of its listed subsidiaries. Like Antofagasta, Quiñenco is also controlled by the Luksic family.

Appointments to the Board

The Nomination Committee currently comprises Mr. GS Menéndez (Chairman), Mr. CH Bailey and Mr. RF Jara. As explained above, Mr. CH Bailey and Mr. GS Menéndez are considered by the Board to be independent Non-Executive Directors.

The Nomination Committee periodically reviews the composition of the Board including the balance between Executive and Non-Executive Directors and considers succession planning for both Executive and Non-Executive Directors and the Group's senior management. It is also responsible for the process for new Board appointments and 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. In fulfilling these responsibilities, the Nomination Committee consults the Chairman, Mr. J-P Luksic. The Nomination Committee meets as necessary and, in any case, at least once a year. Its terms of reference are available from the Company's registered office and may be viewed on the Company's website – www.antofagasta.co.uk.

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

All Non-Executive Directors have letters of appointment with the Company for an initial period of three years from the date of their appointment, subject to reappointment at the Annual General Meeting. These letters require the Non-Executive Directors to undertake that they will have sufficient time to discharge their responsibilities. The letters of appointment are available for inspection at the Company's registered office during normal business hours and at the Annual General Meeting (for 15 minutes prior to and during the meeting).

Information and professional development

The Directors receive information for review ahead of each Board or Committee Meeting. In addition, they receive regular reports and forecasts for the Group and each significant operation to ensure that they remain properly briefed about the performance and financial position of the Group

Corporate Governance Report continued

throughout the year. All Directors have access to management and to such further information as is needed to carry out their duties and responsibilities fully and effectively. Furthermore, all Directors are entitled to seek independent professional advice concerning the affairs of the Group at the Company's expense.

The Company also 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 and at least once a year, and the Directors based outside the United Kingdom also regularly visit this country, again normally at least once a year.

Group management in the United Kingdom and Chile is responsible for ensuring that Board procedures and applicable rules and regulations are complied with and for advising the Board, through the Chairman, on all governance matters. Company secretarial advice is provided by Petershill Secretaries Limited.

Performance evaluation

The Board periodically considers its performance and effectiveness. A performance evaluation of the Board, its committees and its individual members was conducted during 2009 by Mr. GS Menéndez, with the assistance of senior management. Mr. CH Bailey, as the senior independent Non-Executive Director was responsible for the evaluation of the Chairman. The results were discussed with the Chairman and considered by the Board and were taken into account in the decision to recommend re-election of the retiring Directors at the forthcoming Annual General Meeting during 2010. The Board is satisfied that each Director continues to contribute effectively and to demonstrate commitment to his role.

Re-election

Each Director is elected by shareholders at the Annual General Meeting following his first appointment. The Company's Articles of Association provide that not less than one-third of the Directors must retire by rotation each year and that each Director is re-elected at least once every three years. Non-Executive Directors who have served for more than nine years are subject to annual re-election in accordance with provision A.7.2 of the Combined Code.

The Directors retiring and standing for re-election at this year's Annual General Meeting are Mr. CH Bailey, Mr. WM Hayes, Mr GS Menéndez and Mr. DE Yarur. Biographical details of these Directors are set out in the Directors' Report on pages 50 and 51.

The Chairman confirms that the Board is satisfied that each of the Directors proposed for re-election continues to be effective and continues to demonstrate commitment to his role.

Remuneration

The membership of the Remuneration Committee, a statement of the Company's policy on remuneration, and the remuneration details and shareholding interests of each Director are contained in the Remuneration Report on pages 59 to 61.

Accountability and audit

Internal control

The Board has applied principle C.2 of the Combined Code by establishing a continuous process for identifying, evaluating and managing the significant risks the Group faces. The Board regularly reviews the process, which is an

Directors' attendance at meetings in 2009

The number of Board and Committee meetings held during 2009, together with details of each Director's attendance, is set out below:

	Board		Audit Committee		Nomination Committee		Remuneration Committee	
	Number attended	Maximum possible	Number attended	Maximum possible	Number attended	Maximum possible	Number attended	Maximum possible
J-P Luksic	5	5	–	–	–	–	–	–
CH Bailey	3	5	3	3	1	1	2	2
GS Menéndez	5	5	3	3	1	1	2	2
RF Jara	5	5	–	–	1	1	–	–
DE Yarur	5	5	3	3	–	–	2	2
GA Luksic	3	5	–	–	–	–	–	–
JW Ambrus[1]	4	4	–	–	–	–	–	–
JG Claro	5	5	–	–	–	–	–	–
WM Hayes	5	5	–	–	–	–	–	–

[1] Mr. JW Ambrus resigned from the Board as a Non-Executive Director on 14 October 2009.

All Directors in office at the time of the Annual General Meeting in June 2009 attended that meeting.

Each Director withdrew from any meeting when his own position was being considered.

ongoing activity from the start of each financial year to the date of approval of this report and which is in accordance with revised guidance on internal control published in October 2005 ("the Turnbull Guidance"). The Board is responsible for the Group's system of internal control and for reviewing its effectiveness. Such a system 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.

In compliance with Provision C.2.1 of the Combined Code, the Board regularly reviews the effectiveness of the Group's system of internal control. The Board's monitoring covers all controls, including financial, operational and compliance controls and risk management. It 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 Board has also performed a specific assessment for the purpose of this Annual Report. This assessment considers all significant aspects of internal control arising during the period covered by the report including the work of internal audit. The Audit Committee assists the Board in discharging its review responsibilities.

During the course of its review of the system of internal control, the Board 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 Corporate Sustainability report on page 35.

Going concern

The Board's statement on going concern is included in the Financial Review on page 49.

Corporate sustainability

The Board takes into account the community, social, environmental and ethical impact of its decisions and is responsible for the relevant policies of the Group. A Corporate Sustainability committee, comprising Mr. J-P Luksic, Mr. GS Menéndez and Mr. RF Jara, was formed in 2008 to assist the Board in its responsibilities with respect to the Group's social responsibility. The Committee met once in 2009, with all three members in attendance. Key issues of social responsibility are identified and assessed through the Group's risk management processes described under "Internal Control" above. During 2009 the Group also published its second separate Sustainability Report to provide further information on its social and environmental performance in respect of 2008. More information on corporate sustainability is given on pages 32 to 41.

"Whistleblowing" procedures

The Audit Committee, whose other functions are described below, is responsible for reviewing arrangements by which employees of the Group may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters. An Ethics Code is in place across the Group, which includes a procedure to enable employees to raise concerns, anonymously if necessary. An Ethics Committee, comprising members of senior management, is responsible for implementing, developing and updating the Ethics Code and investigating any allegations of impropriety. The Ethics Committee reports directly to the Chief Executive of Antofagasta Minerals S.A. The Audit 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.

Audit Committee and auditors

The Audit Committee currently comprises Mr. CH Bailey (Chairman), Mr. GS Menéndez and Mr. DE Yarur, all of whom are considered by the Board to be independent Non-Executive Directors. All three members are considered to have recent and relevant financial experience.

The Audit Committee meets at least twice a year with the external auditors in attendance. The Audit Committee's purpose is to assist the Board in meeting its responsibilities relating to financial reporting and control matters. In particular, it reviews the scope and nature of the audit and issues arising from it and is responsible for ensuring the independence of the external auditors (including their objectivity and effectiveness), monitoring the provision of any non-audit services and for making recommendations to the Board for the appointment, reappointment or removal of the external auditors. The Audit Committee periodically reviews if it is necessary to re-tender the audit engagement. It reviews the internal control and risk assessment procedures adopted by the Group described in the section under the heading "Internal Controls" above, 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 committee on a regular basis. The Audit Committee also 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 Committee also reviews the preliminary announcement, the half yearly financial report and any other public reports relating to the Group's financial performance. The terms of reference of the Audit Committee are available from the Company's registered office and may be viewed on the Company's website – www.antofagasta.co.uk.

The Audit 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 Committee.

Corporate Governance Report continued

The Company's external auditors, Deloitte LLP, have provided non-audit services to the Company, which amounted to US$106,000. This comprised the provision of services relating to the preparation for the adoption of IFRS by the Group's Chilean subsidiaries, tax compliance and other consultancy services.

The Audit Committee has reviewed the level of these services in the course of the year and is confident that the objectivity and independence of the auditors are not impaired by reason of such non-audit work. The Audit Committee has also considered the effectiveness of the external audit function through the year through meetings with Deloitte LLP, a review of their audit plan and a consideration of the results of work performed by the external auditors prior to release of the half year and full year results.

Relations with shareholders

Directors and senior management regularly meet with institutional shareholders and analysts in the United Kingdom, Europe, Chile and the United States. The senior independent Non-Executive Director, Mr. CH Bailey, also attends meetings with major shareholders when required. Other Non-Executive Directors are given the opportunity to meet with major shareholders and attend meetings if requested to do so by shareholders. These meetings ensure that the Board is able to develop and maintain an understanding of the views of several of the Company's major investors.

The Company carries out a formal programme of presentations to update institutional shareholders and analysts on developments in the Group after the announcement of the half year and full year results. In addition, quarterly production figures and financial results are published for the mining, transport and water divisions. Copies of these results and production announcements, presentations and other press releases issued by the Company are available on its website. As noted above, during the year the Group also published a separate Sustainability Report in respect of 2008 to provide further information on its social and environmental performance.

The Company's Annual General Meeting ("AGM") is also used as an opportunity to communicate with both institutional and private shareholders; the Board of Directors encourages all shareholders to attend. The notice of the AGM is sent to shareholders at least 20 working days in advance of the meeting. At the meeting, the Company complies with the Combined Code as it relates to voting, including votes withheld, the separation of the resolutions and the attendance of committee chairmen.

Statement of compliance with the detailed provisions of the Combined Code

As explained above, the Company complied with the detailed code provisions contained in the Combined Code throughout 2009 and to the date of this report except as follows:

– the Board does 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). As explained above, the Group has separate chief executives for its mining, transport and water distribution divisions who report to their respective divisional boards and to the Chairman of the Group. The Board considers that its predominantly non-executive composition combined with the delegation of management responsibility to the chief executive officer of each division achieves an appropriate balance and prevents a concentration of power in its Executive Chairman; and

– performance related pay measures did not apply to Board members (provision B.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 bonuses are paid to senior management in the Group based on a combination of personal, divisional and Group performance assessed against targets set at the start of each year.

Remuneration Report

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 Combined Code on Corporate Governance issued by the Financial Reporting Council in June 2008 (“the Combined Code”) relating to Directors’ remuneration.

During the year under review, the Company complied with the detailed code provisions set out in Section B of the Combined Code except, as explained on page 58, performance related pay measures did not apply to the Chairman, who was the only Executive Director (provision B.1.1).

The Companies Act 2006 requires the auditors to report to the Company’s members on certain parts of this report and to state whether in their opinion those parts have been properly prepared in accordance with the Companies Act 2006. The report has therefore been divided into separate sections for unaudited and audited information.

Unaudited information

Remuneration Committee

Membership

The Remuneration Committee currently comprises Mr. GS Menéndez (Chairman), Mr. CH Bailey and Mr. DE Yarur, all of whom are considered by the Board to be independent Non-Executive Directors.

Responsibilities

The responsibilities of the Remuneration Committee are fully set out in its Terms of Reference which are available from the Company’s registered office and may be viewed on the Company’s website – www.antofagasta.co.uk. The Committee is responsible for setting remuneration policy and for reviewing the remuneration of any Executive Directors and, where appropriate, it consults the Chairman, Mr. J-P Luksic. The Committee used benchmarking data from various sources, but did not appoint external consultants to advise on Directors’ remuneration during the year. The Remuneration Committee is also responsible for monitoring the level and structure of remuneration of Group senior management and evaluating management performance. 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 and bonuses

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 to ensure it remains in line with companies of a similar nature, size and complexity. Remuneration levels for Non-Executive Directors are based on comparable levels for companies of a similar nature, size and complexity, and take into account specific responsibilities undertaken. Remuneration includes fees paid for non-executive directorships of subsidiary companies and joint ventures within the Group. The Board does not consider it appropriate to make regular performance-related pay awards such as bonuses to the only Executive Director, Mr. J-P Luksic, given his role as Chairman of the Board and his interest in the Company’s shares both directly and as a member of the Luksic family. The Group has paid Mr. RF Jara for advisory services to the Group. The Board has taken these payments into account in determining his fees as a Non-Executive Director. No Director currently receives pension contributions.

Non-Executive Directors’ fees

The fees payable to Non-Executive Directors in respect of Antofagasta plc were as follows:

	2009 US$000	2008 US$000
Base fee	**100**	100
Audit Committee chairman	**20**	20
Audit Committee member	**10**	10
Remuneration Committee chairman	**16**	16
Remuneration Committee member	**10**	10
Nomination Committee chairman	**10**	10
Nomination Committee member	**4**	4

These fee levels will be unchanged for 2010.

In addition to the above amounts, Non-Executive Directors also receive fees in their capacity as Non-Executive Directors of the principal operating subsidiary companies and joint ventures within the Group. As some of these fees are set in Chilean pesos, the US dollar payments made in respect of such fees may vary depending on the applicable exchange rate from time to time. These additional fees are included within the amounts attributable to the Non-Executive Directors within the table of Directors’ remuneration on page 61.

Remuneration Report

Service contracts and letters of appointment

Mr. J-P Luksic has a contract for services with both the Antofagasta Railway Company plc and Antofagasta Minerals S.A. Both contracts for services 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 for the provision of advisory services by Mr. R F Jara which can also be terminated 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 although no changes were made in 2009 as compared with previous years. Amounts paid during 2008 and 2009 have been included in the table of Directors' remuneration on page 61.

All Non-Executive Directors have letters of appointment with the Company, for an initial period of three years from the date of their appointment, subject to reappointment at the Annual General Meeting ("AGM"). These letters 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 service contracts 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.

Share options and long-term incentive schemes

No arrangements exist to enable Directors to acquire benefits through the acquisition of shares in the Company or any of its subsidiary undertakings, to benefit through profit-related pay or share option schemes or to participate in any long-term incentive schemes.

Directors' interests

The Directors' interests in the shares of the Company at the beginning and end of the year were as follows:

	Ordinary shares of 5p each	
	31 December 2009	1 January 2009
J-P Luksic[1]	41,963,110	41,963,110
CH Bailey	32,000	32,000

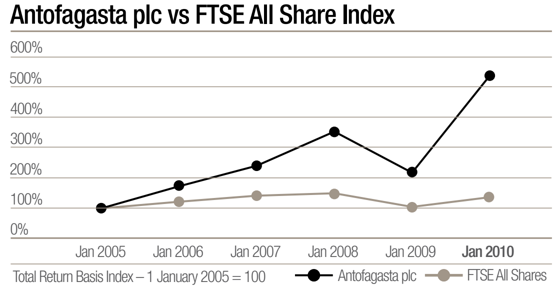
[1] Mr. J-P Luksic's interest relates to shares held by Aureberg Establishment, an entity which he controls.

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 other contract with the Company or its subsidiary undertakings during the year other than in the ordinary course of business. No changes took place in the interests of the Directors between 31 December 2009 and the date of this report.

Performance graph

The following graph shows the Company's performance compared to the performance of the FTSE All Share 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 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 is calculated by aggregating the returns of all individual constituents of the FTSE at the end of the five-year period.

Total Shareholder Return* – Antofagasta plc vs FTSE All Share Index



* Total Shareholder Return represents share price growth plus dividends reinvested over the period Total Return Basis Index – 1 January 2005 = 100

Source: Datastream

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.

	Base salary and fees		Benefits		Total remuneration	
	2009 US$000	2008 US$000	2009 US$000	2008 US$000	2009 US$000	2008 US$000
Executive Chairman						
J-P Luksic[1]	3,116	3,154	67	77	3,184	3,231
Non-Executive Directors					–	
CH Bailey	134	131	–	–	134	131
GS Menéndez	320	327	–	–	320	327
RF Jara[2]	770	767	–	–	770	767
DE Yarur	144	142	–	–	144	142
GA Luksic	124	122	–	–	124	122
JW Ambrus[3]	123	146	–	–	123	146
JG Claro	196	134	–	–	196	134
WM Hayes	178	150	–	–	178	150
	5,105	5,073	67	77	5,172	5,150

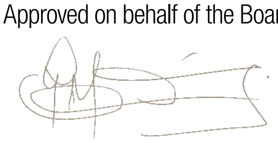
1 During 2009, remuneration of US$1,000,000 (2008 – US$981,000) for the provision of services by Mr. J-P Luksic was paid to Goldstream Finance Limited. This amount is included in the amounts attributable to Mr. Luksic of US$3,116,000 (2008 – US$3,154,000). The benefits expense represents the provision of car usage to Mr. J-P Luksic.

2 During 2009, remuneration of US$462,000 (2008 – US$467,000) for the provision of services by Mr. RF Jara was paid to Asesorías Ramón F Jara Ltda. This amount is included in the amounts attributable to Mr. Jara of US$770,000 (2008 – US$767,000).

3 Mr. JW Ambrus resigned from the Board on 14 October 2009, and the amounts shown above for 2009 represent the fees payable up to this date.

4 Mr. PJ Adeane retired from the Board in 2006. Following retirement, Mr. PJ Adeane has continued to serve the Board as a Senior Advisor under a contract for services at the rate of £10,000 per annum. This contract can be terminated on one month's notice. Mr. Adeane was paid £10,000 (approximately US$15,590) under this contract for services during 2009 (2008 – £10,000 (approximately US$18,400)).

Approved on behalf of the Board



GS Menéndez
Chairman of the Remuneration Committee

8 March 2010

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Annual Report and the financial statements. 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 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; and
- provide additional disclosures when compliance with the specific requirements in IFRS is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance.

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 estimates that are reasonable and prudent;
- state whether applicable 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 proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company, for safeguarding the assets, for taking reasonable steps for the prevention and detection of fraud and other irregularities and for the preparation of the Directors' Report and the Remuneration Report which comply with the requirements of the Companies Act 2006. The Directors are responsible for the maintenance and integrity of the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements differs from legislation in other jurisdictions.

Directors' Responsibility Statement

We confirm to the best of our knowledge:

- 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 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 they face.

By order of the Board

J-P Luksic
Chairman

CH Bailey
Director

8 March 2010

Independent Auditors' Report to the Members of Antofagasta plc

We have audited the financial statements of Antofagasta plc for the year ended 31 December 2009 which comprise Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated and Parent Company Balance Sheets, the Consolidated Cash Flow Statement, the Consolidated Statement of Changes in Equity, and the related Notes 1 to 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 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 auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company 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 auditors

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 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 (APB'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.

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 2009 and of the Group's profit 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; and

– the part of the Corporate Governance Statement relating to the Company's compliance with the nine provisions of the June 2008 Combined Code specified for our review.

Carl Hughes (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditors
London, United Kingdom

8 March 2010

Consolidated Income Statement
For the year ended 31 December 2009

	Notes	2009 US$m	2008 US$m
Group turnover	4,6	**2,962.6**	3,372.6
Total operating costs (including 2008 exceptional items*)		**(1,503.6)**	(1,846.6)
Operating profit from subsidiaries and joint ventures	4,6	**1,459.0**	1,526.0
Profit on part-disposal of subsidiaries (2008 exceptional item*)		**–**	1,024.9
Share of income from associates	4,6,17	**4.5**	2.3
Total profit from operations and associates	4,6	**1,463.5**	2,553.2
Investment income		**13.2**	78.9
Interest expense		**(24.0)**	(13.7)
Other finance items		**(15.1)**	(8.9)
Net finance (expense)/income	9	**(25.9)**	56.3
Profit before tax	6	**1,437.6**	2,609.5
Income tax expense	10	**(317.7)**	(519.7)
Profit for the financial year	6	**1,119.9**	2,089.8
Attributable to:			
Minority interests	30	**452.2**	383.3
Equity holders of the Company (net earnings)	11	**667.7**	1,706.5

		US cents	US cents
Basic earnings per share	11	**67.7**	173.1

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)		**3.4**	3.4
– ordinary dividend (final)		**6.0**	5.6
– special dividend (interim)		**–**	3.0
– special dividend (final)		**14.0**	48.0
		23.4	60.0
Dividends per share paid in the year and deducted from net equity			
– ordinary dividend (interim)		**3.4**	3.4
– ordinary dividend (final)		**5.6**	5.4
– special dividend (interim)		**–**	3.0
– special dividend (final)		**48.0**	38.0
		57.0	49.8

In aggregate	12	**US$m**	US$m
Dividends proposed in relation to the year		**230.7**	591.5
Dividends paid in the year and deducted from net equity		**561.9**	491.0

Turnover and operating profit are derived from continuing operations.

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.

* There were no exceptional items in the year ended 31 December 2009. Exceptional items included in the consolidated income statement in respect of 2008 comprise: (i) an impairment charge of US$188.3 million relating to property, plant and equipment at El Tesoro and Michilla, which has been recorded within "Total operating costs" and (ii) a profit of US$1,024.9 million relating to the sale of a 30% interest in Esperanza and El Tesoro to Marubeni Corporation, which has been recorded within "Profit on part-disposal of subsidiaries". Excluding these items, operating profit from subsidiaries and joint ventures is US$1,714.3 million and profit before tax is US$1,772.9 million. Further details of these exceptional items are set out in Note 5.

Consolidated Statement of Comprehensive Income For the year ended 31 December 2009

	Notes	2009 US$m	2008 US$m
Profit for the financial year	6	**1,119.9**	2,089.8
(Losses)/gains in fair value of cash flow hedges deferred in reserves	25	**(177.9)**	82.6
Gains/(losses) in fair value of available for sale investment	19	**0.5**	(2.6)
Currency translation adjustment	29	**46.2**	(41.8)
Deferred tax effects arising on cash flow hedges deferred in reserves	25	**34.0**	(14.1)
Total (expense)/income recognised in equity		**(97.2)**	24.1
Gains in fair value of cash flow hedges transferred to the balance sheet	25	**(22.0)**	–
Losses/(gains) in fair value of cash flow hedges transferred to the income statement	25	**65.8**	(30.0)
Deferred tax effects arising on cash flow hedges transferred to the income statement	25	**(11.2)**	5.1
Total transferred to the income statement		**32.6**	(24.9)
Total comprehensive income for the year		**1,055.3**	2,089.0
Attributable to:			
Minority interests	30	**421.6**	396.2
Equity holders of the Company	11	**633.7**	1,692.8

Consolidated Statement of Changes in Equity For the year ended 31 December 2009

	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$m**	Minority interests US$m	**Total US$m**
At 1 January 2008	89.8	199.2	(0.2)	(0.5)	25.8	3,750.9	**4,065.0**	841.5	**4,906.5**
Total comprehensive income for the year	–	–	30.7	(2.6)	(41.8)	1,706.5	**1,692.8**	396.2	**2,089.0**
Capital increase from minority interest	–	–	–	–	–	–	**–**	57.7	**57.7**
Part-disposal of subsidiaries	–	–	–	–	–	–	**–**	366.0	**366.0**
Dividends	–	–	–	–	–	(491.0)	**(491.0)**	(495.6)	**(986.6)**
At 31 December 2008 and 1 January 2009	89.8	199.2	30.5	(3.1)	(16.0)	4,966.4	**5,266.8**	1,165.8	**6,432.6**
Total comprehensive income for the year	–	–	(80.6)	0.5	46.1	667.7	**633.7**	421.6	**1,055.3**
Acquisition of minority interest	–	–	–	–	–	–	**–**	1.4	**1.4**
Dividends	–	–	–	–	–	(561.9)	**(561.9)**	(310.0)	**(871.9)**
At 31 December 2009	**89.8**	**199.2**	**(50.1)**	**(2.6)**	**30.1**	**5,072.2**	**5,338.6**	**1,278.8**	**6,617.4**

Consolidated Balance Sheet
At 31 December 2009

	Notes	2009 US$m	2008 US$m
Non-current assets			
Intangible assets	13	**311.2**	233.6
Property, plant and equipment	14	**4,873.2**	3,679.7
Investment property	15	**3.4**	2.7
Investment in associate	17	**121.3**	3.0
Trade and other receivables	21	**36.6**	34.1
Available for sale investments	19	**1.2**	0.7
Deferred tax assets	27	**31.1**	12.7
		5,378.0	3,966.5
Current assets			
Inventories	20	**240.1**	155.9
Trade and other receivables	21	**608.6**	313.8
Current tax assets		**59.8**	109.0
Derivative financial instruments	25	**1.7**	51.7
Cash and cash equivalents	22	**3,222.3**	3,358.0
		4,132.5	3,988.4
Total assets		**9,510.5**	7,954.9
Current liabilities			
Short-term borrowings	23	**(431.8)**	(319.0)
Derivative financial instruments	25	**(81.2)**	(1.4)
Trade and other payables	24	**(437.6)**	(594.4)
Current tax liabilities		**(45.0)**	(59.9)
		(995.6)	(974.7)
Non-current liabilities			
Medium and long-term borrowings	23	**(1,194.8)**	(119.9)
Derivative financial instruments	25	**(4.5)**	–
Trade and other payables	24	**(12.3)**	(12.6)
Post-employment benefit obligations	26	**(48.2)**	(29.0)
Long-term provisions	28	**(127.9)**	(18.0)
Deferred tax liabilities	27	**(509.8)**	(368.1)
		(1,897.5)	(547.6)
Total liabilities		**(2,893.1)**	(1,522.3)
Net assets		**6,617.4**	6,432.6
Equity			
Share capital	29	**89.8**	89.8
Share premium	29	**199.2**	199.2
Hedging, translation and fair value reserves	29	**(22.6)**	11.4
Retained earnings	29	**5,072.2**	4,966.4
Equity attributable to equity holders of the Company		**5,338.6**	5,266.8
Minority interests	30	**1,278.8**	1,165.8
Total equity		**6,617.4**	6,432.6

Approved by the Board and signed on its behalf on 8 March 2010.

J-P Luksic
Chairman

CH Bailey
Director

Consolidated Cash Flow Statement
For year ended 31 December 2009

	Notes	2009 US$m	2008 US$m
Cash flows from operations	33	**1,167.8**	2,454.3
Interest paid		**(27.0)**	(12.5)
Dividends from associate	17	**0.7**	1.8
Income tax paid		**(135.2)**	(561.4)
Net cash from operating activities		**1,006.3**	1,882.2
Investing activities			
Acquisition of and capital contributions to associates	31	**(114.5)**	–
Disposal and part-disposal of subsidiaries		**–**	1,401.2
Acquisition of minority interest in subsidiary	31	**(25.0)**	(243.1)
Recovery of Chilean VAT paid on purchase of water concession		**–**	5.3
Purchases of property, plant and equipment		**(1,323.6)**	(1,135.0)
Purchases of intangible assets		**(52.5)**	(10.7)
Interest received		**15.8**	78.8
Net cash (used in)/generated from investing activities		**(1,499.8)**	96.5
Financing activities			
Dividends paid to equity holders of the Company	12	**(561.9)**	(491.0)
Dividends paid to preference shareholders of the Company	12	**(0.2)**	(0.2)
Dividends paid to minority interests		**(310.0)**	(495.6)
Capital increase from minority interest		**–**	57.7
Net proceeds from issue of new borrowings	33	**2,051.6**	229.5
Repayments of borrowings	33	**(863.6)**	(99.7)
Repayments of obligations under finance leases	33	**(10.9)**	(9.8)
Net cash generated from/(used in) financing activities		**305.0**	(809.1)
Net (decrease)/increase in cash and cash equivalents		**(188.5)**	1,169.6
Cash and cash equivalents at beginning of the year		**3,358.0**	2,212.5
Net (decrease)/increase in cash and cash equivalents		**(188.5)**	1,169.6
Effect of foreign exchange rate changes		**52.8**	(24.1)
Cash and cash equivalents at end of the year	22,33	**3,222.3**	3,358.0

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 set out on page 49 of the Financial Review.

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:

– Improvements to IFRS's (April 2009)

– IFRS 3 (revised 2008) Business Combinations

– IAS 27 (revised 2008) Consolidated and Separate Financial Statements

– IAS 28 (revised 2008) Investments in Associates

– IFRIC 17 Distributions of Non-cash Assets to Owners

The Directors anticipate that the adoption of these Standards and Interpretations in future periods will have no material impact on the financial statements of the Group except for:

– IFRS 3 (revised 2008) Business Combinations. This standard will affect the treatment of business combinations which take place in periods commencing on or after 1 July 2009, when the revised standard comes into effect.

– IAS 27 (revised 2008) Consolidated and Separate Financial Statements. This standard will affect the accounting for transactions or events that result in a change in the Group's interests in its subsidiaries.

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:

– IFRS 8 Operating Segments. In the current year the Group has adopted IFRS 8. The standard requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the Antofagasta plc board to allocate resources to the segments and to assess their performance. The adoption of IFRS 8 has not resulted in any changes to segments previously disclosed, but has resulted in further disclosures on each of these segments and these are set out in Note 4.

– IAS 1 (Revised) Presentation of Financial Statements. In the current year the Group has adopted IAS 1 (revised), which separates owner and non-owner changes in equity. The statement of changes in equity details transactions with owners, with all non-owner changes in equity presented as a single line. In addition, the Standard introduces a statement of comprehensive income, which presents all items of income and expense which are not recognised in the income statement.

The following standards and interpretations are effective but have not had any significant impact on the financial statements:

– IFRS 1 (amended)/IAS 27 (amended) Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate

– IFRS 2 (amended) Share-based Payment – Vesting Conditions and Cancellations

– IFRS 7 (amended) Financial Instruments: Disclosures

– IAS 20 (amended 2008) Accounting for Governments and Disclosure of Government Assistance

– IAS 23 (revised) Borrowing Costs

– IAS 32 (amended)/IAS 1 (amended) Puttable Financial Instruments and Obligations Arising on Liquidation

– IAS 38 (amended 2008) Intangible Assets

– IAS 39 (amended) Financial Instruments: Recognition and Measurement – eligible hedged items

– IAS 40 (amended 2008) Investment Property

– IFRIC 13 Customer Loyalty Programmes

– IFRIC 15 Agreements for the Construction of Real Estate

– IFRIC 16 Hedges of a Net Investment in a Foreign Operation

– IFRIC 18 Transfers of Assets from Customers

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(d) and financial derivative contracts as explained in Note 2(s).

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 minority shareholders are presented as "Minority Interests" in the consolidated balance sheet and consolidated income statement.

(ii) **Associates** – An associate is an entity over which the Group is in a position to exercise significant influence, but not control or jointly control, through the power to participate in the financial and operating policy decisions of that entity. The Group's share of the net assets, the results post tax and post acquisition reserves of associates are included in the financial statements. 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 of goodwill and any other changes to the associate's net assets such as dividends.

(iii) **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.

(iv) **Other investments** – The accounting treatment of investments which are not subsidiaries, associates or jointly controlled entities is set out in Note 2(s) relating to other financial instruments.

(v) **Acquisitions and disposals** – Acquisitions and disposals are treated as explained in Note 2(e) relating to business combinations and goodwill.

c) 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 other than those in 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.

d) Revenue recognition

Turnover represents the value of goods and services supplied to third parties during the year. Turnover 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.

Turnover 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. Turnover includes revenues 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 180 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 turnover 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 investments is recognised when the shareholders' right to receive payment has been established.

e) Business combinations and goodwill

(i) **Acquisitions** – 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 subsidiary, joint venture entity or an associate 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.

(ii) **Goodwill** – Goodwill represents the difference between the cost of acquisition and the fair value of the identifiable net assets acquired. 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 cost of the acquisition, the surplus (which represents the discount on the acquisition) is credited to the income statement in the period of acquisition.

(iii) **Disposals** – 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.

f) Intangible assets

(i) **Concession right** – In 2003, the Group's wholly owned subsidiary, Aguas de Antofagasta S.A., was awarded a 30-year concession to operate the water rights and facilities in the Antofagasta Region of Chile previously controlled by Empresa Concesionaria de Servicios Sanitarios S.A. ("ECONSSA").

All infrastructure assets relating to the Water concession are recorded within intangible assets, as part of the "concession right". The concession right also includes 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. The concession right is 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.

(ii) **Exploration licences** – In 2006, the Group acquired Tethyan Copper Company Limited ("Tethyan"), a company with copper-gold interests in Pakistan, and entered into a joint venture over Tethyan's mineral interests with Barrick Gold Corporation through the disposal of a 50% interest in Tethyan. An intangible asset has been recognised for the Group's proportionate share of the full unencumbered value attributed to the interest in the exploration licences held by Tethyan in Pakistan, along with related rights acquired subsequently. In addition, the intangible asset balance also includes amounts relating to interests in other prospecting licences.

g) Exploration and evaluation expenditure

Exploration and evaluation are expensed in the year in which it is incurred. When a decision is taken that a mining project is commercially viable (normally when the project has reached the pre-feasibility stage) all further directly attributable pre-production expenditure is capitalised. Capitalisation of pre-production expenditure ceases when commercial levels of production are achieved.

h) 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.

The cost of plant, property 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.

i) 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.

Notes to the Financial Statements continued

2 Principal Accounting Policies continued

j) 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.

k) 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(i) relating to property, plant and equipment, is not depreciated.

l) Inventory

Inventory and work-in-progress are valued at the lower of cost 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. The production cost of inventory includes an appropriate proportion of depreciation and production overheads. Raw materials and consumables are valued at cost on a weighted average basis. Finished products are valued at raw material cost, plus labour cost and a proportion of manufacturing overhead expenses including depreciation.

m) 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.

n) Provisions for decommissioning and site restoration costs

An obligation to incur decommissioning and site rehabilitation 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.

o) 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 (as described in Note 2(f) above) 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.

p) 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 the income statement within operating cost.

q) 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 three months or less.

r) 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.

s) 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 the income statement 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 the income statement 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 the income statement or capitalised in accordance with the accounting policy set out in Note 2(h). 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(c), 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 applies the hedge accounting provisions and changes in the fair value of derivative financial instruments that are designated and effective as hedges of future cash flows are 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 are recorded within turnover.

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.

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 the income statement for the period. The treatment of embedded derivatives arising from provisionally-priced commodity sales contracts is set out in further detail in Note 2(d) relating to turnover.

(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 the income statement 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 the income statement 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.

Notes to the Financial Statements continued

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(i), 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(j), 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(j) and Note 5. Subsequent changes to CGU allocation or 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(n), 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) Post employment benefits

As explained in Note 2(p), the expected costs of severance indemnities relating to employee service during the period are charged to the income statement. Any actuarial gains or losses, which can arise from differences between expected and actual outcomes or changes in actuarial assumptions, are recognised immediately within operating costs in the income statement.

Assumptions in respect of the expected costs are set in consultation with an independent actuary. These include the selection of the discount rate used, service lives and expected rates of salary increases. While management believes the assumptions used are appropriate, a change in the assumptions used would impact the earnings of the Group.

e) Deferred taxation

As explained in Note 2(m), 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.

4 Revenue and Total Profit from Operations and Associates

An analysis of the Group's total revenue is as follows:

	2009 US$m	2008 US$m
Sales of goods	**2,827.8**	3,229.0
Rendering of services	**134.8**	143.6
Group turnover	**2,962.6**	3,372.6
Other operating income	**10.0**	9.8
Investment income	**13.2**	78.9
Total revenue	**2,985.8**	3,461.3

Operating profit from subsidiaries and joint ventures and total profit from operations and associates is derived from Group turnover by deducting operating costs as follows:

	Notes	2009 US$m	2008 US$m
Turnover		**2,962.6**	3,372.6
Cost of sales (including 2008 exceptional items)	(i)	**(1,166.8)**	(1,496.8)
Gross profit		**1,795.8**	1,875.8
Administrative and distribution expenses		**(244.2)**	(274.1)
Closure provision		**(2.2)**	(5.0)
Severance charges		**(13.3)**	(10.6)
Exploration and evaluation expenditure		**(67.1)**	(54.9)
Other operating income		**10.0**	9.8
Other operating expenses		**(20.0)**	(15.0)
Operating profit from subsidiaries and joint ventures		**1,459.0**	1,526.0
Profit on part-disposal of subsidiaries (2008 exceptional item)	(ii)	**–**	1,024.9
Share of income from associates		**4.5**	2.3
Total profit from operations and associates		**1,463.5**	2,553.2

(i) In 2008, cost of sales includes an impairment charge of US$188.3 million relating to property, plant and equipment at El Tesoro and Michilla (see Note 5(a)).

(ii) In 2008, profit on part-disposal of subsidiaries comprises a profit of US$1,024.9 million relating to the sale of a 30% interest in Esperanza and El Tesoro to Marubeni Corporation (see Note 5(b)).

5 Exceptional Items

	Operating profit		Profit before tax		Earnings per share	
	2009 US$m	2008 US$m	2009 US$m	2008 US$m	2009 US$m	2008 US$m
Before exceptional items	**1,459.0**	1,714.3	**1,437.6**	1,772.9	**67.7**	85.5
Impairments	**–**	(188.3)	**–**	(188.3)	**–**	(11.1)
Marubeni transaction	**–**	–	**–**	1,024.9	**–**	98.7
After exceptional items	**1,459.0**	1,526.0	**1,437.6**	2,609.5	**67.7**	173.1

There were no exceptional items in 2009. Exceptional items in 2008 and the impact on results are set below:

a) Total operating costs – Impairments

In 2008, an impairment charge of US$188.3 million relating to property, plant and equipment at El Tesoro (US$160.0 million) and Michilla (US$28.3 million) was recorded within total operating costs, following an impairment review undertaken in light of the commodity market environment. The recoverable amounts in the impairment review were determined by a value in use calculation prepared using management's forecasts as to future commodity prices, operating costs and production volumes. The present value of the forecast future cash flows was calculated using a discount rate of 9.9%.

b) Profit on part-disposal of subsidiaries – Marubeni transaction

In August 2008 the Group disposed of a 30% interest in both Esperanza and El Tesoro to Marubeni Corporation for a consideration of US$1,401.2 million, resulting in a profit before tax of US$1,024.9 million.

Notes to the Financial Statements continued

6 Segment Information

The Group's reportable segments are as follows:

– Los Pelambres

– El Tesoro

– Michilla

– Esperanza

– 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, El Tesoro and Michilla are all operating mines and Esperanza is a mine currently under construction. Los Pelambres produces primarily copper concentrate and molybdenum 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 2009

	Los Pelambres US$m	El Tesoro US$m	Michilla US$m	Esperanza US$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	2,081.5	487.6	170.5	–	–	–	2,739.6	139.4	83.6	2,962.6
EBITDA	1,408.9	231.7	27.9	–	(67.1)	(37.5)	1,563.9	56.6	60.2	1,680.7
Depreciation and amortisation	(128.1)	(52.3)	(5.5)	–	–	(2.2)	(188.1)	(14.8)	(14.6)	(217.5)
Loss on disposals	(0.1)	(1.5)	(0.7)	–	–	(1.1)	(3.4)	(0.5)	(0.3)	(4.2)
Operating profit	1,280.7	177.9	21.7	–	(67.1)	(40.8)	1,372.4	41.3	45.3	1,459.0
Share of income from associates	–	–	–	–	–	(0.2)	(0.2)	4.7	–	4.5
Investment income	1.9	2.7	0.2	–	–	6.6	11.4	1.6	0.2	13.2
Interest expense	(19.1)	(0.2)	–	–	–	(4.1)	(23.4)	(0.6)	–	(24.0)
Other finance items	(15.6)	11.1	(4.1)	–	–	(2.6)	(11.2)	(5.0)	1.1	(15.1)
Profit before tax	1,247.9	191.5	17.8	–	(67.1)	(41.1)	1,349.0	42.0	46.6	1,437.6
Tax	(249.3)	(40.8)	6.1	–	–	(16.8)	(300.8)	(9.8)	(7.1)	(317.7)
Minority interests	(399.5)	(46.5)	(6.0)	–	–	–	(452.0)	(0.2)	–	(452.2)
Net earnings	599.1	104.2	17.9	–	(67.1)	(57.9)	596.2	32.0	39.5	667.7
Additions to non-current assets										
Capital expenditure	475.4	65.2	12.2	716.4	–	38.9	1,308.1	21.1	6.1	1,335.3
Additions to intangibles	–	–	–	–	–	–	–	–	52.5	52.5
Segment assets and liabilities										
Segment assets	3,494.9	759.5	130.0	1,815.8	–	2,364.6	8,564.8	703.4	242.3	9,510.5
Segment liabilities	(1,350.5)	(109.4)	(130.2)	(966.2)	–	(247.4)	(2,803.7)	(41.7)	(47.7)	(2,893.1)

For the year ended 31 December 2008

	Los Pelambres US$m	El Tesoro US$m	Michilla US$m	Esperanza US$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	2,172.0	632.4	332.7	–	–	–	3,137.1	151.0	84.5	3,372.6
EBITDA	1,429.7	342.8	118.4	–	(54.9)	(54.2)	1,781.8	64.2	53.8	1,899.8
Depreciation and amortisation	(81.5)	(55.5)	(17.6)	–	–	(1.5)	(156.1)	(12.6)	(11.5)	(180.2)
Loss on disposals	(0.5)	(2.4)	(1.2)	–	–	–	(4.1)	(1.2)	–	(5.3)
Impairments	–	(160.0)	(28.3)	–	–	–	(188.3)	–	–	(188.3)
Operating profit	1,347.7	124.9	71.3	–	(54.9)	(55.7)	1,433.3	50.4	42.3	1,526.0
Profit on part-disposal of subsidiaries	–	–	–	–	–	1,024.9	1,024.9	–	–	1,024.9
Share of income from associate	–	–	–	–	–	–	–	2.3	–	2.3
Investment income	10.8	15.4	1.9	–	–	41.9	70.0	8.2	0.7	78.9
Interest expense	(11.1)	(0.6)	–	–	–	(1.3)	(13.0)	(0.7)	–	(13.7)
Other finance items	(1.3)	(9.7)	(0.8)	–	–	(0.1)	(11.9)	3.6	(0.6)	(8.9)
Profit before tax	1,346.1	130.0	72.4	–	(54.9)	1,009.7	2,503.3	63.8	42.4	2,609.5
Tax	(326.0)	(27.9)	(22.2)	–	–	(124.4)	(500.5)	(11.4)	(7.8)	(519.7)
Minority interests	(408.4)	37.5	(11.7)	–	–	1.4	(381.2)	(2.1)	–	(383.3)
Net earnings	611.7	139.6	38.5	–	(54.9)	886.7	1,621.6	50.3	34.6	1,706.5
Additions to non-current assets										
Capital expenditure	463.9	125.7	21.0	460.6	–	65.4	1,136.6	38.5	14.5	1,189.6
Additions to intangibles	–	–	–	–	–	10.7	10.7	–	–	10.7
Segment assets and liabilities										
Segment assets	2,830.1	788.0	88.8	1,055.6	–	2,722.5	7,485.0	322.0	147.9	7,954.9
Segment liabilities	(983.1)	(92.8)	(46.2)	(68.7)	–	(255.0)	(1,445.8)	(44.4)	(32.1)	(1,522.3)

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 income from associates of US$4.5 million (year ended 31 December 2008 – US$2.3 million). Operating profit is shown before and after exceptional items (see Note 5).

(ii) Inter-segment revenues are eliminated on consolidation. Turnover from the Railway and other transport services is stated after eliminating inter-segmental sales to the mining division of US$10.3 million (year ended 31 December 2008 – US$13.2 million). Turnover from the Water concession is stated after eliminating inter-segmental sales to the mining division of US$8.6 million (year ended 31 December 2008 – US$2.7 million) and after eliminating sales to the Railway and other transport services of US$0.2 million (year ended 31 December 2008 – US$0.2 million).

(iii) Turnover 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) Turnover includes a realised loss on commodity derivatives at El Tesoro of US$20.0 million (year ended 31 December 2008 – gain of US$16.1 million) and a realised loss at Michilla of US$45.8 million (year ended 31 December 2008 – gain of US$13.9 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) Exceptional items affecting operating profit in 2008 relate to impairments at El Tesoro and Michilla (see Note 5).

(vii) 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.

(viii) The assets of the Railway and transport services segment includes US$3.8 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 and US$112.7 million relating to the Group's 40% interest in Inversiones Hornitos S.A. ("Inversiones Hornitos"), which owns the 150MW Hornitos thermoelectric power plant in Mejillones, in Chile's Antofagasta Region. The assets of the Corporate and other items segment includes US$4.8 million relating to the Group's approximately 18% interest in Sunridge Gold Corp ("Sunridge"), which has a base and precious metals project in Eritrea.

Notes to the Financial Statements continued

6 Segment Information continued

b) Entity wide disclosures

Revenue by product

	2009 US$m	2008 US$m
Copper		
– Los Pelambres	**1,858.0**	1,737.8
– El Tesoro	**487.6**	632.4
– Michilla	**170.5**	332.7
Molybdenum		
– Los Pelambres	**180.1**	394.8
Silver		
– Los Pelambres	**19.8**	21.8
Gold		
– Los Pelambres	**23.6**	17.6
Total Mining	**2,739.6**	3,137.1
Railway and transport services	**139.4**	151.0
Water concession	**83.6**	84.5
	2,962.6	3,372.6

Revenue by location of customer

	2009 US$m	2008 US$m
Europe		
– United Kingdom	**148.1**	3.7
– Switzerland	**348.1**	373.9
– Rest of Europe	**377.5**	603.0
Latin America		
– Chile	**278.2**	419.6
– Rest of Latin America	**166.1**	250.6
North America		
– United States	**151.8**	382.3
– Rest of North America	**11.7**	16.5
Asia		
– Japan	**784.9**	707.5
– China	**392.8**	353.5
– Rest of Asia	**303.4**	262.0
	2,962.6	3,372.6

Information about major customers

Included in revenues arising from Los Pelambres for the year ended 31 December 2009 are revenues of approximately US$720.5 million (year ended 31 December 2008 – US$ 663.4 million) which arose from sales to two of the Group's largest customers, which are the only customers that individually account for more than 10% of the Group's revenues.

Non-current assets by location of assets

	2009 US$m	2008 US$m
Chile	**5,159.7**	3,774.2
Bolivia	**33.7**	34.9
Pakistan	**141.3**	137.8
Other	**11.0**	6.2
	5,345.7	3,953.1

Non-current assets balance disclosed by location of asset and excludes financial instruments and deferred tax assets.

7 Profit for the Year

Profit for the year is stated after crediting/(charging):

	2009 US$m	2008 US$m
Foreign exchange gains/(losses)		
– included in net finance costs	**0.4**	(3.9)
– included in income tax expense	**18.3**	(66.3)
Amortisation of intangible asset included in cost of sales	**(12.4)**	(10.0)
Depreciation of property, plant and equipment		
– owned assets	**(203.0)**	(169.8)
– assets held under finance leases	**(2.1)**	(0.4)
Property and equipment written-off	**(4.2)**	(5.3)
Impairments of property, plant and equipment (exceptional items)	**–**	(188.3)
Cost of inventories recognised as expense	**(906.3)**	(1,020.0)
Employee benefit expense	**(181.8)**	(183.1)
Auditors' remuneration		
– audit services	**(0.6)**	(0.6)
– non-audit services	**(0.1)**	(0.2)

A more detailed analysis of auditors' remuneration on a worldwide basis is provided below:

	2009 US$000	2008 US$000
Audit fees		
Fees payable to the company's auditors for the audit of the company's annual accounts	**(103)**	(86)
Fees payable to the company's auditors and their associates for other services to the Group		
– the audit of the company's subsidiaries pursuant to legislation	**(201)**	(189)
– the audit of the company's subsidiaries as part of the audit of the consolidated financial statements	**(126)**	(119)
– the review of the company's half yearly financial report pursuant to legislation	**(215)**	(197)
Total audit fees	**(644)**	(592)
Non-audit services		
– Tax services	**(44)**	(42)
– Other consultancy services	**(62)**	(183)
	(750)	(817)

Notes to the Financial Statements continued

8 Employee Benefit Expense

a) Average number of employees

	2009 Number	2008 Number
Los Pelambres	**715**	697
El Tesoro	**475**	534
Michilla	**491**	524
Esperanza	**379**	282
Exploration and evaluation	**31**	28
Corporate and other employees		
– Chile	**149**	121
– United Kingdom	**8**	7
– Other	**132**	39
Mining	**2,380**	2,232
Railway and other transport services	**1,562**	1,509
Water concession	**276**	264
	4,218	4,005

(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 numbers 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:

	2009 US$m	2008 US$m
Wages and salaries	**(193.3)**	(176.5)
Social security costs	**(7.0)**	(3.2)
Post-employment benefits – severance charge in the year	**(13.3)**	(10.6)
	(213.6)	(190.3)

The amount relating to Esperanza of US$31.8 million (2008 – US$7.2 million) has been capitalised.

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.

Compensation for key management personnel (including Directors) was as follows:

	2009 US$m	2008 US$m
Salaries and short-term employee benefits	**(7.3)**	(7.5)
Post-employment benefits – severance charge in the year	**(0.1)**	(0.1)
	(7.4)	(7.6)

Disclosures on Directors' remuneration required by Schedule 8 of the 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 59 to 61.

9 Net Finance (Expense)/Income

	2009 US$m	2008 US$m
Investment income		
Interest receivable – from cash and cash equivalents	**13.2**	78.9
Interest expense		
Interest payable	**(23.4)**	(13.1)
Amortisation of deferred finance costs	**(0.4)**	(0.4)
Preference dividends	**(0.2)**	(0.2)
	(24.0)	(13.7)
Other finance items		
Time value effect of derivatives	**(1.1)**	(1.6)
Foreign exchange derivatives not hedge accounted for under IAS 39	**(12.4)**	(1.4)
Unwinding of discount on provisions	**(2.8)**	(2.0)
Foreign exchange	**1.2**	(3.9)
	(15.1)	(8.9)
Net finance (expense)/income	**(25.9)**	56.3

An income of US$8.7 million (2008-expense of US$6.2 million) relating to the net interest expense and other finance items at Esperanza was capitalised within the development expenditure of that project during the year, and is consequently not included within the above table.

10 Taxation

	2009 US$m	2008 US$m
Current tax charge		
– Corporate tax (principally first category tax in Chile)	**(161.6)**	(284.8)
– Mining tax (Royalty)	**(41.4)**	(70.3)
– Withholding tax provision	**(0.4)**	(120.3)
– Exchange gains/(losses) on corporate tax balances	**18.3**	(66.3)
	(185.1)	(541.7)
Deferred tax (charge)/credit		
– Corporate tax (principally first category tax in Chile)	**(91.2)**	(30.3)
– Mining tax (Royalty)	**(13.7)**	4.1
– Withholding tax provision	**(27.7)**	48.2
	(132.6)	22.0
Total tax charge (Income tax expense)	**(317.7)**	(519.7)

The current tax charge of US$185.1 million (2008 – US$541.7 million) comprises Chilean taxes of US$184.4 million (2008 – US$540.8 million) and other overseas taxes of US$0.7 million (2008 – US$0.9 million).

Current tax is based on taxable profit for the year. 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. The Group incurs withholding taxes on the remittance of profits from Chile and the other countries in which it operates and deferred tax is provided on undistributed earnings to the extent that remittance is probable in the foreseeable future.

The rate of first category (i.e. corporation) tax in Chile was 17% for both 2009 and 2008. Los Pelambres, El Tesoro and Michilla are also subject to a mining tax (royalty) which imposes an additional tax of 4% of tax-adjusted operating profit. Production from the Tesoro North East deposit is subject to the mining tax at a rate of 5% of tax-adjusted operating profit. The mining tax is tax deductible (i.e. an allowable expense in determining liability to first category tax).

In addition to first category tax and the mining tax, the Group incurs withholding taxes on the remittance of profits from Chile. Withholding tax is levied on remittances of profits from Chile at 35% less first category tax already paid. Accordingly, the effective tax rate of withholding tax for the purpose of paying dividends to Group shareholders is approximately 18% of the amount remitted or expected to be remitted.

Notes to the Financial Statements continued

10 Taxation continued

	2009 US$m	2009 %	2008 US$m	2008 %
Profit before tax	**1,437.6**		2,609.5	
Tax at the Chilean corporation tax rate of 17%	**(244.4)**	**17.0**	(443.6)	17.0
Tax effect of share of results of associate	**(1.0)**	**0.1**	(0.4)	–
Deferred tax assets not recognised in the year	**–**	**–**	(5.9)	0.2
Effect of items not subject to or deductible from first category tax	**(7.4)**	**0.5**	134.8	(5.2)
Royalty	**(55.1)**	**3.8**	(66.2)	2.5
Withholding taxes provided in year	**(28.1)**	**2.0**	(72.1)	2.8
Exchange differences	**18.3**	**(1.3)**	(66.3)	2.6
Tax expense and effective tax rate for the year	**(317.7)**	**22.1**	(519.7)	19.9

The tax charge for the year was US$317.7 million and the effective tax rate was 22.1%. This rate varies from the standard rate principally due to the provision of withholding tax of US$28.1 million, the effect of mining tax which resulted in a charge of US$55.1 million, exchange gains of US$18.3 million on Chilean peso denominated tax prepayments due to the strengthening of the US dollar during the year, and the effect of items which are not subject to or deductible from first category tax.

In 2008 the total tax charge was US$519.7 million and the effective tax rate was 19.9%. This was principally due to the provision of withholding tax of US$72.1 million, and the effect of the mining tax, which resulted in a charge of US$66.2 million, exchanges losses of US$66.3 million on Chilean peso denominated tax prepayments due to the weakening of the US dollar during the year, and the effect of items which are not subject to or deductible from first category tax.

11 Earnings Per Share

	2009 US$m	2008 US$m
Profit for the year attributable to equity holders of the Company (Net earnings)	**667.7**	1,706.5
Profit for the year attributable to equity holders of the Company (Net earnings) – excluding exceptional items	**667.7**	842.9

	2009 Number	2008 Number
Ordinary shares in issue throughout each year	**985,856,695**	985,856,695

	2009 cents	2008 cents
Basic earnings per share	**67.7**	173.1
Basic earnings per share – excluding exceptional items	**67.7**	85.5

Basic earnings per share is calculated as profit after tax and minority interest, 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.

In 2008 basic earnings per share excluding exceptional items is calculated on profit after tax and minority interest excluding exceptional items giving net earnings excluding exceptional items of US$842.9 million. Further details together with the reconciliation of earnings per share to earnings per share excluding exceptional items is giving in Note 5.

12 Dividends

Amounts recognised as distributions to equity holders in the year:

	2009 US$m	2008 US$m	2009 US cents per share	2008 US cents per share
Final dividend paid in June (proposed in relation to the previous year)				
– ordinary	**55.2**	53.3	**5.6**	5.4
– special	**473.2**	374.6	**48.0**	38.0
	528.4	427.9	**53.6**	43.4
Interim dividend paid in October				
– ordinary	**33.5**	33.5	**3.4**	3.4
– special	**–**	29.6	**–**	3.0
	33.5	63.1	**3.4**	6.4
	561.9	491.0	**57.0**	49.8

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 this financial statements, is as follows:

	2009 US$m	2008 US$m	2009 US cents per share	2008 US cents per share
Final dividend proposed in relation to the year				
– ordinary	**59.2**	55.2	**6.0**	5.6
– special	**138.0**	473.2	**14.0**	48.0
	197.2	528.4	**20.0**	53.6

This gives total dividends proposed in relation to 2009 (including the interim dividend) of 23.4 cents per share or US$230.7 million (2008 – 60.0 cents per share or US$591.5 million).

In accordance with IAS 32, preference dividends have been included within interest expense (see Note 9) and amounted to US$0.2 million (2008 – US$0.2 million).

Further details relating to dividends for each year are given in the Directors' Report on page 50.

13 Intangible Assets

	Concession right 2009 US$m	Exploration licences 2009 US$m	Total intangible assets 2009 US$m	Total intangible assets 2008 US$m
Cost				
Balance at the beginning of the year	144.3	125.7	270.0	299.8
Additions	52.5	–	52.5	10.7
Foreign currency exchange difference	48.3	–	48.3	(40.5)
Balance at the end of the year	**245.1**	**125.7**	**370.8**	270.0
Amortisation				
Balance at the beginning of the year	(36.4)	–	(36.4)	(36.2)
Charge for the year	(12.4)	–	(12.4)	(10.0)
Foreign currency exchange difference	(10.8)	–	(10.8)	9.8
Balance at the end of the year	**(59.6)**	**–**	**(59.6)**	(36.4)
Carrying amount				
Balance at the end of the year	**185.5**	**125.7**	**311.2**	233.6

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. 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. Amortisation is included within operating costs.

At 31 December 2009, US$125.7 million of the exploration licences mainly relate to the value attributed of US$120.7 million acquired in the Reko Diq area of south-west Pakistan. The remaining US$5.0 million relates to the acquisition of an initial interest in prospecting licences in Zambia from TEAL Exploration & Mining Limited. This intangible asset will be amortised in accordance with the Group's policy for mining properties when the related mining properties enter into production.

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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 2008	632.8	1,078.6	45.1	97.2	1,128.1	731.2	3,713.0
Acquisitions	243.1	–	–	–	–	–	243.1
Additions	28.1	18.4	–	6.2	316.2	820.7	1,189.6
Reclassifications	(6.5)	719.5	3.1	11.8	144.8	(872.7)	–
Asset disposals	(22.6)	(7.2)	–	(3.2)	(13.3)	(15.8)	(62.1)
Foreign currency exchange difference	0.3	(9.6)	–	(1.7)	(0.9)	(1.8)	(13.7)
At 31 December 2008 and 1 January 2009	875.2	1,799.7	48.2	110.3	1,574.9	661.6	5,069.9
Additions	30.1	5.9	–	3.6	83.3	1,212.4	1,335.3
Provisions capitalised	–	–	–	–	105.1	–	105.1
Reclassifications	–	241.6	–	7.1	121.0	(369.7)	–
Asset disposals	(1.0)	(9.8)	–	(2.0)	–	(6.5)	(19.3)
Foreign currency exchange difference	0.9	5.2	–	3.2	10.6	1.5	21.4
At 31 December 2009	**905.2**	**2,042.6**	**48.2**	**122.2**	**1,894.9**	**1,499.3**	**6,512.4**
Accumulated depreciation and impairment							
At 1 January 2008	(170.9)	(346.9)	(7.6)	(44.9)	(514.8)	(4.0)	(1,089.1)
Charge for the year	(39.7)	(43.3)	(1.6)	(8.0)	(77.6)	–	(170.2)
Depreciation capitalised	–	–	–	–	(6.9)	–	(6.9)
Impairment loss (see Note 5)	(69.9)	(55.9)	–	–	(62.5)	–	(188.3)
Asset disposals	–	13.1	–	2.1	41.6	–	56.8
Foreign currency exchange difference	–	5.8	–	1.0	0.7	–	7.5
At 31 December 2008 and 1 January 2009	(280.5)	(427.2)	(9.2)	(49.8)	(619.5)	(4.0)	(1,390.2)
Charge for the year	(76.8)	(87.3)	(1.7)	(9.2)	(30.1)	–	(205.1)
Depreciation capitalised	–	(0.7)	–	–	(47.6)	–	(48.3)
Asset disposals	–	2.4	–	1.5	11.2	–	15.1
Foreign currency exchange difference	–	(8.1)	–	(1.6)	(1.0)	–	(10.7)
At 31 December 2009	**(357.3)**	**(520.9)**	**(10.9)**	**(59.1)**	**(687.0)**	**(4.0)**	**(1,639.2)**
Net book value							
At 31 December 2009	**547.9**	**1,521.7**	**37.3**	**63.1**	**1,207.9**	**1,495.3**	**4,873.2**
At 31 December 2008	594.7	1,372.5	39.0	60.5	955.4	657.6	3,679.7
Assets under finance leases included in the totals above							
Net book value							
At 31 December 2009	**–**	**40.6**	**–**	**–**	**6.9**	**–**	**47.5**
At 31 December 2008	–	57.3	–	–	1.8	–	59.1

The Group has pledged assets with a carrying value of US$403.6 million (2008 – US$12.5 million) as security against bank loans provided to the Group.

At 31 December 2009 the Group had entered into contractual commitments for the acquisition of property, plant and equipment amounting to US$495.1 million (2008 US$447.0 million). Commitments at 31 December 2009 included US$428.5 million (2008 – US$221.3 million) relating to the Esperanza project and US$49.2 million (2008 – US$167.6 million) relating to the plant expansion project at Los Pelambres.

Compensation from insurance companies related to property, plant and equipment included in the consolidated income statement was US$6.9 million in 2009 (2008 – US$5.0 million).

At 31 December 2009, depreciation capitalised includes US$24.2 million (2008 – US$6.9 million) in respect of assets relating to the Esperanza project which have been capitalised within the development expenditure of that project and US$24.1 million (2008 – nil) of depreciation in respect of assets relating to the ROM and Tesoro North East projects which have been capitalised within inventories, and accordingly is excluded from the depreciation charge recorded in the income statement as shown in Note 6(a).

15 Investment Property

Cost	2009 US$m	2008 US$m
Balance at the beginning of the year	2.7	3.5
Foreign currency exchange difference	0.7	(0.8)
Balance at the end of the year	**3.4**	2.7

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 2009 was US$11.0 million (2008 – 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 on-going maintenance costs) arising on these properties amounted to US$0.2 million (2008 – US$0.1 million).

16 Investments in Subsidiaries

The principal subsidiaries of the Group and the percentage of equity owned are set out below. These interests are consolidated within these financial statements. The Group has restricted the information to its principle subsidiaries as full compliance with Section 410 of the Companies Act 2006 would result in a statement of excessive length.

	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%
Minera Anaconda Perú S.A.	Peru	Peru	Mining	100%
Chilean Northem 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%
Equatorial Mining Limited	Australia	Chile	Mining	100%
Antofagasta Services Limited	Great Britain	Great Britain	Group services	100%
Los Pelambres Investment Company Limited	Jersey	Jersey	Investment	100%
Inversiones Los Pelambres Chile Limitada	Chile	Chile	Investment	100%
Aguas de Antofagasta S.A.	Chile	Chile	Water distribution	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 and has the right to appoint the majority of the board of Empresa Ferroviaria Andina S.A. Accordingly, this investment is treated as a subsidiary and is consolidated in these Group financial statements.

17 Investment in Associates

	Inversiones Hornitos 2009 US$m	ATI 2009 US$m	Sunridge 2009 US$m	Total associates 2009 US$m	Total associates 2008 US$m
Balance at the beginning of the year	–	3.0	–	3.0	2.5
Acquisitions	80.9	–	5.0	85.9	–
Capital contributions	28.6	–	–	28.6	–
Share of profit before tax	3.9	1.8	(0.2)	5.5	2.7
Share of tax	(0.7)	(0.3)	–	(1.0)	(0.4)
Share of income from associates	3.2	1.5	(0.2)	4.5	2.3
Dividends received	–	(0.7)	–	(0.7)	(1.8)
Balance at the end of the year	**112.7**	**3.8**	**4.8**	**121.3**	3.0

The investments which are included in the US$121.3 million balance at 31 December 2009 are set out below:

(i) The Group's 40% interest in Inversiones Hornitos S.A. ("Inversiones Hornitos"), which owns the 150MW Hornitos thermoelectric power plant in Mejillones, in Chile's Antofagasta Region.

(ii) The Group's 30% interest in Antofagasta Terminal Internacional S.A. ("ATI"), which operates a concession to manage installations in the port of Antofagasta.

(iii) The Group's 17.8% interest in Sunridge Gold Corp ("Sunridge"), which has a base and precious metals project in Eritrea. Although the Group holds less than a 20% interest in Sunridge, the Group's representation on the board of directors of Sunridge gives it significant influence over the entity and it is therefore accounted for as an associate. The fair value of the Group's interest in Sunridge at 31 December 2009 was US$6.0 million.

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17 Investment in Associates continued

The Group's share of the summarised financial information of investment in associates, is as follows:

	Inversiones Hornitos 2009 US$m	ATI 2009 US$m	Sunridge 2009 US$m	Total Associates 2009 US$m	Total Associates 2008 US$m
Total assets (net of fair value adjustments)	**135.9**	**5.0**	**5.0**	**145.9**	4.3
Total liabilities	**(23.2)**	**(1.2)**	**(0.2)**	**(24.6)**	(1.3)
Turnover	**–**	**8.6**	**–**	**8.6**	9.5
Profit after tax and minorities	**3.2**	**1.5**	**(0.2)**	**4.5**	2.3

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 ("Tethyan") for cash consideration (including transaction costs) of US$170.4 million. In the same year, the Group subsequently entered into a joint venture agreement with Barrick Gold Corporation ("Barrick Gold"), to establish a 50:50 joint venture in relation to Tethyan's mineral interests in Pakistan.

From the date of incorporation to 2009, Tethyan was wholly engaged in mineral exploration and evaluation activities and did not generate any revenue. Tethyan's operating loss resulting during the year was US$59.6 million (2008 – US$54.6 million), which relates mainly to exploration and evaluation costs expensed in accordance with the Group's accounting policy and of which 50% is attributable to the Group.

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:

	2009 US$m	2008 US$m
Total non-current assets	**137.7**	137.7
Total current assets	**4.6**	5.9
Total current liabilities	**(5.2)**	(8.0)
Total non-current liabilities	**(0.2)**	(0.2)
Group's share of jointly controlled entity's net assets	**136.9**	135.4
Operating loss	**(29.8)**	(27.3)
Net finance income	**–**	1.5
Tax	**–**	–
Group's share of jointly controlled entity's results	**(29.8)**	(25.8)

In addition to these amounts, the Group incurred US$3.5 million (2008 – US$2.7 million) relating to Tethyan which is included in Corporate and other items.

b) Energía Andina S.A.

In October 2008 Energía Andina S.A. ("Energia Andina") was formed as a vehicle for the exploration and exploitation of potential sources of geothermal energy. The company is 60% owned by the Group and 40% owned by Empresa Nacional del Petróleo ("ENAP") of Chile. Control over the key operational and financial decisions in respect of the company are jointly exercised by the Group and ENAP, 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 2009 and 2008, Energía Andina 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 for the year was US$2.4 million (2008 – US$0.7 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 proportional consolidated method:

	2009 US$m	2008 US$m
Total current assets	**7.3**	8.6
Group's share of jointly controlled entity's net assets	**7.3**	8.6
Operating loss	**(1.5)**	(0.4)
Group's share of jointly controlled entity's results	**(1.5)**	(0.4)

In addition to these amounts, at 31 December 2008 the Group incurred US$0.1 million relating to Energía Andina S.A. which is included in Corporate and other items.

19 Available-for-Sale Investments

Available-for-sale investments represent those investments which are not subsidiaries, associates or joint ventures and are not held for trading purposes.

The movement in available-for-sale assets during the year was as follows:

	2009 US$m	2008 US$m
Balance at the beginning of the year	0.7	3.3
Movements in fair value	0.5	(2.6)
Balance at the end of the year	**1.2**	0.7

At 31 December 2009, the balance of US$1.2 million comprises mainly the market value of Panoro Minerals Limited's shares which were acquired as part consideration for the disposal of the Group's share of the joint venture entity Cordillera de las Minas S.A in 2007. The fair value of these shares increased by US$0.5 million during the year (2008 – decrease of US$2.6 million).

The fair value of the remaining available-for-sale investments of less than US$0.1 million held by the Group at 31 December 2009 are mainly Chilean peso denominated and did not differ materially from cost at the year end.

20 Inventories

	2009 US$m	2008 US$m
Raw materials and consumables	**57.5**	49.6
Work in progress	**166.0**	87.1
Finished goods	**16.6**	19.2
	240.1	155.9

Work in progress includes the following balances which are expected to be processed more than 12 months after the balance sheet date:

(i) US$30.0 million (2008 – US$30.1 million) relating to long-term inventories are Los Pelambres

(ii) US$5.2 million (2008 – US$6.6 million) relating to high carbonate ore inventories at El Tesoro.

Work in progress includes US$33.8 million (2008 – nil) relating to Tesoro North East and US$50.9 million (2008 – nil) relating to the ROM project at El Tesoro.

During 2008 a write-off of US$0.9 million was recorded at Michilla in order to reduce inventories to their expected net realisable value.

21 Trade and Other Receivables

	Due in one year		Due after one year		Total	
	2009 US$m	2008 US$m	2009 US$m	2008 US$m	2009 US$m	2008 US$m
Trade debtors	**401.0**	79.5	**0.9**	0.7	**401.9**	80.2
Other debtors	**207.6**	234.3	**35.7**	33.4	**243.3**	267.7
	608.6	313.8	**36.6**	34.1	**645.2**	347.9

There is no significant concentration of credit risk with respect to trade receivables as the exposure is spread over a large number of customers. The average credit period given on sale of goods and rendering of service is 49 days (2008 – 37 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, these have been reclassified to trade creditors as disclosed in Note 25(d).

Movements in the provision for doubtful debts were as follows:

	2009 US$m	2008 US$m
Balance at the beginning of the year	(2.3)	(3.1)
Charge for the year	(0.6)	(0.2)
Amounts written-off	–	0.5
Unused amounts reversed	0.1	0.5
Foreign currency exchange difference	(0.2)	–
Balance at the end of the year	**(3.0)**	(2.3)

Notes to the Financial Statements continued

21 Trade and Other Receivables continued

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
2009	**635.7**	**6.8**	**2.6**	**0.1**	**645.2**
2008	338.2	6.9	0.2	2.6	347.9

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 maximum exposure to credit risk. The Group does not hold any collateral as security.

Other debtors include US$52.9 million (2008 – US$46.1 million) relating to prepayments for the purchase of property, plant and equipment.

22 Cash and Cash Equivalents

Cash and cash equivalents comprise cash in hand, deposits held on call with banks and highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

Cash and cash equivalents had a maturity period of three months or less from the date of acquisition at both 31 December 2009 and 31 December 2008, and carried floating rates of interest. The fair value of cash and cash equivalents is 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.

The currency exposure of cash and cash equivalents was as follows:

	2009 US$m	2008 US$m
US dollars	**3,006.4**	3,017.6
Chilean pesos	**190.8**	289.6
Australian dollars	**23.2**	49.3
Sterling	**1.2**	1.0
Other	**0.7**	0.5
	3,222.3	3,358.0

Details of cross-currency swaps in place at the end of the year end 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	2009 US$m	2008 US$m
Los Pelambres			
Corporate loans	(i)	**(576.9)**	(152.6)
Short-term loans	(ii)	**(245.0)**	(224.0)
El Tesoro			
Finance leases	(iii)	**(0.3)**	(0.4)
Michilla			
Finance leases	(iv)	**(1.5)**	–
Esperanza			
Corporate loans	(v)	**(677.6)**	–
Subordinated loans	(vi)	**(66.1)**	–
Finance leases	(vii)	**(11.8)**	(19.5)
Corporate and other items			
Finance leases	(viii)	**(37.6)**	(32.4)
Railway and other transport services			
Loans	(ix)	**(6.6)**	(7.1)
Other			
Preference shares	(x)	**(3.2)**	(2.9)
		(1,626.6)	(438.9)

(i) Corporate loans at Los Pelambres are unsecured and US dollar denominated. The balance of US$576.9 million comprises:

a) US$76.3 million in respect of syndicated loans of US$76.7 million less deferred financing costs of US$0.4 million. These loans are repayable in semi-annual instalments with 1 year remaining and carry interest at approximately LIBOR six-month rate plus 0.24%.

b) US$500.6 million in respect of syndicated loans of US$505.0 million less deferred financing costs of US$4.4 million. This loan is for a term of 5 years and has an interest rate of LIBOR plus 1.6%.

During January 2010 Los Pelambres entered into an additional loan of US$245.0 million with Japan Bank for International Cooperation ("JBIC"), which is expected to be drawn down during the first quarter of 2010. This loan is for a term of approximately 7 years and has an interest rate of approximately LIBOR plus 0.9%.

(ii) Short-term loans at Los Pelambres have an average duration of 1.5 month and a weighted average interest rate average of 0.8%, comprising LIBOR plus spread. These loans are expected to be repaid when the JBIC loan is drawn down

(iii) Finance leases at El Tesoro are US dollar denominated, and are fixed rate with an average interest rate of 1.09%.

(iv) Finance leases at Michilla are US dollar denominated, and are fixed rate with an average interest rate of 6.25%.

(v) On 15 May 2009 the Group signed an agreement for US$1,050 million of project financing for Esperanza. The project financing facility is being provided by a consortium of senior lenders including Japan Bank for International Cooperation (US$400 million), Export Development Canada (US$200 million), KfW IPEX-Bank (US$50 million) and a commercial bank syndicate (US$400 million). The financing is for a term of approximately 12 years and over the life of the loan the borrowing interest is payable at an interest rate of LIBOR six-month rate plus margins of between 1.375%–3.000%. Financial closing and satisfaction of conditions to borrowing for this facility were achieved on 29 June 2009, and the first drawdown made on 9 July 2009. The balance of US$677.6 million represents the US$716.1 million drawn down net of deferred financing costs of US$38.5 million.

The Group has used interest rate swaps to swap the floating rate interest for fixed rate interest. At 31 December 2009 the Group had entered into contracts for a maximum notional amount of US$787.8 million at a weighted average fixed rate of 1.353% maturing in February 2011 and a maximum notional amount of US$840.0 million at a weighted average fixed rate of 3.372% maturing in February 2018.

(vi) This balance includes long term subordinated debt provided to Esperanza by Marubeni Corporation with a duration of eight years and weighted average interest rate of 4.3%, comprising LIBOR plus spread. Long term subordinated debt provided by Group companies to Esperanza has been eliminated on consolidation.

(vii) Finance leases at Esperanza are denominated in US dollars, Chilean Pesos and Unidades de Fomento (i.e. inflation-linked Chilean pesos) with a maximum duration of 5 years and fixed rate with an average interest rate of 2.8%.

(viii) Finance leases at Corporate and other items are denominated in Unidades de Fomento (i.e. inflation-linked Chilean pesos) and have a duration of 20 years and a fixed rate of 5.29%.

(ix) Railway and other transport services includes a balance of US$6.4 million denominated in US dollars which is partly floating rate and partly fixed rate. The weighted average floating interest rate (Bolivian Reference Interest Rate Index) of 7.7% which is repayable over 1.4 years. The balance at 31 December 2009 also includes US dollar customer advances of US$0.2 million.

(x) 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 2009. 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 continued

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 2009	Pesos US$m	Sterling US$m	US dollars US$m	2009 Total US$m
Corporate loans	–	–	(1,254.5)	(1,254.5)
Other loans (including short-term loans)	–	–	(317.7)	(317.7)
Finance leases	(43.3)	–	(7.9)	(51.2)
Preference shares	–	(3.2)	–	(3.2)
	(43.3)	(3.2)	(1,580.1)	(1,626.6)

At 31 December 2008	Pesos US$m	Sterling US$m	US dollars US$m	2008 Total US$m
Corporate loans	–	–	(152.6)	(152.6)
Other loans (including short-term loans)	–	–	(231.1)	(231.1)
Finance leases	(46.1)	–	(6.2)	(52.3)
Preference shares	–	(2.9)	–	(2.9)
	(46.1)	(2.9)	(389.9)	(438.9)

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 2009	Fixed US$m	Floating US$m	2009 Total US$m
Corporate loans	–	(1,254.5)	(1,254.5)
Other loans (including short-term loans)	–	(317.7)	(317.7)
Finance leases	(51.2)	–	(51.2)
Preference shares	(3.2)	–	(3.2)
	(54.4)	(1,572.2)	(1,626.6)

At 31 December 2008	Fixed US$m	Floating US$m	2008 Total US$m
Corporate loans	–	(152.6)	(152.6)
Other loans (including short-term loans)	–	(231.1)	(231.1)
Finance leases	(52.3)	–	(52.3)
Preference shares	(2.9)	–	(2.9)
	(55.2)	(383.7)	(438.9)

As set out in note 23 (a) the corporate loans of US$1,254.5 million at 31 December 2009 include US$677.7 million relating to the Esperanza project financing facility. As disclosed in note 23(a) the Group has used interest rate swaps to swap the floating rate interest on this facility for fixed rate interest.

d) Maturity profile

The maturity profile of the Group's borrowings is as follows:

At 31 December 2009	Within 1 year US$m	Between 1–2 years US$m	Between 2–5 years US$m	After 5 years US$m	2009 Total US$m
Corporate loans	(76.3)	–	(527.0)	(150.6)	(753.9)
Other loans (including short-term loans)	(350.2)	(101.7)	(300.3)	(66.1)	(818.3)
Finance leases	(5.3)	(8.5)	(7.5)	(29.9)	(51.2)
Preference shares	–	–	–	(3.2)	(3.2)
	(431.8)	(110.2)	(834.8)	(249.8)	(1,626.6)

At 31 December 2008	Within 1 year US$m	Between 1–2 years US$m	Between 2–5 years US$m	After 5 years US$m	2008 Total US$m
Corporate loans	(76.3)	(76.3)	–	–	(152.6)
Other loans (including short-term loans)	(229.8)	(1.3)	–	–	(231.1)
Finance leases	(12.9)	(6.4)	(33.0)	–	(52.3)
Preference shares	–	–	–	(2.9)	(2.9)
	(319.0)	(84.0)	(33.0)	(2.9)	(438.9)

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:

	Within 1 year US$m	Between 1–2 years US$m	Between 2–5 years US$m	After 5 years US$m	Total US$m
2009					
Finance leases	(5.3)	(8.5)	(7.5)	(29.9)	(51.2)
2008					
Finance leases	(9.6)	(6.4)	(36.3)	–	(52.3)

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 for each year, in respect of which all conditions precedent had been met at those dates, were as follows:

	2009 US$m	2008 US$m
Expiring in one year or less	1,139.4	456.4
Expiring in more than one but not more than two years	2.0	2.0
Expiring in more than two years	–	–
	1,141.4	458.4

The available facilities comprise the undrawn element of the Esperanza project finance facility, as described in note 23(a), and general working capital facilities at the Group's operating subsidiaries. Of the general working capital facilities, US$688.9 million (2008 – US$379.2 million) are denominated in US dollars, US$20.6 million (2008 – US$16.9 million) in Unidades de Fomento (i.e. inflation-linked Chilean pesos), US$3.0 million (2008 – US$7.9 million) in Euro and US$93.0 million (2008 – US$54.4 million) in Chilean pesos.

Notes to the Financial Statements continued

24 Trade and Other Payables

	Due in one year		Due after one year		Total	
	2009 US$m	2008 US$m	**2009 US$m**	2008 US$m	**2009 US$m**	2008 US$m
Trade creditors	**(254.4)**	(415.1)	**–**	–	**(254.4)**	(415.1)
Other creditors and accruals	**(183.2)**	(179.3)	**(12.3)**	(12.6)	**(195.5)**	(191.9)
	(437.6)	(594.4)	**(12.3)**	(12.6)	**(449.9)**	(607.0)

Trade creditors and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 40 days (2008 – 39 days).

At 31 December 2008, trade and other creditors includes US$274.2 million related to amounts to be reimbursed to clients as a result of mark-to-market adjustment on provisional sales of copper and molybdenum concentrates and copper cathodes.

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:

	2009 US$m	2008 US$m
Financial assets		
Derivatives in designated hedge accounting relationships	**1.7**	51.7
Available-for-sale investments	**1.2**	0.7
Loans and receivables (including cash and cash equivalents)	**3,867.5**	3,705.9
Financial liabilities		
Derivatives in designated hedge accounting relationships	**(85.7)**	(1.4)
Financial liabilities measured at amortised cost	**(2,076.5)**	(1,045.9)
	1,712.7	2,711.0

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 2009 or 2008.

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$m	**Total 2009 US$m**
Financial assets at fair value through profit and loss				
Derivatives in designated hedge accounting relationships	–	1.7	–	**1.7**
Debtors mark to market	–	62.8	–	**62.8**
Available-for-sale investments	1.2	–	–	**1.2**
Financial liabilities				
Derivatives in designated hedge accounting relationships	–	(85.7)	–	**(85.7)**
	1.2	(16.7)	–	**(15.5)**

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 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 180 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 2009, sales of copper and molybdenum concentrate and copper cathodes represented 90.8% 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 increased by US$0.2 million (2008 – US$0.1 million) and hedging reserves in equity would have decreased by US$13.8 million (2008 – US$3.6 million).

– If the copper forward price as at the reporting date had decreased by 10 cents, net earnings would have decreased by US$0.4 million (2008 – US$0.1 million) and hedging reserves in equity would have increased by US$13.0 million (2008 – US$3.6 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 affect net earnings by US$48.8 million (2008 – US$52.7 million) and earnings per share by 5.0 cents (2008 – 5.3 cents), based on production volumes in 2009, 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 affect net earnings by US$8.2 million (2008 – US$8.2 million), and earnings per share by 0.8 cents (2008 – 0.8 cents), based on production volumes in 2009, 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 and cash equivalents is given in Note 22, and the currency exposure of the Group's borrowings is given in Note 23. The effect 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 65.

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, trade receivables, trade payables, current tax balances 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$4.0 million (2008 – US$6.8 million); there would have been 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$4.9 million (2008 – US$8.3 million increase); there would have been 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).

The interest rate exposure of the Group's cash and cash equivalents is given in Note 22, and the 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$12.3 million (2008 – US$22.5 million) and hedging reserves in equity would have increased by US$13.6 million (2008 – nil).

(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$0.1 million (2008 – US$0.1 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. Further information on production and sales levels and operating costs are given in the Business Review on pages 17 to 24.

(vi) Credit risk

Credit risk arises from trade and other receivables, cash and cash equivalents and derivative financial instruments. The Group's credit risk is primarily to trade receivables. The credit risk on cash and cash equivalents and on derivative financial instruments is limited as the counterparties are banks 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.

Notes to the Financial Statements continued

25 Financial Instruments and Financial Risk Management continued

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 balances in either demand deposits or short-term deposits, while the majority of borrowings comprise corporate loans at Los Pelambres, repayable over periods of up to five years, and corporate loans at Esperanza, repayable over approximately 12 years.

At the end of both 2009 and 2008, the Group was in a net cash position, as disclosed in Note 33. Details of cash and cash equivalents 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(e).

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 2009	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	2009 Total US$m
Corporate loans	**(252.9)**	**(199.8)**	**(142.9)**	**(1,229.7)**	**(1,825.3)**
Other loans (including short-term loans)	**(1.5)**	**(1.5)**	**(2.8)**	**(1.3)**	**(7.1)**
Finance leases	**(5.4)**	**(3.8)**	**(10.1)**	**(54.4)**	**(73.7)**
Preference shares	**(0.1)**	**(0.1)**	**(0.2)**	**(*)**	**(0.4)**
Trade and other payables	**(431.1)**	**(6.5)**	**(7.6)**	**(4.7)**	**(449.9)**
Derivative financial instruments	**(41.0)**	**(41.1)**	**(5.7)**	**2.1**	**(85.7)**
	(731.9)	**(252.7)**	**(169.1)**	**(1,288.0)**	**(2,441.7)**

At 31 December 2008	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	2008 Total US$m
Corporate loans	–	(76.7)	(76.6)	–	(153.3)
Other loans (including short-term loans)	(230.6)	(0.8)	(1.3)	(0.1)	(232.8)
Finance leases	(1.9)	(1.9)	(7.8)	(43.5)	(55.1)
Preference shares	(0.1)	(0.1)	(0.2)	(*)	(0.4)
Trade and other payables	(593.8)	(3.3)	(7.0)	(3.0)	(607.1)
Derivative financial instruments	(1.4)	–	–	–	(1.4)
	(827.8)	(82.8)	(92.9)	(46.6)	(1,050.1)

* The preference shares pay an annual dividend of £100,000 (US$155,910) 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 objective when managing its capital is to safeguard the Group's ability to continue as a going concern while maximising the return to stakeholders through the optimal capital structure.

The capital structure of the Group consists of debt, which includes the borrowings disclosed in Note 23, cash and cash equivalents as disclosed in Note 22 and equity attributable to minority interest and equity holders of the Company, comprising issued capital, reserves and retained earnings as disclosed in Note 29.

The Group reviews its capital structure on a regular basis. Based on this, the Group will balance its overall capital structure through the payment of ordinary and special dividends, the issue of new shares or repurchase of existing shares, the raising of additional debt or the redemption of existing debt. The Group's overall strategy remains unchanged from the prior year.

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 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 30 to 180 days after delivery to the customer.

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

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

	Balance sheet net mark to market effect on debtors	
	2009 US$m	2008 US$m
Los Pelambres – copper concentrate	**62.1**	(257.6)
Los Pelambres – tolling charges for copper concentrates	**(0.6)**	4.5
Los Pelambres – molybdenum concentrate	**(1.1)**	(13.3)
El Tesoro – copper cathodes	**2.0**	(0.8)
Michilla – copper cathodes	**0.4**	0.2
	62.8	(267.0)

(i) Copper sales

	Los Pelambres Copper concentrate 2009 US$m	**El Tesoro Copper cathodes 2009 US$m**	**Michilla Copper cathodes 2009 US$m**	Los Pelambres Copper concentrate 2008 US$m	El Tesoro Copper cathodes 2008 US$m	Michilla Copper cathodes 2008 US$m
Provisionally invoiced gross sales	**1,602.8**	**476.5**	**204.5**	2,392.8	644.2	331.0
Effects of pricing adjustments to previous year invoices						
Reversal of mark-to-market adjustments at the end of the previous year	**257.6**	**0.8**	**(0.2)**	72.8	1.0	(0.1)
Settlement of copper sales invoiced in the previous year	**(179.6)**	**0.6**	**1.3**	58.3	1.9	1.0
Total effect of adjustments to previous year invoices in the current year	**78.0**	**1.4**	**1.1**	131.1	2.9	0.9
Effects of pricing adjustments to current year invoices						
Settlement of copper sales invoiced in the current year	**240.2**	**27.7**	**10.3**	(415.4)	(30.0)	(13.3)
Mark-to-market adjustments at the end of the current year	**62.1**	**2.0**	**0.4**	(257.6)	(0.8)	0.2
Total effects of adjustments to current year invoices	**302.3**	**29.7**	**10.7**	(673.0)	(30.8)	(13.1)
Total pricing adjustments	**380.3**	**31.1**	**11.8**	(541.9)	(27.9)	(12.2)
Realised (losses)/gains on commodity derivatives	**–**	**(20.0)**	**(45.8)**	–	16.1	13.9
Turnover before deducting tolling charges	**1,983.1**	**487.6**	**170.5**	1,850.9	632.4	332.7
Tolling charges	**(125.1)**	**–**	**–**	(113.1)	–	–
Turnover net of tolling charges	**1,858.0**	**487.6**	**170.5**	1,737.8	632.4	332.7

i) Copper concentrate

At 31 December 2009 copper concentrate sales at Los Pelambres had an average settlement period of approximately three months after shipment date. Sales totalling 73,700 tonnes remained open as to price, with an average mark-to-market price of US334.0 cents per pound compared with an average provisional invoice price of US295.8 cents per pound.

At 31 December 2008 copper concentrate sales at Los Pelambres had an average settlement period of approximately four months after shipment date. Sales totalling 123,800 tonnes remained open as to price, with an average mark-to-market price of US138.9 cents per pound compared with an average provisional invoice price of US233.3 cents per pound.

Tolling charges include a mark-to-market loss for copper concentrate sales open as to price at 31 December 2009 of US$5.1 million (31 December 2008 – mark-to-market gain of US$1.9 million).

ii) Copper cathodes

At 31 December 2009 and 31 December 2008 copper cathode sales at El Tesoro and Michilla had an average settlement period of approximately one month after shipment date.

At 31 December 2009, sales totalling 10,400 tonnes remained open as to price, with an average mark-to-market price of US 333.5 cents per pound compared with an average provisional invoice price of US322.9 cents per pound.

At 31 December 2008 sales totalling 13,200 tonnes remained open as to price, with an average mark-to-market price of US138.3 cents per pound compared with an average provisional invoice price of US140.3 cents per pound.

Notes to the Financial Statements continued

25 Financial Instruments and Financial Risk Management continued

(ii) Molybdenum sales

	Los Pelambres Molybdenum concentrate 2009 US$m	Los Pelambres Molybdenum concentrate 2008 US$m
Provisionally invoiced gross sales	**189.2**	508.2
Effects of pricing adjustments to previous year invoices		
Reversal of mark-to-market adjustments at the end of the previous year	**13.3**	(0.1)
Settlement of molybdenum sales invoiced in the previous year	**(15.5)**	2.7
Total effect of adjustments to previous year invoices in the current year	**(2.2)**	2.6
Effects of pricing adjustments to current year invoices		
Settlement of molybdenum sales invoiced in the current year	**6.4**	(90.5)
Mark-to-market adjustments at the end of the current year	**(1.1)**	(13.3)
Total effects of adjustments to current year invoices	**5.3**	(103.8)
Total pricing adjustments	**3.1**	(101.2)
Turnover before deducting tolling charges	**192.3**	407.0
Tolling charges	**(12.2)**	(12.2)
Turnover net of tolling charges	**180.1**	394.8

At 31 December 2009 molybdenum sales at Los Pelambres had an average settlement period of approximately two months after shipment date. Sales totalling 1,400 tonnes remained open as to price, with an average mark-to-market price of US$11.3 per pound compared with an average provisional invoice price of US$11.6 per pound.

At 31 December 2008 molybdenum concentrate sales at Los Pelambres had an average settlement period of approximately three months after shipment date. Sales totalling 2,000 tonnes remained open as to price, with an average mark-to-market price of US$9.5 per pound compared with an average provisional invoice price of US$12.5 per pound.

e) Derivative financial instruments

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

The Group has applied the hedge accounting provisions of IAS 39 “Financial Instruments: Recognition and Measurement”. Changes in the fair value of derivative financial instruments that are designated and effective as hedges of future cash flows have been recognised directly in equity, with such amounts subsequently recognised in the income statement in the period when the hedged item affects profit or loss. Any ineffective portion is recognised immediately in the income statement. Realised gains and losses on commodity derivatives recognised in the income statement have been recorded within turnover. 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.

	Impact on income statement			Impact on reserves	Total balance sheet impact of mark-to-market adjustments
	Realised losses 2009 US$m	Gains/(losses) resulting from mark-to-market adjustments on hedging instruments 2009 US$m	Total net loss 2009 US$m	Gains/(losses) resulting from mark-to-market adjustments on hedging instruments 2009 US$m	Net financial asset/(liability) 2009 US$m
Commodity derivatives					
El Tesoro	**(20.0)**	**0.9**	**(19.1)**	**(52.5)**	**0.1**
Michilla	**(45.8)**	**(2.0)**	**(47.8)**	**(75.9)**	**(77.9)**
Exchange derivatives					
Corporate and other items	**(0.8)**	**(0.2)**	**(1.0)**	**–**	**(0.2)**
Railway and other transport services	**(8.4)**	**1.6**	**(6.8)**	**–**	**1.6**
Water concession	**(2.7)**	**(1.9)**	**(4.6)**	**–**	**(1.9)**
Interest derivatives					
Esperanza	**–**	**–**	**–**	**(5.7)**	**(5.7)**
	(77.7)	**(1.6)**	**(79.3)**	**(134.1)**	**(84.0)**

	Impact on income statement			Impact on reserves	Total balance sheet impact of mark-to-market adjustments
	Realised gains 2008 US$m	Gains/(losses) resulting from mark-to-market adjustments on hedging instruments 2008 US$m	Total net gain 2008 US$m	Gains/(losses) resulting from mark-to-market adjustments on hedging instruments 2008 US$m	Net financial asset/(liability) 2008 US$m
Commodity derivatives					
El Tesoro	16.1	(1.1)	15.0	52.6	51.7
Michilla	13.9	(0.5)	13.4	–	–
Exchange derivatives					
Railway and other transport services	–	(1.4)	(1.4)	–	(1.4)
	30.0	(3.0)	27.0	52.6	50.3

The gains/(losses) recognised in reserves are disclosed before minority interest and tax.
The net financial asset/(liability) resulting from the balance sheet mark-to-market adjustments are analysed as follows:

	2009 US$m	2008 US$m
Analysed between:		
Current assets	**1.7**	51.7
Current liabilities	**(81.2)**	(1.4)
Non-current liabilities	**(4.5)**	–
	(84.0)	50.3

Outstanding derivative financial instruments

(i) Commodity derivatives

(a) Min/max instruments

	’000 tonnes of copper production hedged				For instruments held at 31.12 .09			
	At 31.12.2009 ’000 tonnes	Entered into post period end ’000 tonnes	Matured post period end ’000 tonnes	At 28.02.10 ’000 tonnes	Weighted average remaining period from 1 January 2010 Months	Covering a period up to	Weighted average floor US cents	Weighted average cap US cents
Michilla	22,200	–	(1,850)	20,350	6.5	31/12/2010	186.8	237.8

In 2009, 61,400 tonnes of 2009 Group copper production was hedged either during or before the start of 2009, all of which matured in the year.

Notes to the Financial Statements continued

25 Financial Instruments and Financial Risk Management continued

Up to 28 February 2010, 22,200 tonnes of 2010 Group copper production has been hedged with min-max options of which 1,850 tonnes matured by 28 February 2010 and 20,350 tonnes remain outstanding and will mature by the end of the year.

(b) Futures – copper production

	’000 tonnes of copper production hedged				For instruments held at 31.12.09		
	At 31.12.2009 ’000 tonnes	Entered into post period end ’000 tonnes	Matured post period end ’000 tonnes	At 28.02.10 ’000 tonnes	Weighted average remaining period from 1 January 2010 Months	Covering a period up to	Weighted average price US cents
Michilla	9,800	–	(1,000)	8,800	6.4	31/12/2010	199.9

In 2009, 17,850 tonnes of 2009 Group copper production was hedged either during or before the start of 2009, all of which matured in the year.

Up to 28 February 2010 9,800 tonnes of 2010 Group copper production has been hedged with futures of which 1,000 tonnes matured by 28 February 2010 and 8,800 tonnes remain outstanding and will mature by the end of the year.

(c) Combined min-max instruments and futures-copper production

In total, in 2009, 79,250 tonnes of 2009 Group copper production was hedged either during or before the start of 2009, all of which matured in the year.

In total, up to 28 February 2010 32,000 tonnes of 2010 Group copper production has been hedged with either min-max options or futures of which 2,850 tonnes matured by 28 February 2010 and 29,150 tonnes remain outstanding and will mature by the end of the year.

(d) 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.

	’000 tonnes of copper production hedged				For instruments held at 31.12.09		
	At 31.12.2009 ’000 tonnes	Entered into post period end ’000 tonnes	Matured post period end ’000 tonnes	At 28.02.10 ’000 tonnes	Weighted average remaining period from 1 January 2010 Months	Covering a period up to	Weighted average price US cents
El Tesoro	6,500	100	(500)	6,100	7.0	31/01/2011	278.7

(ii) Exchange derivatives

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

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

	Principal value of cross currency swaps held				For instruments held at 31.12.09		
	At 31.12.2009 US$m	Entered into post period end US$m	Matured post period end US$m	At 28.02.10 US$m	Weighted average remaining period from 1 January 2010 Months	Covering a period up to	Weighted average rate Ch$/US$
Esperanza	–	68.0	–	68.0	–	–	–
Corporate and other items	24.7	10.0	30.2	4.5	2.0	01/04/2010	511.0
Railway and other transport services	68.8	56.8	68.8	56.8	1.0	31/01/2011	496.8
Water concession	9.3	–	6.2	3.1	2.0	31/01/2011	608.5
	102.8	**66.8**	**105.2**	**64.4**	**1.9**		**510.3**

(iii) Interest derivatives

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

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 2009 the Group had entered into the contracts outlined below:

	Phase	Start date	Maturity date	Maximum notional amount US$m	Weighted average fixed rate %
Esperanza	1	15/02/2010	15/02/2011	787.8	1.353
Esperanza	2	15/02/2011	15/02/2018	840.0	3.372

26 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 2009 was US$0.1 million (2008 – less than 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 2009 by Raúl Benavente, 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:

	2009	2008
Average nominal discount rate	**5.5%**	5.5%
Average rate of increase in salaries	**1.5%**	2.0%
Average staff turnover	**3.5%**	3.0%

Amounts included in the income statement in respect of severance provisions are as follows:

	2009 US$m	2008 US$m
Current service cost (charge to operating profit)	**(3.8)**	(10.1)
Actuarial losses (charge to operating costs)	**(9.5)**	(0.5)
Interest cost (charge to interest expenses)	**(1.3)**	(1.2)
Foreign exchange (charge)/credit to other finance items	**(8.4)**	9.4
Total charge to income statement	**(23.0)**	(2.4)

Movement in the present value of severance provisions were as follows:

	2009 US$m	2008 US$m
Balance at the beginning of the year	(29.0)	(29.1)
Current service cost	(3.8)	(10.1)
Actuarial gains and losses	(9.5)	(0.5)
Charge capitalised	(0.4)	(0.5)
Reclassification	(0.4)	–
Interest cost	(1.3)	(1.2)
Paid in the year	4.6	3.0
Foreign currency exchange difference	(8.4)	9.4
Balance at the end of the year	**(48.2)**	(29.0)

27 Deferred Tax

The following are the major deferred tax liabilities and assets recognised by the Group and movements thereon during 2008 and 2009:

	Accelerated capital allowances US$m	Timing differences on provisions US$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 2008	(234.9)	21.1	(155.4)	(1.1)	(0.1)	9.5	(360.9)
(Charge)/credit to income	(67.2)	37.9	48.2	6.2	4.1	(2.5)	26.7
Charge capitalised	(12.2)	–	–	–	–	–	(12.2)
Charge deferred in equity	–	–	–	(9.0)	–	–	(9.0)
At 1 January 2009	(314.3)	59.0	(107.2)	(3.9)	4.0	7.0	(355.4)
Charge to income	(37.3)	(37.2)	(27.7)	(22.5)	(12.9)	(0.1)	(137.7)
Charge capitalised	(8.4)	–	–	–	–	–	(8.4)
Credit deferred in equity	–	–	–	22.8	–	–	22.8
At 31 December 2009	**(360.0)**	**21.8**	**(134.9)**	**(3.6)**	**(8.9)**	**6.9**	**(478.7)**

The charge to the income statement of US$137.7 million (2008 – US$26.7 million credit) includes a charge for foreign exchange differences of US$5.1 million (2008 – includes a credit of US$4.7 million).

Notes to the Financial Statements continued

27 Deferred Tax continued

Certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balance (after offset):

	2009 US$m	2008 US$m
Deferred tax assets	**31.1**	12.7
Deferred tax liabilities	**(509.8)**	(368.1)
Net deferred tax balances	**(478.7)**	(355.4)

At 31 December 2009, the Group had unused tax losses of US$40.8 million (2008 – US$41.2 million) available for offset against future profits. A deferred tax asset has been recognised in respect of the full US$40.8 million (2008 – US$41.2 million). In 2008, these losses may be carried forward indefinitely.

At 31 December 2009, there were no other deductible temporary differences, for which no deferred tax assets were recognised in the balance sheet. Equal situation occurred at 31 December 2008.

At 31 December 2009, the aggregate amount of temporary differences associated with undistributed earnings of subsidiaries for which deferred tax liabilities have not been recognised was US$4,047.3 million (2008 – US$3,440.9 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.

28 Long-term Provisions

	2009 US$m	2008 US$m
Balance at the beginning of the year	**(18.0)**	(10.9)
Charge to operating profit in the year	**(2.2)**	(5.0)
Release of discount to net interest in the year	**(1.5)**	(0.8)
Change in estimates	**(105.1)**	–
Reclassification	**0.4**	(0.7)
Charge capitalised	**(1.3)**	(0.7)
Foreign currency exchange difference	**(0.2)**	0.1
Balance at the end of the year	**(127.9)**	(18.0)

	2009 US$m	2008 US$m
Analysed as follows:		
Decommissioning and restoration	**(127.1)**	(17.5)
Termination of water concession	**(0.8)**	(0.5)
Balance at the end of the year	**(127.9)**	(18.0)

a) Decommissioning and site rehabilitation

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.

New assessments of the closure provisions for all mining operations have been performed by external consultants, resulting in a US$105.1 million increase to the capitalised decommissioning and restoration provision. The capitalised provision balances are depreciated over the life of the corresponding asset or mine life if shorter. The increase in the provision balance is mainly due to the significant amount of construction work at Esperanza since the previous assessments.

It is estimated that the provision will be utilised over a period of up to 27 years based on current mine plans.

b) Termination of water concession

A provision for the termination of the water concession relates to the provisions for items of property, plant and equipment and working capital items under Aguas de Antofagasta's ownership to be transferred to the previous state-owned operator ECONSSA at the end of the concession period. The provision is based on the net present value of the estimated value of these assets and liabilities expected to be 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 within other finance items.

29 Share Capital and Other Reserves

a) Share capital

The ordinary share capital of the Company is as follows:

	2009 Number	2008 Number	2009 US$m	2008 US$m
Authorised				
Ordinary shares of 5p each	**1,300,000,000**	1,300,000,000	**118.9**	118.9

	2009 Number	2008 Number	2009 US$m	2008 US$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 2008 or 2009. Details of the Company's preference share capital, which is included within borrowings in accordance with IAS 32, are given in Note 23.

b) Other reserves

Details of the share premium account, hedging, fair value and translation reserves and retained earnings for both 2008 and 2009 are included within the Consolidated Statement of Changes in Equity on page 65.

30 Minority Interests

The minority interests of the Group are as follows:

	At 01.01.09 US$m	Share of profit for the financial year US$m	Acquisition of minority interests US$m	Share of dividends US$m	Hedging reserves US$m	Exchange differences US$m	**At 31.12.09 US$m**
Los Pelambres	743.4	399.5	–	(280.0)	–	–	**862.9**
El Tesoro	229.5	46.5	–	(30.0)	(13.1)	–	**232.9**
Michilla	10.3	6.0	–	–	(16.3)	–	**–**
Esperanza	169.6	–	–	–	(1.3)	–	**168.3**
Caracoles	(1.4)	–	1.4	–	–	–	**–**
Railway and other transport services	14.4	0.2	–	–	–	0.1	**14.7**
Total	**1,165.8**	**452.2**	**1.4**	**(310.0)**	**(30.7)**	**0.1**	**1,278.8**

The minority share of movements in reserves was US$30.7 million.

31 Acquisitions

There have been no business combinations that would require disclosures under IFRS 3 Business Combinations during the year ended 31 December 2009. This note sets out a summary of other transactions that occurred during the year ended 31 December 2009 which resulted in the acquisition of an interest in various assets.

Acquisition of minority interest in Caracoles

In February 2009 the Group acquired the 18.5% minority interest in its subsidiary Compañía Contractual Minera Caracoles from Compañía Minera Milpo of Perú, for consideration of US$25.0 million.

Acquisition of interest in Inversiones Hornitos S.A.

On 3 July 2009, the Group, through its wholly-owned subsidiary Antofagasta Railway Company plc, exercised an option to acquire a 40% interest in Inversiones Hornitos S.A. ("Inversiones Hornitos") from GDF SUEZ, which will continue to hold the remaining 60% interest. Inversiones Hornitos is the owner of the 150MW Hornitos thermoelectric power plant which is being constructed in Mejillones, in Chile's Antofagasta Region. The Hornitos thermoelectric power plant, which is expected to begin commercial operation in 2011, will provide energy to Minera Esperanza to meet its energy requirements, under a long-term supply agreement signed at the end of 2007 between GDF SUEZ and Antofagasta Minerals S.A. ("Antofagasta Minerals"), the Group's mining division. The acquisition of the 40% interest in Inversiones Hornitos took place under an option granted to Antofagasta Minerals S.A. when the long-term supply agreement was signed. Under the acquisition, the Group is responsible for its 40% share of the estimated total US$0.4 billion development costs of the Hornitos thermoelectric power plant. This include an initial payment made on 15 July 2009 of US$80.9 million to GDF SUEZ, representing the Group's share of costs already incurred plus interest to the date of acquisition. Further capital contributions of US$28.6 million were made by the Group to Inversiones Hornitos between 15 July 2009 and the date of this report.

Acquisition of interest in Sunridge Gold Corp

In September 2009 the Group entered into an exploration and evaluation agreement with Sunridge Gold Corp ("Sunridge"). Under this agreement the Group can earn an initial 60% interest in Sunridge's Asmara project in Eritrea by funding US$10 million of exploration and evaluation work over a five-year period, and a further 15% interest (for an aggregate 75% interest in the project) by delivering a feasibility study on the project. In October 2009 the Group acquired approximately 18% of the issued share capital of Sunridge under a private placement for a consideration of US$5 million.

32 Other Transactions

In March 2009 Aguas de Antofagasta S.A. ("Aguas de Antofagasta") acquired the desalination plant located in the city of Antofagasta from the current owner, Desalant S.A. ("Desalant") for a purchase price of US$52.5 million. As part of this agreement, on-going arbitration proceedings between Aguas de Antofagasta and Desalant were also terminated. The desalination plant will be held under the terms of the 30-year concession from the previous state-owned operator Empresa Concesionaria de Servicios Sanitarios S.A. ("ECONSSA").

In March 2009 the Group entered into an agreement with Almaden Minerals Ltd ("Almaden") to acquire an interest in the Tuligtic copper-gold project in Mexico. Following the review of initial drilling results, the Group has decided not to proceed further with this project.

In October 2009 the Group entered into an agreement with Ormonde Mining plc ("Ormonde") in respect of its La Zarza deposit in southern Spain. The Group has the right to earn a 51% interest in the deposit over a three-year period by funding US$7 million of exploration and subsequent evaluation activities, with a minimum commitment of US$1 million in the first year. Antofagasta will have the right to further increase its interest in the La Zarza project to 75% by funding a feasibility study for the project.

In November 2009 the Group entered into an agreement with International Base Metals Limited ("IBML") of Australia in respect of its Kopermyn mining property in northern Namibia. The Group has the right to earn up to a 60% interest in the property over a two-year period by funding up to US$1.8 million of exploration activities, with a minimum commitment of US$0.5 million.

In December 2009 the Group entered into an agreement with Carbon Energy Limited ("Carbon Energy"), whereby Carbon Energy can earn a 30% stake in the Mulpun deposit, through applying its underground coal gasification technology to the project and through funding 30% of the development costs of a trial project.

Notes to the Financial Statements continued

33 Notes to the Consolidated Cash Flow Statement

a) Reconciliation of profit before tax to net cash inflow from operating activities

	2009 US$m	2008 US$m
Profit before tax	**1,437.6**	2,609.5
Depreciation and amortisation	**217.5**	180.2
Loss on disposal of property, plant and equipment	**4.2**	5.3
Asset impairments	**–**	188.3
Profit on part-disposal of subsidiaries	**–**	(1,024.9)
Net finance expense/(income)	**25.9**	(56.3)
Share of profit of associate	**(4.5)**	(2.3)
Increase in inventories	**(59.8)**	(26.0)
(Increase)/decrease in debtors	**(266.2)**	133.0
(Decrease)/increase in creditors and provisions	**(186.9)**	447.5
Cash flows from operations	**1,167.8**	2,454.3

b) Analysis of changes in net cash

	At 1.1.09 US$m	Cash flows US$m	Other US$m	Exchange US$m	At 31.12.09 US$m
Cash and cash equivalents	**3,358.0**	**(188.5)**	**–**	**52.8**	**3,222.3**
Bank borrowings due within one year	**(306.0)**	**(43.3)**	**(77.1)**	**(0.1)**	**(426.5)**
Bank borrowings due after one year	**(77.6)**	**(1,144.7)**	**76.6**	**–**	**(1,145.7)**
Finance leases due within one year	**(13.0)**	**10.9**	**(3.5)**	**0.3**	**(5.3)**
Finance leases due after one year	**(39.4)**	**–**	**0.1**	**(6.6)**	**(45.9)**
Preference shares	**(2.9)**	**–**	**–**	**(0.3)**	**(3.2)**
Total borrowings	**(438.9)**	**(1,177.1)**	**(3.9)**	**(6.7)**	**(1,626.6)**
Net cash	**2,919.1**	**(1,365.6)**	**(3.9)**	**46.1**	**1,595.7**

	At 1.1.08 US$m	Cash flows US$m	Other US$m	Exchange US$m	At 31.12.08 US$m
Cash and cash equivalents	2,212.5	1,169.6	–	(24.1)	3,358.0
Bank borrowings due within one year	(101.6)	(129.8)	(74.8)	0.2	(306.0)
Bank borrowings due after one year	(160.2)	–	82.6	–	(77.6)
Finance leases due within one year	(0.2)	9.8	(22.6)	–	(13.0)
Finance leases due after one year	–	–	(38.2)	(1.2)	(39.4)
Preference shares	(4.0)	–	–	1.1	(2.9)
Total borrowings	(266.0)	(120.0)	(53.0)	0.1	(438.9)
Net cash	1,946.5	1,049.6	(53.0)	(24.0)	2,919.1

c) Net cash

	2009 US$m	2008 US$m
Cash and cash equivalents	**3,222.3**	3,358.0
Total borrowings	**(1,626.6)**	(438.9)
	1,595.7	2,919.1

34 Operating Lease Arrangements

	2009 US$m	2008 US$m
Minimum lease payments under operating leases recognised in income for the year	**14.8**	11.4

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:

	2009 US$m	2008 US$m
Within one year	**10.8**	9.1
In the second to fifth years inclusive	**18.1**	10.7
After five years	**5.4**	–
	34.3	19.8

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 Empresa Concesionaria de Servicios Sanitarios S.A. ("ECONSSA"). 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, 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 28(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 2006, which resulted in an average reduction in tariffs (compared with previous levels) of approximately 5% from July 2006.

36 Exchange Rates in US Dollars

The principal exchange rates expressed in US dollars used in the preparation of the 2009 financial statements are as follows:

	2009	2008
Year end rates	**US$1.6062 = £1; US$1 = Ch$507**	US$1.4428 = £1; US$1 = Ch$636
Average rates	**US$1.5591 = £1; US$1 = Ch$559**	US$1.8386 = £1; US$1 = Ch$522

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 associate 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, Mr. J-P Luksic, Mr. GA Luksic and Mr. GS 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$2.3 million (2008 – US$8.9 million) to Madeco S.A., a subsidiary of Quiñenco. The balance due from Madeco at the end of the year was nil (2008 – US$0.8 million);
- the Group bought copper wire from Madeco for less than US$0.1 million (2008 – US$0.3 million);
- the Group earned interest income of US$0.1 million (2008 – US$0.3 million) during the year on deposits with Banco de Chile, a subsidiary of Quiñenco. Deposit balances at the end of the year were US$31.7 million (2008 – nil); and
- the Group's transport division did not provided trucking services for beverages (2008 – US$1.3 million) to Compañia Cervecenás Unidas S.A., an associate of Quiñenco. The balance due from CCU S.A. at the end of the year was nil (2008 – US$0.1 million).

b) Compañía de Inversiones Adriático S.A.

In 2009, 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 (2008 – US$0.6 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 2009, the Group received a dividend of US$0.7 million from ATI (2008 – US$1.8 million).

d) Antomin Limited, Antomin 2 Limited and Antomin Investors Limited

In August 2008 the Group acquired Mineralinvest Establishment's ("Mineralinvest") interest in mining properties required for the Marubeni transaction together with certain other properties. Prior to the completion of this transaction these properties were held in Antomin Limited ("Antomin"), in which the Group held an approximately 51% interest and Mineralinvest held an approximately 49% interest. The consideration payable by the Group to Mineralinvest under the terms of this agreement was US$243 million. Mineralinvest is an entity ultimately controlled by the Luksic family.

The Group acquired its original interest in Antomin pursuant to an agreement in 2001 for a nominal consideration from Mineralinvest. Under the terms of the acquisition agreement, the Group's committed to meet in full the exploration and evaluation costs relating to those properties held by Antomin. The cumulative amount incurred to 31 December 2008 (including expenditure relating to those properties wholly acquired by the Group during the year) was US$11.8 million.

The remaining properties owned by Antomin which were not to be 100% acquired by the Group under the terms of this agreement were separated into newly created indirect subsidiaries of Antofagasta (Antomin 2 Limited ("Antomin 2") and Antomin Investors Limited ("Antomin Investors")), which will continue to be owned approximately 51% by the Group and approximately 49% by Mineralinvest. With respect to Antomin 2 and Antomin Investors, Antofagasta will have the exclusive right to acquire at fair value under certain conditions, the shareholding of Mineralinvest in those entities, 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. No exploration and evaluation expenditure was incurred in respect of these properties during year (2008 – nil). Further details of the mining properties held by Antomin 2 and Antomin Investors are included within the Ore Reserves and Mineral Resources Estimates.

Notes to the Financial Statements continued

37 Related Party Transactions continued

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's mineral interests in Pakistan.

During the year the Group contributed US$31.1 million (2008 – US$46.1 million) to Tethyan, to provide funds for Tethyan's on-going exploration and evaluation programme. The balance due from Tethyan to Group companies at the end of the year was US$0.5 million (2008 – US$1.4 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, a joint venture between the Group and Empresa Nacional del Petróleo ("ENAP") of Chile. During 2008 the Group contributed US$9.0 million to Energía Andina S.A. to provide funds for its operations (comprising US$8.5 million in cash and US$0.5 million relating to exploration licences and other expenses incurred by the Group). The balance due from Energía Andina S.A. to the Group at the end of 2009 was US$0.2 million (2008 – US$0.2 million).

g) Ingeniería y Servicios Computacionales Geovectra S.A.

In 2009, the Group did not paid fees (2008 – US$66,771) for geological and technology services to Ingeniera y Servicios Computacionales Geovectra S.A. ("Geovectra"), a company controlled by Mr. J W Ambrus. Mr. Ambrus was a Director of the Company in both 2008 and 2009 until 14 October 2009. These services were on normal arm's length commercial terms for services performed by employees of Geovectra.

h) 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 2009 Centinela's share of dividends received from Michilla were nil (31 December 2008 – (US$7.0 million)

i) Directors and other key management personnel

Information relating to Directors' remuneration and interests are given in the Remuneration Report on pages 59 to 61. Information relating to the remuneration of key management personnel including the Directors is given in Note 8.

j) Inversiones Hornitos S.A.

In July 2009, the Group acquired a 40% interest in Inversiones Hornitos S.A. (Inversiones Hornito) from GDF SUEZ. This interest is accounted for as an associate. The Group made an initial payment on 15 July 2009 of US$80.9 million to GDF SUEZ, representing the Group's share of costs already incurred plus interest to date of acquisition. During the year ended 31 December 2009 the Group made further capital contributions of US$28.6 million to Inversiones Hornitos. The balance due from Inversiones Hornitos to the Group at 31 December 2009 was US$22.5 million (31 December 2008 – nil).

k) Sunridge Gold Corp

In October 2009 the Group acquired 17.84% of the issued share capital of Sunridge Gold Corp ("Sunridge") under a private placement. This interest is accounted for as an associate. The Group paid US$5 million for investment and during the year ended 31 December 2009 has not made capital contributions. The balance due from Sunridge to the Group at 31 December 2009 was nil (31 December 2008 – nil).

38 Contingent Assets and Contingent Liabilities

There are a number of claims currently outstanding to which Antofagasta plc or its subsidiaries ("the Group") is a party, for which no provision has been made in the financial statements and are currently not expected to result in any material loss to the Group. Details of the principal claims in existing either during or at the end of the year and their current status are set out below:

a) 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 of 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 and remains confident of its rights to continue operation of the dam.

b) Tethyan Copper Company Limited – Chagai Hills Exploration Joint Venture

On 26 June 2007 the High Court of Baluchistan 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 and overturned an injunction passed earlier by the Court. The petition had been filed in November 2006 and was directed at several parties including the Group, the Government of Pakistan and the Government of Baluchistan.

The petitioners have filed a Civil Petition for Leave to Appeal ("CPLA") against the judgement and this will be heard by the Supreme Court to decide whether the appeal should be heard on its merits.

39 Events After the Balance Sheet Date

a) Duluth Metals Limited

On 14 January 2010, the Group signed a legally binding Heads of Agreement ("HoA") with Duluth Metals Limited ("Duluth Metals"), a company listed on the Toronto Stock Exchange ("TSX"), pursuant to which Antofagasta will initially become a 40% partner in Duluth Metals' Nokomis copper-nickel-platinum group metal ("PGM") deposit ("Nokomis"), located in the highly prospective Duluth Complex in northeastern Minnesota, USA by committing to fund a total of US$130.0 million of further exploration and evaluation and feasibility study expenditure over a three-year period. The Group will also have the option to acquire an additional 25% interest in Nokomis under certain conditions. The Group also subscribed for six million new ordinary shares in Duluth Metals by way of a private placement and a subsequent anti-dilution pre-emptive subscription of 550,939 shares at Cdn$2.00 per share in cash, to become an approximate 7% shareholder in Duluth Metals.

b) Los Pelambres financing

During January 2010 Los Pelambres entered into an additional loan of US$245.0 million with Japan Bank for International Cooperation ("JBIC"), which is expected to be drawn down during the first quarter of 2010. This loan is for a term of approximately seven years and has an interest rate of approximately LIBOR plus 0.9%.

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 on page 53.

Parent Company Financial Statements

41 Antofagasta plc – Balance Sheet of the Parent Company and Related Notes

Parent Company Balance Sheet

At 31 December 2009

	Notes	2009 US$m	2008 US$m
Fixed assets			
Investment in subsidiaries	41D	**666.2**	665.7
Current assets			
Debtors – amounts falling due within one year		**0.5**	0.3
– amounts owed by subsidiaries	41D	**760.1**	993.6
Current asset investments (term deposits)		**9.6**	8.1
Cash at bank and in hand		**1.6**	1.3
		771.8	1,003.3
Creditors – amounts falling due within one year			
Other creditors		**(1.2)**	(0.9)
Amounts owed to subsidiaries		**(299.5)**	(299.5)
		(300.7)	(300.4)
Net current assets		**471.1**	702.9
Total assets less current liabilities		**1,137.3**	1,368.6
Creditors – amounts falling due after more than one year			
Preference shares	41E	**(3.2)**	(2.9)
Total assets less total liabilities		**1,134.1**	1,365.7
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	**845.1**	1,076.7
Shareholders' funds		**1,134.1**	1,365.7

Approved by the Board and signed on its behalf on 8 March 2010.

J-P Luksic
Chairman

CH Bailey
Director

Parent Company Financial Statements continued

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 2009.

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$330.3 million (2008 – US$922.5 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 risks 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

The average number of employees was 8 (2008 – 7).

b) Aggregate remuneration

The aggregate remuneration of the employees mentioned above was as follows:

	2009 US$m	2008 US$m
Wages and salaries	**1.6**	1.8
Social security costs	**0.2**	0.2
Post-employment benefits – severance charge in the year	**0.1**	0.1
	1.9	2.1

The above employee figures exclude Directors who receive Directors' fees from Antofagasta plc. Details of fees payable to Directors are set out in the Remuneration Report.

41D Subsidiaries

a) Investment in subsidiaries

	2009 US$m	2008 US$m
Shares in subsidiaries at cost	**57.6**	57.6
Amounts owed by subsidiaries due after more than one year	**608.6**	608.1
	666.2	665.7

	Shares US$m	Loans US$m	Total US$m
1 January 2009	57.6	608.1	665.7
Loans made	–	0.5	0.5
31 December 2009	**57.6**	**608.6**	**666.2**

b) Amounts owed by subsidiaries due within one year

At 31 December 2009, amounts owed by subsidiaries due within one year were US$760.1 million (2008 – US$993.6 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 2009 and 31 December 2008. 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 23(x)) 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 2008 (equity)	89.8	199.2	645.2	934.2
Profit for the financial year	–	–	922.5	922.5
Dividends paid	–	–	(491.0)	(491.0)
At 31 December 2008 and 1 January 2009	89.8	199.2	1,076.7	1,365.7
Profit for the financial year	–	–	330.3	330.3
Dividends paid	–	–	(561.9)	(561.9)
31 December 2009 (equity)	**89.8**	**199.2**	**845.1**	**1,134.1**

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.

Five Year Summary

	2009 US$m	2008 US$m	2007 US$m	2006 US$m	2005 US$m
Consolidated Balance Sheet					
Intangible assets(1)	**311.2**	233.6	263.6	205.3	97.7
Property plant and equipment(1)	**4,873.2**	3,679.7	2,623.9	2,373.7	1,820.0
Investment property	**3.4**	2.7	3.5	3.2	3.4
Investment in associates	**121.3**	3.0	2.5	3.5	2.8
Trade and other receivables	**36.6**	34.1	32.0	39.3	–
Derivative financial instruments	**–**	–	1.4	–	–
Available for sale investments	**1.2**	0.7	3.3	6.2	0.1
Deferred tax assets	**31.1**	12.7	14.7	3.1	6.6
Non-current assets	**5,378.0**	3,966.5	2,944.9	2,634.3	1,930.6
Current assets	**4,132.5**	3,988.4	2,910.6	2,450.7	1,849.0
Current liabilities	**(995.6)**	(974.7)	(366.6)	(513.9)	(389.1)
Non-current liabilities	**(1,897.5)**	(547.6)	(582.4)	(623.0)	(627.5)
	6,617.4	6,432.6	4,906.5	3,948.1	2,763.0
Share capital	**89.8**	89.8	89.8	89.8	16.6
Share premium	**199.2**	199.2	199.2	199.2	272.4
Reserves (retained earnings and hedging, translation and fair value reserves)	**5,049.6**	4,977.8	3,776.0	2,866.1	1,752.7
Equity attributable to equity holders of the Company	**5,338.6**	5,266.8	4,065.0	3,155.1	2,041.7
Minority interests	**1,278.8**	1,165.8	841.5	793.0	721.3
	6,617.4	6,432.6	4,906.5	3,948.1	2,763.0

	2009 US$m	2008 US$m	2007 US$m	2006 US$m	2005 US$m
Consolidated Income Statement					
Group turnover	**2,962.6**	3,372.6	3,826.7	3,870.0	2,445.3
Total profit from operations and associates	**1,463.5**	2,553.2	2,654.8	2,805.2	1,507.3
Profit before tax(2)	**1,437.6**	2,609.5	2,750.2	2,859.0	1,536.3
Income tax expense	**(317.7)**	(519.7)	(638.4)	(664.9)	(308.1)
Minority interests	**(452.2)**	(383.3)	(729.7)	(839.8)	(502.4)
Net earnings (profit attributable to equity holders of the Company)(2)	**667.7**	1,706.5	1,382.1	1,354.3	725.8
EBITDA(3)	**1,680.7**	1,899.8	2,824.0	2,957.3	1,674.1

	2009 cents	2008 cents	2007 cents	2006 cents	2005 cents
Earnings per share(4)					
Basic earnings per share	**67.7**	173.1	140.2	137.4	73.6

Dividends to Ordinary Shareholders of the Company(4)

	2009 cents	2008 cents	2007 cents	2006 cents	2005 cents
Dividends per Share Proposed in relation to the Year					
Ordinary dividends (interim and final)	**9.4**	9.0	8.6	8.2	8.0
Special dividends	**14.0**	51.0	41.0	40.0	14.0
	23.4	60.0	49.6	48.2	22.0
Dividends per share paid in the year and deducted from equity	**57.0**	49.8	49.2	24.0	16.0

See footnotes on page 107.

	2009 US$m	2008 US$m	2007 US$m	2006 US$m	2005 US$m
Consolidated Cash Flow Statement					
Cash flow from operations	**1,167.8**	2,454.3	2,817.7	2,810.1	1,647.5
Interest paid	**(27.0)**	(12.5)	(20.2)	(24.6)	(23.3)
Dividends from associates	**0.7**	1.8	2.4	0.4	1.0
Income tax paid	**(135.2)**	(561.4)	(806.0)	(498.2)	(343.8)
Net cash from operating activities	**1,006.3**	1,882.2	1,993.9	2,287.7	1,281.4
Investing activities					
Acquisition and disposal of subsidiaries, joint venture, associates and available for sale investment and recovery of VAT	**(139.5)**	1,163.4	36.3	(394.5)	7.7
Purchases and disposals of intangible assets, property, plant, and equipment	**(1,376.1)**	(1,145.7)	(481.7)	(506.6)	(218.9)
Interest received	**15.8**	78.8	111.3	77.6	37.9
Net cash used in investing activities	**(1,499.8)**	96.5	(334.1)	(823.5)	(173.3)
Financing activities					
Dividends paid to equity holders of the Company	**(561.9)**	(491.0)	(485.0)	(236.6)	(155.4)
Dividends paid to preference holders and minorities	**(310.2)**	(495.8)	(681.4)	(630.8)	(385.8)
New borrowings less repayment of borrowings and finance leases	**1,177.1**	177.7	(93.2)	(107.6)	(139.4)
Net cash used in financing activities	**305.0**	(809.1)	(1,259.6)	(975.0)	(680.6)
Net (decrease)/increase in cash and cash equivalents	**(188.5)**	1,169.6	400.2	489.2	427.5

	2009 US$m	2008 US$m	2007 US$m	2006 US$m	2005 US$m
Consolidated Net Cash					
Cash and cash equivalents	**3,222.3**	3,358.0	2,212.5	1,805.5	1,316.8
Short-term borrowings(4)	**(431.8)**	(319.0)	(101.8)	(97.6)	(97.2)
Medium and long-term borrowings(5)	**(1,194.8)**	(119.9)	(164.2)	(261.1)	(368.1)
	(1,626.6)	(438.9)	(266.0)	(358.7)	(465.3)
Net cash at the year-end	**1,595.7**	2,919.1	1,946.5	1,446.8	851.5

(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. The comparatives for 2005 and 2006 have not been restated.

(2) In 2008 exceptional items included in the consolidated income statement comprise: (i) an impairment charge of US$188.3 million relating to property, plant and equipment at El Tesoro and Michilla, which has been recorded within "Total operating costs" and (ii) a profit of US$1,024.9 million relating to the sale of a 30% interest in Esperanza and El Tesoro to Marubeni Corporation, which has been recorded within "Profit on part-disposal of subsidiaries". Excluding these items, profit before tax is US$1,772.9 million net earnings is US$842.9 million and earnings per share 85.5 cents. Further details of these exceptional items are set out in Note 5.

(3) 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. EBITDA for 2008 and 2009 is reconciled to operating profit in the Financial Review on page 43.

(4) Earnings per share and dividends per share have been restated for the effects of the 4-for-1 bonus issue on 19 June 2006.

(5) Borrowings under IFRS include amounts due under finance leases and preference shares.

Ore Reserves and Mineral Resources Estimates
At 31 December 2009

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 is Jorge Artal (MAusIMM), Senior Geologist for Antofagasta Minerals S.A.. 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, not the Group's attributable share for each mine. The Group's economic interest in each mine is disclosed in the notes following the estimates on pages 111 to 113. 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.

	Tonnage (millions of tonnes)		Copper (%)		Molybdenum (%)		Gold (g/tonne)		Attributable Tonnage (millions of tonnes)	
	2009	2008	**2009**	2008	**2009**	2008	**2009**	2008	**2009**	2008
Ore reserves										
Los Pelambres (see note (a))										
Proved	**613.6**	606.0	**0.66**	0.68	**0.022**	0.022	**0.03**	0.034	**368.2**	363.6
Probable	**889.0**	845.0	**0.63**	0.65	**0.016**	0.016	**0.03**	0.032	**533.4**	507.0
Total	**1,502.6**	1,451.0	**0.64**	0.66	**0.018**	0.019	**0.03**	0.033	**901.6**	870.6
El Tesoro (see note (b))										
Open pit and Tesoro North-East										
Proved	**99.0**	113.0	**0.76**	0.84	**–**	–	**–**	–	**69.3**	79.1
Probable	**6.5**	5.3	**0.94**	0.30	**–**	–	**–**	–	**4.6**	3.7
Sub-total	**105.5**	118.3	**0.77**	0.81	**–**	–	**–**	–	**73.9**	82.8
El Tesoro ROM (Esperanza Oxides)										
Proved	**49.6**	19.9	**0.37**	0.37	**–**	–	**–**	–	**34.7**	13.9
Probable	**56.4**	84.3	**0.36**	0.37	**–**	–	**–**	–	**39.5**	59.0
Sub-total	**106.0**	104.2	**0.36**	0.37	**–**	–	**–**	–	**74.2**	72.9
Total	**211.6**	222.5	**0.57**	0.60	**–**	–	**–**	–	**148.1**	155.8
Michilla (see note (c))										
Proved	**3.4**	5.3	**1.27**	0.64	**–**	–	**–**	–	**2.5**	3.9
Probable	**6.1**	2.6	**1.40**	1.46	**–**	–	**–**	–	**4.5**	1.9
Total	**9.5**	7.9	**1.35**	0.91	**–**	–	**–**	–	**7.0**	5.9
Esperanza sulphides (see note (d))										
Proved	**207.2**	207.2	**0.52**	0.52	**0.010**	0.010	**0.21**	0.210	**145.0**	145.0
Probable	**376.1**	376.1	**0.56**	0.56	**0.010**	0.010	**0.23**	0.230	**263.3**	263.3
Total	**583.3**	583.3	**0.54**	0.54	**0.010**	0.010	**0.22**	0.223	**408.3**	408.3
Group Total	**2,307.0**	2,264.7	**0.61**	0.63					**1,465.0**	1,440.5
Mineral resources (including ore reserves)										
Los Pelambres (see note (a))										
Measured	**687.0**	645.0	**0.65**	0.67	**0.021**	0.021	**0.03**	0.033	**412.2**	387.0
Indicated	**1,225.0**	1,130.0	**0.60**	0.62	**0.015**	0.015	**0.03**	0.030	**735.0**	678.0
Measured + Indicated	**1,912.0**	1,775.0	**0.62**	0.64	**0.017**	0.017	**0.03**	0.031	**1,147.2**	1,065.0
Inferred	**4,252.9**	3,085.0	**0.48**	0.52	**0.008**	0.008	**0.04**	(*)	**2,551.7**	1,851.0
Total	**6,164.9**	4,860.0	**0.52**	0.56	**0.011**	0.011	**0.03**	(*)	**3,698.9**	2,916.0
El Tesoro (see note (b))										
Open pit and Tesoro North-East										
Measured	**104.6**	122.8	**0.78**	0.78	**–**	–	**–**	–	**73.3**	86.0
Indicated	**28.0**	25.4	**0.72**	0.70	**–**	–	**–**	–	**19.6**	17.8
Measured + Indicated	**132.6**	148.2	**0.77**	0.77	**–**	–	**–**	–	**92.8**	103.7
Inferred	**5.7**	2.5	**0.52**	0.78	**–**	–	**–**	–	**4.0**	1.8
Sub-total	**138.3**	150.7	**0.76**	0.77	**–**	–	**–**	–	**96.8**	105.5
El Tesoro ROM (Esperanza Oxides)										
Measured	**49.6**	19.9	**0.37**	0.37	**–**	–	**–**	–	**34.7**	13.9
Indicated	**56.4**	84.3	**0.36**	0.37	**–**	–	**–**	–	**39.5**	59.0
Measured + Indicated	**106.0**	104.2	**0.36**	0.37	**–**	–	**–**	–	**74.2**	72.9
Inferred	**26.0**	31.6	**0.30**	0.31	**–**	–	**–**	–	**18.2**	22.1
Sub-total	**132.0**	135.8	**0.35**	0.36	**–**	–	**–**	–	**92.4**	95.1
Total	**270.3**	286.5	**0.56**	0.57	**–**	–	**–**	–	**189.2**	200.6

Ore Reserves and Mineral Resources Estimates continued

At 31 December 2009

	Tonnage (millions of tonnes)		Copper (%)		Molybdenum (%)		Gold (g/tonne)		Attributable Tonnage (millions of tonnes)	
	2009	2008	**2009**	2008	**2009**	2008	**2009**	2008	**2009**	2008
Mineral resources (including ore reserves) continued										
Michilla (see note (c))										
Measured	**11.3**	16.7	**2.30**	1.42	**–**	–	**–**	–	**8.4**	12.4
Indicated	**21.4**	29.3	**2.43**	1.57	**–**	–	**–**	–	**15.9**	21.7
Measured + Indicated	**32.7**	46.0	**2.39**	1.52	**–**	–	**–**	–	**24.3**	34.1
Inferred	**10.1**	15.9	**1.87**	1.28	**–**	–	**–**	–	**7.5**	11.8
Total	**42.8**	61.9	**2.27**	1.46	**–**	–	**–**	–	**31.8**	45.9
Esperanza sulphides (see note (d))										
Measured	**233.8**	233.8	**0.51**	0.51	**0.011**	0.011	**0.20**	0.200	**163.7**	163.7
Indicated	**565.8**	565.8	**0.50**	0.50	**0.012**	0.012	**0.18**	0.180	**396.1**	396.1
Measured + Indicated	**799.6**	799.6	**0.50**	0.50	**0.012**	0.012	**0.19**	0.186	**559.7**	559.7
Inferred	**404.8**	404.8	**0.35**	0.35	**0.012**	0.012	**0.07**	0.070	**283.4**	283.4
Total	**1,204.4**	1,204.4	**0.45**	0.45	**0.012**	0.012	**0.15**	0.147	**843.1**	843.1
Reko Diq (see note (e))										
Measured	**1,738.2**	1,406.0	**0.54**	0.52	**–**	–	**0.31**	0.290	**651.8**	527.3
Indicated	**1,244.6**	964.0	**0.39**	0.49	**–**	–	**0.20**	0.270	**466.7**	361.5
Measured + Indicated	**2,982.8**	2,370.0	**0.48**	0.51	**–**	–	**0.26**	0.282	**1,118.6**	888.8
Inferred	**2,885.0**	1,746.0	**0.35**	0.50	**–**	–	**0.18**	0.320	**1,081.9**	654.8
Total	**5,867.9**	4,116.0	**0.41**	0.50	**–**	–	**0.22**	0.298	**2,200.4**	1,543.5
Mirador (see note (f))										
Measured	**5.4**	–	**3.00**	–	**–**	–	**–**	–	**5.4**	–
Indicated	**25.1**	–	**0.66**	–	**–**	–	**–**	–	**25.1**	–
Measured + Indicated	**30.5**	–	**1.07**	–	**–**	–	**–**	–	**30.5**	–
Inferred	**1.3**	–	**0.30**	–	**–**	–	**–**	–	**1.3**	–
Sub-total	**31.8**	–	**1.04**	–	**–**	–	**–**	–	**31.8**	–
Antucoya (see note (g))										
Measured	**497.3**	–	**0.31**	–	**–**	–	**–**	–	**497.3**	–
Indicated	**656.0**	–	**0.26**	–	**–**	–	**–**	–	**656.0**	–
Measured + Indicated	**1,153.4**	–	**0.28**	–	**–**	–	**–**	–	**1,153.4**	–
Inferred	**355.7**	–	**0.24**	–	**–**	–	**–**	–	**355.7**	–
Sub-total	**1,509.1**	–	**0.27**	–	**–**	–	**–**	–	**1,509.1**	–
Group total										
Measured + Indicated	**7,149.7**	5,243.0	**0.50**	0.57					**4,200.7**	2,724
Inferred	**7,941.6**	5,285.8	**0.42**	0.50					**4,303.7**	2,825
Total	**15,091.3**	10,528.8	**0.46**	0.54					**8,504.4**	5,549

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 170 cents per pound (190 cents per pound in 2008) and US$650 per gold ounce (US$600 per gold ounce in 2008). Unless otherwise noted, these same values have been used for copper equivalent (CuEq) estimates.

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 for 2009 was 0.35% Cu (vs. 0.40% Cu in 2008). For 2009 there have been two important changes, the first is a decrease in the cut-off grade used for estimation of both ore reserves and mineral resources to 0.35% Cu from the 0.40% Cu cut-off used in 2008, while the second is the incorporation of low grade stockpiles into the estimates.

Partially as a result of these changes, the proved and probable ore reserves have increased by 52 million tonnes, despite depletion through the year of 47 million tonnes (as mill feed). The difference consists of an additional 34 million tonnes in stockpiled ore reserves, an additional 33 million tonnes due to a change in cut-off grade and the remaining difference attributable to updates to the block model with the inclusion of in-fill drilling of 27 drill holes for a total of 7,615 metres.

The increase in total mineral resources of 1,305 million tonnes is primarily due the decrease in cut-off grade (1,121 million tonnes), as well as the incorporation of low grade stockpiles (42 million tonnes) and updates to the block model, offset by depletion of 47 million tonnes.

The (*) in the Resource Table indicates that the gold grades for the Inferred Resource Category were still under review at the time of publication for the 2008 estimate. An additional change for the 2009 estimates is the elimination of the silver estimates from the table and a reduction in significant figures used in the gold estimates. This is to better reflect the accuracy of the ore reserves and mineral resources estimates.

b) El Tesoro

El Tesoro is 70% owned by the Group. The ore reserves and mineral resources are made up of the El Tesoro and Tesoro North-East deposits, which are processed by heap leaching, and the Run-of-Mine (ROM) Oxide ore reserves and mineral resources from the Esperanza Project, 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 will deliver the ROM ore released during the pre-stripping and operating phases of the Esperanza Project to a permanent leach pad constructed and operated by the El Tesoro mine.

The cut-off grade used for estimation of both ore reserves and mineral resources for the El Tesoro open pits is 0.41% Cu. Proved and probable ore reserves for the El Tesoro open pits decreased by 12.8 million tonnes, reflecting depletion of 8.3 million tonnes (mill feed from El Tesoro pits and stockpiles) plus additional adjustments to the block models and pit designs for Tesoro and Tesoro North-East pits with the inclusion of in-fill drilling of 17 drill holes for a total of 2,812 metres.

The cut-off grade used for estimation of both ore reserves and mineral resources for the El Tesoro ROM (Esperanza Oxides) is 0.20% Cu. Proved and probable ore reserves for the El Tesoro ROM increased by 1.8 million tonnes, with a significant increase in proved reserves, primarily as a result of the increase in confidence due to the blast hole assay information generated during the pre-stripping operations of the Esperanza pit. During the year, 39.8 million tonnes of oxide ore reserves were extracted from the Esperanza pit, of which 1.5 million tonnes were delivered directly to the El Tesoro heap leach pads and subsequently depleted, 7.8 million tonnes were delivered to the ROM leach pads and have been partially leached and a further 30.5 million tonnes have been delivered to the ROM leach pads or stockpiles and have not yet been put under leach.

Total mineral resources for El Tesoro open pits decreased by 12.4 million tonnes, while total mineral resources for El Tesoro ROM decreased by 3.8 million tonnes for a total decrease of 16.2 million tonnes. The decrease in mineral resources is a result of the same impacts as the decrease in ore reserves, depletion of 9.7 million tonnes (feed to the Tesoro heap leach operation) plus adjustments to the block models.

c) Michilla

Michilla is 74.2% owned by the Group and its operations comprise an open pit mine, an underground mine and other workings. The cut off grade applied to the determination of ore reserves and mineral resources is 0.40% Cu for the open pit, 1.2% Cu for the underground mine and 1.0% Cu for other workings. During the first quarter of 2009, operations were suspended at the high-cost Lince open-pit, as a reaction to the significant drop in copper prices.

The most significant change to the ore reserves and mineral resources estimates has been the change in the expectation of mineral resources potentially exploitable by open pit methods. This, along with investment in in-fill drilling of 302 drill holes for a total of 24,117 metres and evaluation studies to upgrade mineral resources to ore reserves, has resulted in a significant change in both ore reserves and mineral resources estimates.

Despite depletion of 5.3 million tonnes of ore reserves as feed to the Michilla plant, ore reserves have increased by 1.6 million tonnes. While previous ore reserves estimates included an expansion to the open-pit, 2009 ore reserves include only remnant reserves in the existing pit phases that have not yet been exploited. The reduction in open-pit reserves has been more than offset by an increase in underground reserves both at the Estefanía deposit (which includes the Lince open-pit) and also an increase in ore reserves in other workings (satellite deposits mined by third-party operators).

Total mineral resources have decreased by 19.1 million tonnes, but there has also been a corresponding increase in grade, to 2.27% Cu from 1.46% Cu. This reflects the reduction in mineral resources potentially exploitable by open-pit methods, with a cut-off grade of 0.40%, and an inclusion of this portion of the deposit in the mineral resources potentially exploitable by underground methods, with a cut-off grade in this case of 1.0% Cu. Part of the decrease is also associated with the depletion of 5.3 million tonnes of feed to the Michilla plant.

d) Esperanza sulphides

Esperanza is 70% owned by the Group. The cut-off grade applied to the determination of ore reserves and minerals resources in 2009 was 0.20% equivalent copper.

There have been no changes to either the mineral resources or ore reserves estimates during the year for Esperanza, which is currently in the pre-stripping phase, preparing for start of operations at the end of 2010.

e) Reko Diq

The Group holds a 50% interest in Tethyan Copper Company Limited ("Tethyan"), its joint venture with Barrick Gold Corporation established in 2006. Tethyan's principal assets are a 75% interest in the exploration licence encompassing the Reko Diq prospects in the Chagai Hills region of South-West Pakistan (in which the Government of Balochistan holds the remaining 25%) including the Western Porphyries, and a 100% interest in certain other licences in the region.

A feasibility study was initiated in February 2008. The feasibility study is now under review by the joint venture partners and efforts to work with the government to advance the project remain in progress, although agreement concerning a mining licence and mineral agreement has not yet been reached.

The cut-off grade applied to the determination of mineral resources is 0.20% copper equivalent. For Reko Diq, copper equivalent values are calculated based on a copper price of 190 cents per pound and a gold price of US$725 per gold ounce. The mineral resources are those contained within un-smoothed optimised pit shells using the same prices.

For 2009, the orebody H13, which is contiguous with H14 and H15 and known collectively as Western Porphyries, has been incorporated into the mineral resources estimate, along with two other satellite deposits, Tanjeel (also referred to as H4) and H8. The increase in mineral resources of 1,752 million tonnes is principally due to the incorporation of these deposits (764 million tonnes for H13, 148 million tonnes for Tanjeel and 841 million tonnes for H8).

Ore Reserves and Mineral Resources Estimates continued

At 31 December 2009

f) Mirador

Mirador is a project which was reported in 2008 in "Other Mineral Inventory" and is owned 100% by the Group. Since then, a feasibility study has been started, which is expected to be completed in the first quarter of 2010. With a total of 304 drill holes for a total of 78,323 metres, the mineral resources in the table are slightly higher in both tonnes and grade than the ranges reported in 2008. The cut-off grade applied to the mineral resources estimate is 0.20% Cu and include those mineral resources contained within an un-smoothed, optimized pit shell using a copper price of 250 cents per pound.

Both the feasibility study and the mineral resources in the table are focused on the known oxide resources. There is an ongoing exploration programme targeted on the underlying sulphide resources.

g) Antucoya

Antucoya is a project which was reported in 2008 in "Other Mineral Inventory" and is owned 100% by the Group. Since then, a feasibility study has been started and is expected to take another year and a half to complete. The concept for processing is a combination of heap leaching on dynamic pads and run-of-mine (ROM) leaching on permanent pads.

The cut-off grade applied to the mineral resources estimate is 0.10% Cu and include those mineral resources contained within an un-smoothed, optimised pit shell using a copper price of 250 cents per pound. The mineral resources estimate is significantly higher in tonnage than the range reported in 2008 mostly due to the application of a lower cut-off grade, which is consistent with the ROM leach processing concept. The grade estimate is below the range reported in 2008, reflecting the impact of a lower cut-off grade.

h) 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 termination of a mineral resource. These include:

(i) **In the Sierra Gorda District**

In the Sierra Gorda district the Group has one operation (El Tesoro) and one project under construction (Esperanza) and others in exploration or under study, such as: Llano-Paleocanal, Telegrafo Norte and Telegrafo Sur (70% owned by the Group); Centinela (51% owned by the Group); and Polo Sur and Caracoles (100% owned by the Group). The Mineral Inventory of these deposits is estimated to be in the range of 2.6 to 4.1 billion tonnes with grades in the range of 0.5% to 0.4% copper. An in-fill drilling programme, consisting of 39 drill holes totalling 24,122 metres, was carried out during 2009 to provide input for a mineral resources estimate for the Telégrafo Sur deposit as part of an ongoing pre-feasibility study. It is expected that a mineral resources estimate for Telégrafo Sur will be ready for publication by the end of the first quarter of 2010. At Caracoles during 2009 a further 91,700 metres of drilling in 128 drill holes was carried out (which are not included in the table below). It is anticipated that a pre-feasibility study could commence during 2010, including the incorporation of the results from the 2009 drilling campaign into a block model and potentially into a mineral resources estimate.

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	67	12,400	70.0
Telégrafo Norte	330	660	0.44	0.34	20	8,500	70.0
Telégrafo Sur	1,100	1,600	0.45	0.38	90	52,300	70.0
Centinela	60	100	0.76	0.63	36	9,900	51.0
Polo Sur	300	450	0.50	0.41	200	50,500	100.0
Caracoles	700	1,100	0.60	0.49	133	62,900	100.0
Total	**2,580**	**4,050**	**0.50**	**0.41**	**546**	**196,500**	

(ii) In the Michilla District

In the Michilla district there are several satellite deposits to the main Michilla orebody that have been included in the Mineral Resources Table. However, there are other two mineral deposits within a potentially economic radius of the Michilla mine: Aurora (within the Michilla property) and Rencoret. Rencoret and Aurora are mantle-style deposits with associated high-grade copper brechas, similar to the main Michilla orebody.

The Mineral Inventory of these mineral deposits is estimated to be in the range of 20 to 33 million tonnes with grades in the range of 1.2% to 1.0% 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 (%)
Rencoret	15	25	1.22	1.00	31	8,300	100.0
Aurora	5	8	1.36	1.11	38	13,400	74.2
Total	**20**	**33**	**1.25**	**1.02**	**69**	**21,700**	

(iii) In the El Abra District

The Group has two mineral deposits within a few kilometres of the El Abra orebody, located near Calama in the Antofagasta Region of Chile. Conchi is a porphyry copper mineral deposit and Brujulina is an exotic-style mineral deposit. The Mineral Inventory of these mineral deposits is estimated to be in the range of 0.5 to 0.7 billion tonnes with grades in the range of 0.7% 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	440	660	0.67	0.55	123	30,950	51.0
Brujulina	50	80	0.65	0.53	159	15,300	51.0
Total	**490**	**740**	**0.67**	**0.55**	**282**	**46,250**	

i) Antomin 2 and Antomin Investors

The Group has an interest of approximately 51% interest in two indirect subsidiaries, Antomin 2 Limited ("Antomin 2") and Antomin Investors Limited ("Antomin Investors"), which own a number of copper exploration properties in Chile's Antofagasta Region and Coquimbo Region. These include (but are not limited to) Centinela (see Note h(i) above) and Brujulinas and Conchi (see Note h(iii) above). The remaining approximately 49% of Antomin 2 and Antomin Investors Limited 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 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
For the year ended 31 December 2009

Production and sales volumes, realised prices and cash costs by mine	Production 2009 '000 tonnes	Production 2008 '000 tonnes	Sales 2009 '000 tonnes	Sales 2008 '000 tonnes	Cash costs 2009 US cents	Cash costs 2008 US cents	Realised prices 2009 US cents	Realised prices 2008 US cents
Copper								
Los Pelambres	**311.6**	339.2	**313.6**	340.6	**80.4**	57.3	**286.8**	246.5
El Tesoro	**90.2**	90.8	**89.8**	90.9	**123.4**	144.7	**246.3**	315.6
Michilla	**40.6**	47.7	**39.5**	47.5	**157.6**	191.1	**195.7**	317.7
Group total	**442.5**	477.7	**442.9**	479.0				
Group weighted average (net of by-products)					**96.3**	87.3	**270.6**	266.7
Cash costs at Los Pelambres comprise								
On-site and shipping costs					**95.3**	99.5		
Tolling charges for concentrates					**19.2**	17.0		
Cash costs before deducting by-product credits					**114.5**	116.5		
By-product credits (principally molybdenum)					**(34.1)**	(59.2)		
Cash costs (net of by-product credits)					**80.4**	57.3		
LME average							**234.2**	315.3
Molybdenum								
Los Pelambres	**7.8**	7.8	**7.7**	7.7			**11.3**	23.9
Market average price							**11.1**	28.9

Quarterly information	Q1	Q2	Q3	Q4	2009 Year	2008 Year
Group Total						
Total copper production volume ('000 tonnes)	111.9	106.3	109.9	114.4	**442.5**	477.7
Total copper sales volume ('000 tonnes)	106.9	102.9	113.0	120.1	**442.9**	479.0
Total molybdenum production volume ('000 tonnes)	1.7	2.0	2.1	2.0	**7.8**	7.8
Total molybdenum sales volume ('000 tonnes)	1.7	1.9	2.2	1.9	**7.7**	7.7
Weighted average realised copper price (cents per pound)	207.3	246.5	294.5	324.9	**270.6**	266.7
Realised molybdenum price (dollars per pound)	7.8	11.1	15.8	9.7	**11.3**	23.9
Weighted average cash costs (cents per pound)						
– excluding by-product credits and tolling charges	99.5	104.5	105.0	117.7	**106.8**	117.2
– excluding by-product credits	112.1	120.0	118.3	130.4	**120.3**	129.3
– net of by-product credits	97.5	97.5	81.7	107.6	**96.3**	87.3

Quarterly information	Q1	Q2	Q3	Q4	**2009 Year**	2008 Year
Los Pelambres (60% owned)						
Daily average ore treated ('000 tonnes)	131.5	132.6	125.0	127.8	**129.2**	136.8
Average ore grade (%)	0.77	0.72	0.73	0.75	**0.74**	0.76
Average recovery (%)	93.2	91.9	91.1	92.1	**92.1**	92.1
Concentrate produced ('000 tonnes)	249.1	243.2	226.5	232.3	**951.1**	1,135.2
Average concentrate grade (%)	33.9	32.9	33.9	34.9	**33.9**	30.9
Fine copper in concentrate ('000 tonnes)	83.0	80.1	76.8	82.8	**322.6**	351.1
Payable copper in concentrate – production volume ('000 tonnes)	80.2	77.3	74.2	80.0	**311.6**	339.2
Payable copper in concentrate – sales volume ('000 tonnes)	75.6	72.8	83.3	81.9	**313.6**	340.6
Average moly ore grade (%)	0.019	0.020	0.022	0.021	**0.020**	0.019
Average moly recovery (%)	79.7	83.2	81.1	80.2	**81.1**	80.1
Payable moly in concentrate – production volume ('000 tonnes)	1.7	2.0	2.1	2.0	**7.8**	7.8
Payable moly in concentrate – sales volume ('000 tonnes)	1.7	1.9	2.2	1.9	**7.7**	7.7
Copper realised price (cents per pound)	217.1	261.2	311.2	349.2	**286.8**	246.5
On-site and shipment costs (cents per pound)	87.5	94.2	94.8	104.7	**95.3**	99.5
Tolling charges for concentrates (cents per pound)	17.6	21.4	19.7	18.3	**19.2**	17.0
Cash costs (before by-product) (cents per pound)	105.0	115.6	114.5	123.0	**114.5**	116.5
By-product credits (cents per pound)	(20.4)	(30.9)	(53.9)	(32.6)	**(34.1)**	(59.2)
Cash costs (cents per pound)	84.7	84.7	60.6	90.4	**80.4**	57.3
El Tesoro (70% owned; 100% until 25 August 2008)						
Daily average ore treated ('000 tonnes)	28.2	27.5	26.8	22.2	**26.2**	28.5
Average ore grade (%)	1.04	1.17	1.42	1.41	**1.25**	1.16
Average recovery (%)	74.4	70.7	71.6	75.7	**73.0**	74.7
Copper cathodes – production volume ('000 tonnes)	20.4	19.7	25.8	24.3	**90.2**	90.8
Copper cathodes – sales volume ('000 tonnes)	20.3	20.4	21.3	27.8	**89.8**	90.9
Copper realised price (cents per pound)	192.2	220.8	263.2	291.6	**246.3**	315.6
Cash costs (cents per pound)	124.2	121.3	113.4	134.9	**123.4**	144.7
Michilla (74.2% owned)						
Daily average ore treated ('000 tonnes)	14.7	14.8	15.6	15.4	**15.1**	15.5
Average ore grade (%)	1.09	0.88	0.95	0.93	**0.96**	1.06
Average recovery (%)	78.8	77.6	77.2	76.3	**77.5**	80.4
Copper cathodes – production volume ('000 tonnes)	11.4	9.3	9.9	10.1	**40.6**	47.7
Copper cathodes – sales volume ('000 tonnes)	11.0	9.7	8.4	10.4	**39.5**	47.5
Copper realised price (cents per pound)	168.2	190.8	205.2	222.0	**195.7**	317.7
Cash costs (cents per pound)	140.3	154.1	159.0	178.8	**157.6**	191.1
Transport (100% owned)						
Rail tonnage transported ('000 tonnes)	1,548	1,545	1,658	1,584	**6,335**	5,644
Road tonnage transported ('000 tonnes)	358	350	368	428	**1,505**	1,353
Water (100% owned)						
Water volume sold – potable and untreated ('000m3)	11,187	10,870	10,679	11,000	**43,736**	42,674

Notes

a) The production figures represent the total amounts produced for each mine, not the Group's attributable share for each mine.

b) Los Pelambres produces copper and molybdenum concentrates, and the figures for Los Pelambres are expressed in terms of payable metal contained in concentrate. The copper concentrate also contains gold and silver, for which Los Pelambres is credited when the concentrate is sold. El Tesoro and Michilla produce copper cathodes with no by-products.

c) 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 concentrate for Los Pelambres. Cash costs exclude depreciation, financial income and expenses, hedging gains and losses, exchange gains and losses and corporation tax for all three operations. By-product calculations do not take into account unrealised mark-to-market gains for molybdenum at the beginning or end of each period.

d) Water volumes include water transportation of 343,000m^3 in Q1; 302,000m^3 in Q2; 242,000m^3 in Q3, 240,000m^3 in Q4 and total for 2009 of 1,128,000m^3 (353,000m^3 in Q1 2008; 333,000m^3 in Q2 2008; 327,000m^3 in Q3 2008; 338,000m^3 in Q4 and total for 2008 of 1,351,000m^3).

e) The totals in the table 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.

Antucoya

Copper project located approximately 45 kilometres east of Michilla.

Antomin

Antomin Limited, a wholly-owned subsidiary of the Group incorporated in Jersey (a 51%-owned subsidiary until 25 August 2008).

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.

Annual Report

The Annual Report and Financial Statements 2009 of Antofagasta plc.

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 (81.5% owned prior to February 2009 – see Note 31).

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. Cash costs exclude depreciation, financial income and expenses, hedging gains and losses, exchange gains and losses and corporation tax.

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 and applicable to listed companies for reporting years beginning on or after 29 June 2008.

Companies Act 2006

Principal legislation for United Kingdom company law.

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.

Company

Antofagasta plc.

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 owns the Nokomis deposit in Minnesota, United States.

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.

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 (a wholly-owned subsidiary of the Group until 25 August 2008, before the Marubeni transaction).

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 subsidiaries' 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 under construction 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 and Esperanza.

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 prospect located in the Sierra Gorda district.

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 which is held through Tethyan Copper Company Limited, a 50-50 joint venture with Barrick Gold Corporation of Canada, with the Government of Balochistan holding a 25% interest in the main exploration licence, giving the Group an effective 37.5% interest.

Río Figueroa

Río Figueroa, an exploration project located in Chile's Atacama Region.

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Glossary and Definitions continued

Sierra Gorda district

Copper district located in the Antofagasta Region of Chile, where El Tesoro and Esperanza are located.

Sterling

United Kingdom currency.

Sunridge

Sunridge Gold Corp, an 18%-owned associate of the Group which has a base and precious metals project in Eritrea.

SVS

Superintendencia de Valores y Seguros de Chile, the Chilean securities regulator.

TEAL

Teal Exploration & Mining Incorporated, a company listed on the Toronto Stock Exchange with exploration and project interests on the Zambian Copper belt in Africa.

Telégrafo

Copper prospect located in the Sierra Gorda district held through Esperanza.

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.

UK

United Kingdom.

UKLA

United Kingdom Listing Authority.

US

United States.

US Dollars

United States currency.

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. The Los Pelambres mine produces molybdenum concentrate and also receives credit for the gold and silver content in the copper concentrate sold.

Copper Cathode

Refined copper produced by electrolytic refining of impure copper by electro-winning.

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.

Cut-off Grade

The lowest grade of mineralised material considered economic to process and used in the calculation of ore reserves and mineral resources.

Grade A Copper Cathode

Highest quality copper cathode (LME registered and certificated in the case of Michilla and El Tesoro).

Greenfield Project

The development or exploration of a new project not previously examined.

Flotation

A process by which chemicals are added to materials in a solution which are attracted to bubbles and float, whilst other materials sink, resulting in the production of concentrate.

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 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 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.

Tpd

Tonnes per day, normally with reference to the quantity of ore processed over a given period of time expressed as a daily average.

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.

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.

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 m3 – thousand cubic metres.

'000 tonnes – thousand tonnes.

1 kilogramme = 2.2046 pounds.

1 metric tonnes = 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

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, 9 June 2010.

Shareholder Calendar 2010

5 May 2010	Quarterly Production Report – Q1 2010
5 May 2010	Ex Dividend Date for 2009 Final Dividend
7 May 2010	Record Date for 2009 Final Dividend
12 May 2010	Sterling Date for 2009 Final Dividend
27 May 2010	Quarterly Financial Report – Q1 2010
9 June 2010	Annual General Meeting
10 June 2010	Payment Date for 2009 Final Dividend
4 August 2010	Quarterly Production Report – Q2 2010
24 August 2010	Interim Results Announcement – Half Year 2010
15 September 2010	Ex Dividend Date for 2010 Interim Dividend
17 September 2010	Record Date for 2010 Interim Dividend
22 September 2010	Sterling Date for 2010 Interim Dividend
7 October 2010	Payment Date for 2010 Interim Dividend
3 November 2010	Quarterly Production Report – Q3 2010
25 November 2010	Quarterly Financial Report – Q3 2010

Date are provisional and subject to change.

Dividends

Details of dividends proposed in relation to the year are given in the Directors' Report on page 50, and in Note 12 to the financial statements.

Dividends are declared in US dollars but may be paid in either dollars or sterling. Shareholders on the register of members with an address in the United Kingdom receive dividend payments in sterling, unless they elect to be paid in dollars. All other shareholders are paid by cheque in dollars, unless they have previously instructed the Company's registrar to pay dividends by bank transfer to a sterling bank account, or they elect for payment by cheque in sterling. The Company's registrar must receive any such election before the close of business on the record date of 7 May 2010.

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 the same way as dividends received from any other foreign company.

If approved at the Annual General Meeting, the final dividend of US 20 cents per ordinary share will be paid on 10 June 2010 to shareholders on the register at the close of business on 7 May 2010.

The conversion rate for final dividends to be paid in sterling will be set on 12 May 2010.

Share Capital

Details of the Company's share capital are given in Note 29 to the financial statements.

London Stock Exchange Listing

The Company's ordinary shares are listed on the London Stock Exchange (LSE; company code: ANTO). The Company is a constituent of the FTSE 100 share index. 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.

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Registered Number

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Website

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Additional information can be found in the Shareholder Information section of the Notice of Annual General Meeting and on the Group's website.

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ANTOFAGASTA PLC

Visit www.antofagasta.co.uk
for up-to-date investor information including
our past financial results.