Annual Report and Financial Statements 2010

Antofagasta

Overview

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.

Highlights

A record year for the Group, achieving revenues of US$4,577.1 million and copper production of 521,100 tonnes.

Successful delivery of growth projects. The Los Pelambres plant expansion was commissioned in the first quarter of 2010, and commissioning of the Esperanza mine commenced in November 2010.

Total dividends for the year of 116 cents per share (including special dividends), reflecting successful delivery of the key growth projects and the strong financial position of the Group.

Significant progress in the Sierra Gorda District, with mineral resource estimates completed for the Telégrafo and Caracoles deposits, and the Mirador oxides incorporated into the El Tesoro mine plan.

Definitive agreement signed with Duluth Metals Limited to acquire an initial 40% stake in the Nokomis project.

Group revenue (US$m)
2009: 2,962.6

4,577.1

Earnings per share (US cents)
2009: 67.7

106.7

Year-end net cash (US$m)
2009: 1,595.7

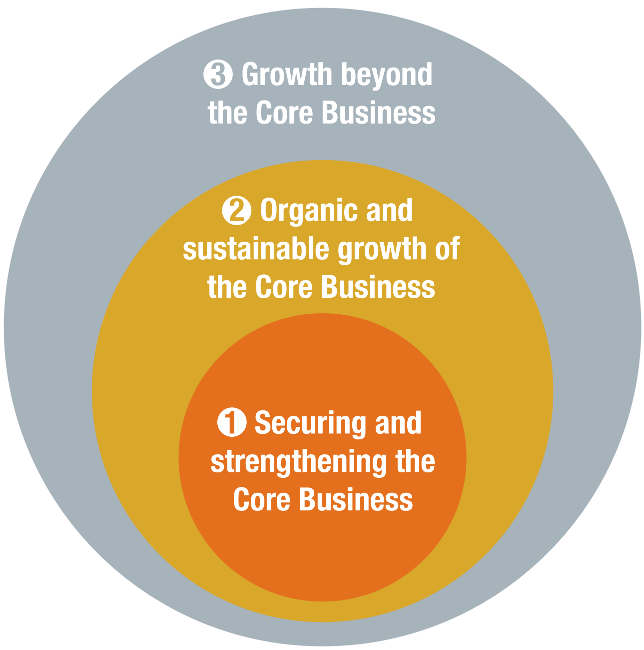
1,345.1

Total dividends per ordinary share[1] (US cents)
2009: 23.4

116.0

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

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



> More information on page 10

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

> More information on page 11

Overview

Antofagasta at a Glance

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)

Mining

Antofagasta Minerals S.A. (AMSA) is the corporate centre for the mining division, based in Santiago, Chile. During 2010 its operations produced 521,100 tonnes of copper in concentrate (along with gold and silver by-products) and copper cathode as well as 8,800 tonnes of molybdenum in concentrate. Production is expected to increase to over 700,000 tonnes in 2011, reflecting the commissioning of the new Esperanza mine. > Page 34

Securing and strengthening the Core Business: Current operations

Los Pelambres

Los Pelambres is a sulphide deposit located in Chile's Coquimbo Region, 240 km north-east of Santiago. It produces over 400,000 tonnes of payable copper in concentrate per year, as well as molybdenum concentrate, through a milling and flotation process. > Page 26

> Los Pelambres plant expansion completed during Q1 2010, increasing throughput by approximately 30%.

Esperanza

Esperanza is a sulphide deposit located in Chile's Antofagasta Region, 1,350 km north of Santiago. Over its first 10 years of operation it is expected to produce an average of approximately 190,000 tonnes of payable copper in concentrate per year and 230,000 ounces of payable gold per year, through a milling and flotation process. > Page 34

> Esperanza made its first shipment of copper concentrate in January 2011, following the start of commissioning of the plant in November 2010.

Organic and sustainable growth of the Core Business

> Page 40

> In the Sierra Gorda District mineral resource estimates were completed in respect of the Telégrafo and Caracoles deposits.

> At Los Pelambres a scoping study is examining the key factors which could allow it to utilise its significant resource base in the longer term.

> Antucoya project feasibility study in progress.

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 44

Market capitalisation at 31 December 2010 of US$24.5 billion

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

El Tesoro is an oxide deposit located in Chile's Antofagasta Region, 1,350 km north of Santiago. It produces approximately 95,000 tonnes of copper cathodes per year, using a solvent-extraction electro-winning process. > Page 29

> At El Tesoro, pre-stripping of the Mirador deposit commenced in December 2010.

Michilla

Michilla is a leachable sulphide and oxide deposit located in Chile's Antofagasta Region, 1,500 km north of Santiago. It produces approximately 40,000 tonnes of copper cathodes per year, using a solvent-extraction electro-winning process. > Page 32

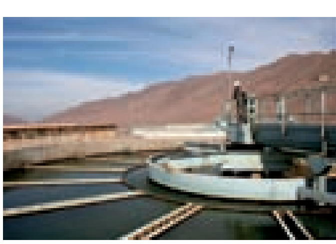
> Michilla is continuing with work on the evaluation and recategorisation of its resources, to allow the extension of its current mine plan.

Growth beyond the Core Business

> Page 42

- Reko Diq feasibility study and environmental and social impact assessment study completed.
- Agreement with Duluth Metals Limited to acquire an initial 40% stake in the Nokomis copper-nickel-platinum group metal deposit.
- Further development of the Group's portfolio of early-stage international earn-in agreements.

Water



Aguas de Antofagasta S.A. holds the concession for water distribution in Chile's Antofagasta Region. It produces and distributes potable water to domestic customers and untreated water to industrial customers. > Page 45

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Chairman's Statement

2010 was a landmark year for the Group, with the successful completion of the Esperanza mine. Commissioning of the plant commenced in November 2010, with the first shipment of copper concentrate taking place in January 2011. As a result of Esperanza coming on-stream, along with the completion of the Los Pelambres plant expansion during the first quarter of 2010, Group copper production is currently expected to increase to approximately 715,000 tonnes in 2011, a 60% increase on the pre-expansion 2009 levels.

Jean-Paul Luksic, Chairman

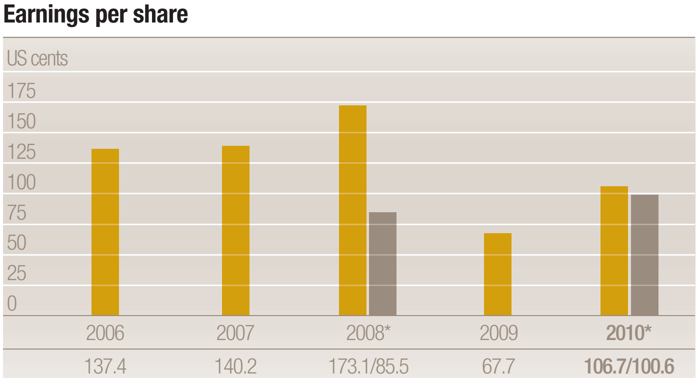
Net earnings increased by 57.5% to US$1,051.8 million compared with US$667.7 million in 2009, reflecting improved commodity prices and increased production volumes. Cash flows from operations were US$2,433.9 million, compared with US$1,167.8 million in 2009, mainly reflecting the increase in profits. At the end of 2010 the Group had a net cash position of US$1,345.1 million and total cash, cash equivalents and liquid investments of US$3,541.6 million.

Group copper production was 521,100 tonnes, compared with 442,500 tonnes in 2009. This 17.8% increase was mainly due to increased production at Los Pelambres, reflecting higher throughput as a result of the plant expansion. Molybdenum production at Los Pelambres was 8,800 tonnes, a 12.8% increase on 2009, again due to the plant expansion. The transport and water divisions both achieved increased volumes.

Our careful financial stewardship during the recent years of development will allow a substantial return of capital through the proposed special dividend, while the significant increase in the ordinary dividend underlines our increased production base and confidence in our future prospects. Our financial position remains strong and we remain well placed to progress with our substantial growth opportunities which we have continued to enhance over the past year.

During 2010 the Chilean government enacted a number of changes to the Chilean tax system in order to contribute to the reconstruction costs following the severe earthquake which affected the country on 27 February 2010, including changes to both the corporate tax rates and the mining royalty. The Group's four mining operations, Los Pelambres, Esperanza, El Tesoro and Michilla, which have invariability agreements in place with regard to the mining tax, have voluntarily elected to accept amendments enacted in respect of this tax. In exchange for waiving protection for a three-year period from 2010-2012, the companies will be granted an additional stability period of six years at the end of their existing agreements, during which any connected projects will also benefit from tax invariability. Further details of the tax charge for the year and the tax structure applicable to the Group are set out in the Financial Review on page 63.

Earnings per share



*Earnings per share excluding exceptional items in 2008 and 2010 were 85.5 cents and 100.6 cents respectively.

Strategy

The strategy for the Group's mining business continues to be based on three key pillars. Firstly, securing and strengthening the core business of the Group – the Los Pelambres, Esperanza, El Tesoro and Michilla mines; secondly, continuing to grow this core business by further developing the areas around its existing asset base – the Sierra Gorda District around Esperanza and El Tesoro, the area around Los Pelambres, and areas close to Michilla, including the Antucoya deposit; and finally, continuing to develop and search for additional opportunities including early-stage growth in copper both in Chile and abroad.

The successful execution of the Esperanza mine and the Los Pelambres plant expansion were major achievements in the Group's growth plans. The Group has also made significant progress with its longer-term growth prospects. In the Sierra Gorda District, mineral resource estimates were completed during 2010 in respect of the Telégrafo and Caracoles deposits, totalling 3.9 billion tonnes with an average copper grade of 0.38% and containing additional gold and molybdenum credits. This gives a total of 6.1 billion tonnes with an average copper grade of 0.39% in the Sierra Gorda District. At Los Pelambres a scoping study is examining the key enablers which could allow the mine to utilise its significant resource base in the longer term, which could potentially lead to a significant increase in the scale of the operation later this decade. A feasibility study is in progress at the Antucoya deposit, evaluating the potential for a project producing approximately 80,000 tonnes of copper per year. At the Reko Diq joint venture, work on the feasibility study and the environmental and social impact assessment study are both complete and have been submitted to the Government of Balochistan. Further progress on this project will be dependent on the grant of the mining lease for which an application has been made, and successful conclusion of litigation which is currently in progress before the Supreme Court of Pakistan. In July 2010 the Group signed a definitive agreement with Duluth Metals Limited to acquire an initial 40% stake in the Nokomis copper-nickel-platinum group metal deposit, a potentially world-class base and precious metal deposit located in the highly prospective Duluth Complex in Minnesota, and work is progressing in respect of the feasibility study. The Group has also expanded its portfolio of early-stage international earn-in agreements. The Group is also continuing with its exploration and development activities relating to geothermal and coal energy prospects in Chile.

Overview

Chairman's Statement continued

Sustainable development

Sustainable development forms an integral part of the Group's decision-making process and supports achievement of our business strategy. The Board continues to place key importance on a range of considerations including health and safety, management of human resources, environment and community relations. Effective management of social and environmental issues reduces costs and risks to our business, supports our reputation, underpins our relationships with key stakeholders including investors, regulators, employees and communities, and helps us to maintain our social licence to operate and grow.

As a Group, we have been very proud to be able to play a part in the reconstruction efforts in Chile following the earthquake and resulting tsunami of February 2010 which had a devastating impact on the Maule and Bio-Bio Regions. Five days after the earthquake we had a team and equipment working in the severely affected town of Curepto in the Maule Region providing assistance and clearing debris. We also engaged with the authorities and established a US$10 million recovery fund, which has been mainly used for Antofagasta Minerals S.A.'s "Coastal Route" project to support the recovery of artisanal fishing, which had been severely affected, as well as strengthening tourist and community infrastructure. In addition to this financial contribution, Antofagasta Minerals is contributing management expertise used in large mining projects to help implement the project. Both for the Group as a whole as well as for the individuals directly involved, the project has been a very positive and rewarding experience.

Health and safety

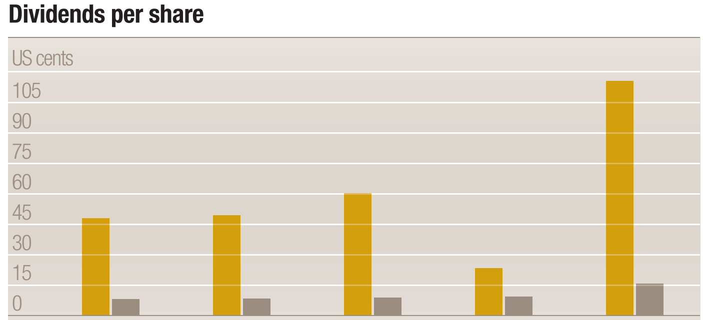
The Board deeply regrets the death of two contractors at Los Pelambres during 2010. The Board has a clear target of zero fatalities and considers any fatality to be unacceptable. Following these incidents, further safety training and awareness raising has been provided for workers. Los Pelambres has also introduced changes to increase the linkage between safety performance and remuneration, with 25% of bonuses now based on whether the site's lost time injury frequency target has been met.

Dividends

In light of the successful completion of the key growth projects and the strong financial position of the Group, the Board has recommended a final dividend of 112 cents per share, comprising an ordinary dividend of 12 cents per share and a special dividend of 100 cents per share, which, if approved, will amount to a payment in June 2011 of US$1,104.2 million. Taking this payment into account, the Group's financial position remains strong and it remains well placed to take advantage of its considerable growth prospects as these continue to progress. This gives total dividends for the year of 116 cents, amounting to US$1,143.6 million and representing a distribution of 109% of 2010 net earnings.

The Board's policy is to establish an ordinary dividend which can be maintained or progressively increased at conservative long-term copper prices and through the economic cycle. In addition, the Board recommends special dividends when it considers these appropriate after taking into account the level of profits earned in the period under review, the existing cash position of the Group and significant known or expected funding commitments. The Board's overall policy remains unchanged and the level of distribution in future years, including any special or additional dividends, will depend on the factors set out above.

Dividends per share



	2006	2007	2008	2009	**2010**
Including special dividend	48.2	49.6	60.0	23.4	**116.0**
Excluding special dividend	8.2	8.6	9.0	9.4	**16.0**

As a Group, we have been very proud to be able to play a part in the reconstruction efforts in Chile following the earthquake of February 2010.

Board composition

I am very pleased to be able to welcome two new Non-Executive Directors to the Antofagasta plc Board, who both bring great experience of the international mining industry. Hugo Dryland is Global Head of Rothschild's investment banking activities in the mining and metals sector, and has 25 years of investment banking experience in natural resources. Tim Baker was latterly Executive Vice-President and Chief Operating Officer at Kinross Gold Corporation, and previously Executive General Manager of Placer Dome Chile. He has previously managed mining operations in Chile, the United States, Tanzania and Venezuela and held geological and production roles in Kenya and Liberia. Daniel Yarur retired from the Board on 1 March 2011. Daniel had been a Non-Executive Director of Antofagasta plc since 2004, and 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.

Outlook

Market fundamentals remain positive and, while the high level of volatility that has characterised commodity prices in recent years is expected to continue, consensus estimates are for copper prices to remain favourable in 2011. Supply constraints and underlying demand could keep the copper market in deficit for a number of years.

As previously announced, the initial forecast for 2011 Group copper production is for approximately 715,000 tonnes, a 37% increase on 2010 levels, mainly due to the production from Esperanza, although this will depend on a number of factors including the precise timing of the completion of the ramp-up of that operation. Molybdenum production at Los Pelambres is expected to be approximately 9,300 tonnes compared with 8,800 tonnes in 2010, due to the full-year impact of increased plant throughput as a result of the plant expansion completed in the first quarter of 2010. The payable gold content in copper concentrate is expected to be approximately 324,000 ounces compared with 35,100 ounces in 2010, also as a result of Esperanza, although again this will depend on the precise timing of the completion of the ramp-up of that operation.

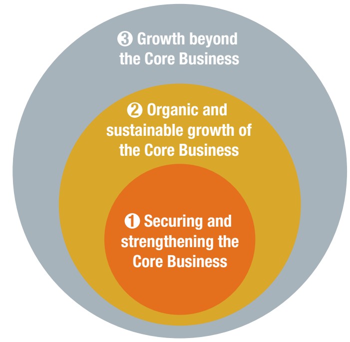
The Group's very sizeable resource base within Chile provides excellent opportunities for longer-term organic expansion, and its expanding portfolio of exploration and development agreements provides further potential for international growth. The Group's continued strong financial position means it is well placed to progress with all of these opportunities.

J-P Luksic
Chairman

7 March 2011

Strategic Review

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 – the Los Pelambres, Esperanza, El Tesoro and Michilla mines.

> Los Pelambres completed its plant expansion during Q1 2010, increasing throughput by approximately 30%.

> Esperanza made its first shipment of copper concentrate in January 2011, following the start of commissioning of the plant in November 2010. Esperanza will significantly increase total Group copper production by approximately 25%.

> At El Tesoro, pre-stripping of the Mirador deposit commenced in December 2010, with production from this satellite deposit expected to commence in the final quarter of 2011.

> Michilla is continuing with work on the evaluation and recategorisation of its resources, to allow the extension of its current mine plan, as well as additional exploration which could further extend the mine life.

2 Organic and sustainable growth of the Core Business

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

> In the Sierra Gorda District, mineral resource estimates were completed in respect of the Telégrafo and Caracoles deposits, increasing the Group's total mineral resources by 3.9 billion tonnes with an average copper grade of 0.38%. This gives a total of 6.1 billion tonnes with an average copper grade of 0.39% in the Sierra Gorda District.

> At the Antucoya deposit a feasibility study is in progress, evaluating the potential for a project producing approximately 80,000 tonnes of copper per year.

> At Los Pelambres a scoping study is examining the key factors which could allow it to utilise its significant resource base in the longer term.

3 Growth beyond the Core Business

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

> At the Reko Diq joint venture, work on the feasibility study and the environmental and social impact assessment study are both complete and have been submitted to the Government of Balochistan.

> In July 2010 the Group signed a definitive agreement with Duluth Metals Limited to acquire an initial 40% stake in the Nokomis copper-nickel-platinum group metal deposit, a potentially world-class base and precious metal deposit located in the highly prospective Duluth Complex in Minnesota, and work is progressing in respect of the feasibility study.

> Further development of the Group's portfolio of early-stage international earn-in agreements.

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 104.0 cents/lb in 2010. This means it is well positioned to perform strongly throughout the commodity price cycle. The Esperanza project will provide additional new production also with a low net cash cost. > Pages 26 to 37

Strong financial position

The Group's net cash position of US$1.3 billion at the end of 2010 has allowed the proposed significant capital return to shareholders, while still leaving the Group well placed to progress with its medium and longer-term growth plans as well as preserving the flexibility to take advantage of opportunities which may arise. > Page 66

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 76

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. During 2010 the total resource tonnage of the Group's subsidiaries increased by 46%, from 9.2 billion tonnes in 2009 to 13.4 billion tonnes, following the proving-up of the resources relating to the Telégrafo and Caracoles deposits.
> Pages 38 to 43 and Pages 134 to 140

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. > Pages 49 and 50

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. During 2010 the Group successfully completed new long-term labour agreements with unions at Los Pelambres and Michilla. > Page 51

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. > Pages 52 to 54

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. > Pages 54 to 57

Strategic Review

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.

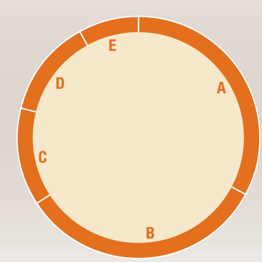
Our products

The principal product of the Group's mining business is copper. The Los Pelambres and Esperanza mines produce 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"). Los Pelambres and Esperanza's 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).

Global copper consumption by sector market

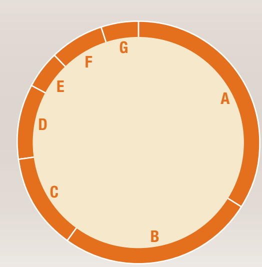
A Constuction	33%
B Electrical and electronic products	33%
C Industrial machinery	13%
D Transport	13%
E Consumer products	8%
TOTAL	100%



Source: Wood Mackenzie (December 2010)

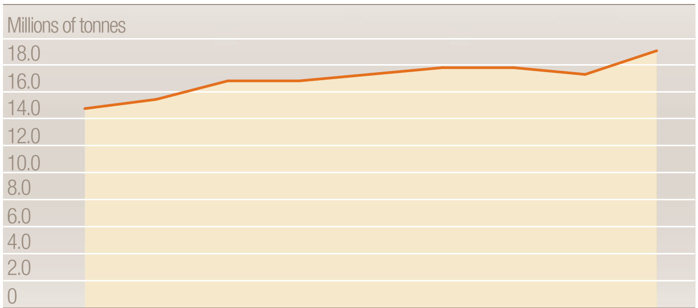
Global molybdenum consumption by sector market

A Constructional steel	34%
B Stainless steel	26%
C Chemicals	13%
D Tools and highspeed steel	10%
E MoMetal	5%
F Cast iron	7%
G Superalloys	5%
TOTAL	100%



Source: IMOA (2009 data)

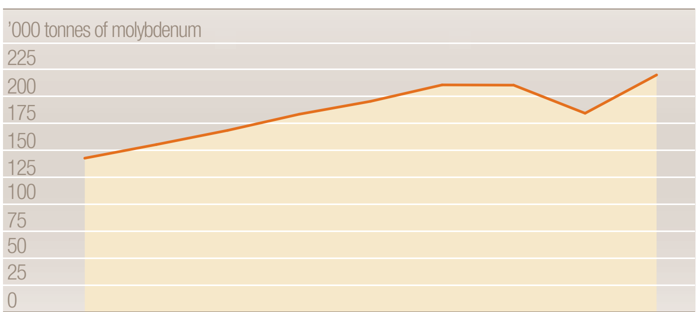
World copper consumption



2002	2003	2004	2005	2006	2007	2008	2009	**2010**
14.9	15.6	17.0	17.0	17.4	18.0	18.0	17.5	**19.3**

Source: Wood Mackenzie (December 2010)

World molybdenum consumption



2002	2003	2004	2005	2006	2007	2008	2009	**2010**
143.5	156.4	170.1	185.6	197.8	213.2	212.8	186.0	**222.4***

*Annualized figure using IMOA data until 30 Sept 2010

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.

Esperanza and Los Pelambres also produce gold, contained within the main concentrate. The sales of this gold content is priced in accordance with normal market prices. In addition, Los Pelambres produces molybdenum, a metal which is primarily used in the production of high-quality steel alloys. This is sold in separate 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 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.

Refined copper market

The commodity price environment remained very favourable through 2010, and has continued to perform strongly so far in 2011.

The LME copper price averaged 342.0 cents per pound over the course of 2010, a 46.0% increase on the 2009 average of 234.2 cents. The price at the start of 2010 was 333.2 cents per pound, remaining volatile during the first half of the year, falling to around 280 cents in both February and June 2010. The price then rose consistently during most of the second half of 2010, reaching 441.8 cents per pound at 31 December 2010, which was an all-time high. This strong performance was principally driven by continued strong demand from China and other emerging countries, as well as improving demand from western world economies. The Group's average realised copper price was higher than the average market price in 2010 at 359.3 cents per pound (2009 – 270.6 cents), with the rising copper prices during the year resulting in positive adjustments to provisionally priced sales.

The strength of the copper market seen in the second half of 2010 has continued in the first two months of 2011, during which period the LME copper price has averaged 441 cents per pound. During February 2011 a record price of 460 cents was reached, although prices have eased back from this high point. Supply side pressures over the forthcoming years have been increased by the project delays and cancellations during the financial crisis of 2008-2009 and declining ore grades as existing mines mature. A number of physically-backed copper Exchange Traded Funds ("ETFs") have recently been established, and while the level of investment in these funds is currently limited, they could represent a further source of demand for copper. This could provide further support for the copper price, but may also result in increased volatility as investment flows play an increasingly important role alongside more traditional fundamental drivers of demand. Current consensus estimates are for the copper price to average approximately 435 cents per pound in 2011, with the market expected to be in deficit by approximately 440,000 tonnes, and the market balance could remain tight in the medium term.

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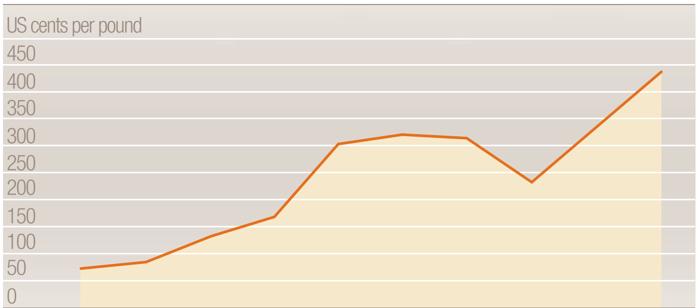
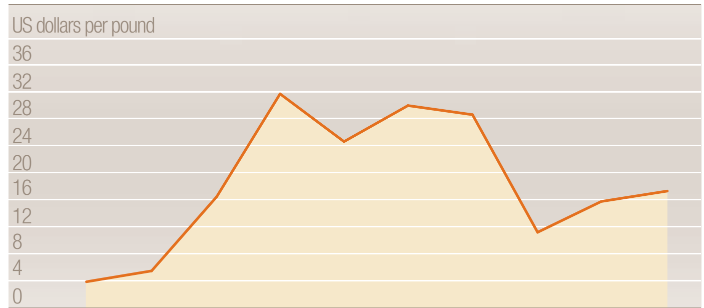
Average LME copper price



2002	2003	2004	2005	2006	2007	2008	2009	**2010**	*2011**
70.7	80.7	130.0	167.1	305.3	323.3	315.3	234.1	**342.0**	*440.5*

*Represents first two months of 2011.

Average molybdenum market price



2002	2003	2004	2005	2006	2007	2008	2009	**2010**	*2011**
3.7	5.3	16.2	32.0	24.8	30.2	28.9	11.1	**15.7**	*17.3*

*Represents first two months of 2011.

Copper concentrate market

The concentrate market continues to be in significant deficit, with available smelting capacity significantly in excess of mine supply, resulting in low treatment and refining charges ("TC/RCs") which favour mine producers. The market deficit was approximately 1.5 million tonnes in 2010, and current consensus estimates are that this level of deficit is likely to be maintained or to increase slightly in 2011. Without fundamental changes to the smelting market, a deficit is expected to continue for a number of years, with resulting favourable treatment and refining charges. The negotiations for the 2011 annual benchmark treatment and refining terms have been predominantly concluded, with most deals between miners and smelters agreed at US$56 per dry metric tonne of concentrate for smelting and 5.6 cents per pound of copper for refining, although some of Los Pelambres' agreements have been settled with a slightly lower treatment charge reflecting the relatively high copper content of its concentrate. While this represents an increase from the 2010 annual benchmark terms of US$46.5 and 4.65 cents, the impact during 2011 will be reduced by the "brick system" in many contracts whereby the terms are often averaged over two years.

Molybdenum market

The market molybdenum price averaged US$15.7 per pound in 2010, a 41.4% improvement from the average during 2009 of US$11.1. This reflected significantly improved demand from the stainless steel sector, the principal use of molybdenum, particularly from China, which since 2009 has been a net importer, but also increasingly from Europe and North America. The realised molybdenum price in 2010 was marginally above the average market price at US$16.2 per pound (2009 – US$11.3). The LME started trading molybdenum futures contracts from February 2010. While there is still limited liquidity in this market, it could provide greater depth and transparency to molybdenum prices as it continues to develop.

The first two months of 2011 have seen an improvement in the molybdenum price, increasing from US$16.4 per pound at the start of the year to US$17.7 at the end of February 2011. Market consensus is for prices to remain at around this level during 2011, given the improved demand from the stainless steel market, and the lack of significant supply-side growth in the short term.

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.

During 2010 the Group has seen sustained market cost pressures, and this is likely to continue throughout 2011, particularly if the commodity markets remain strong. Weighted average cash costs per pound of copper produced were 104.0 cents per pound in 2010, compared with 96.3 cents per pound in 2009. This increase was due to higher on-site and shipping costs at the three mining operations, partially offset by improved by-product credits. Excluding by-product credits, cash costs were 137.3 cents per pound, compared with 120.3 cents in 2009. This was mainly due to higher input costs, in particular energy, and the effect of the stronger Chilean peso across the three mining operations, as well as the effect of the temporary suspension of the Tesoro North-East pit and the increased maintenance at Los Pelambres.

Weighted average cash costs excluding by-product credits are forecast to be approximately 140 cents per pound in 2011, broadly in line with 2010 average costs of 137.3 cents, although costs remain susceptible to further macroeconomic pressures, particularly in a strong commodity pricing environment. Weighted average cash costs net of by-product credits, which are subject to fluctuations in the price of gold and molybdenum, are currently forecast to be approximately 90 cents per pound in 2011, a reduction compared with the 104.0 cents in 2010, reflecting the impact of the additional low-cost production from Esperanza. The estimate for 2011 is based on a molybdenum price of approximately US$18 per pound and a gold price of US$1,150 per pound.

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. Los Pelambres entered into a new 46-month labour agreement with the main union in November 2010. In December 2010 Michilla concluded negotiations with their main labour union for a new 48-month labour agreement. Esperanza currently has in place a two-year labour agreement which runs until May 2011, and during the early part of 2011 will be working to put in place a new agreement. El Tesoro's labour agreement runs until early 2012.

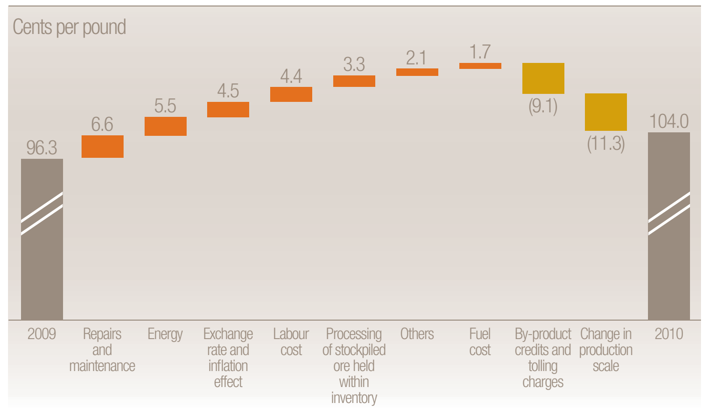
The Group has long-term electricity supply contracts in place at each of its mines. In most cases the cost of electricity under these contracts will be linked to some degree to the current cost of electricity on the Chilean grids or the costs of generation of the particular supplier. In 2011 Los Pelambres will enter into a two-year period under its existing energy supply agreement with a lower pricing level, resulting in a significant reduction in its energy cost.

The Group also normally contracts for the majority of its sulphuric acid requirements for future periods of a year or longer, at specified rates. In most cases contractual prices will be agreed in the latter part of the year, to be applied to the purchases of acid for the following year. In 2010 the average cost of acid across El Tesoro and Michilla (including transportation costs) was approximately US$100 per tonne of acid, approximately 30% lower than in 2009. However, following a tightening in the acid market during 2010 it is expected that the average cost of acid for El Tesoro and Michilla could rise by approximately 30% in 2011.

The Group was impacted by the increase in oil prices in 2010. The average market price for oil during 2010 was US$79 per barrel (WTI), compared with US$62 per barrel in 2009, an increase of 27%. Clearly, oil prices remain susceptible to political uncertainty in the larger oil producing countries, with the WTI price trading at over US$95 per barrel at the end of February 2011.

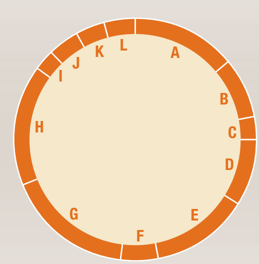
The Group's costs are also impacted by the Chilean peso exchange rate, as on average across the Group's mining operations approximately 35% of costs are denominated in Chilean pesos. However, the economic exposure to fluctuations in the Chilean peso exchange rate is partly mitigated by a natural hedge, 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 average exchange rate during 2010 was Ch$510/US$, a 9% strengthening compared with the average of Ch$559/US$ during 2009. The peso has continued to strengthen during early 2011, reaching Ch$474/US$ by the end of February 2011.

Weighted average cash cost including by-product credits 2009-2010



2010 weighted average cash cost excluding by-products by type

A Energy	14%
B Equipment rental	8%
C Explosives and reagents	3%
D Labour	9%
E Maintenance	13%
F Sulphuric acid	5%
G Others	17%
H Shipping and TC/RC	16%
I Steel milling balls	3%
J Fuel	4%
K Other consumables	4%
L Services	4%
TOTAL (137.3 cents per pound)	100%



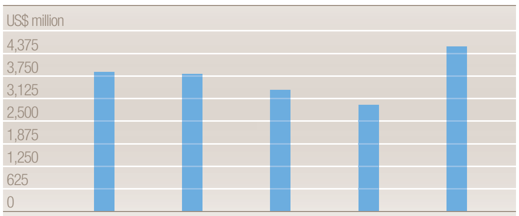
Key Performance Indicators

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

Financial KPIs

> An analysis of Financial KPIs is included within the Financial Review on pages 60 to 67

Revenue US$4,577.1m

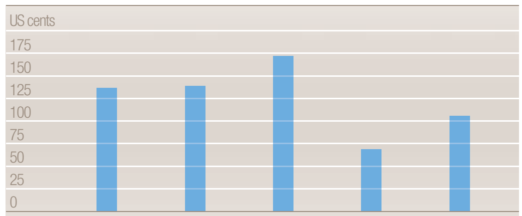


2006	2007	2008	2009	**2010**
3,870.0	3,826.7	3,372.6	2,962.6	**4,577.1**

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

Performance in 2010 Revenue increased by 54.5% as a result of higher realised prices as well as increased copper volumes.

Earnings per share US106.7 cents



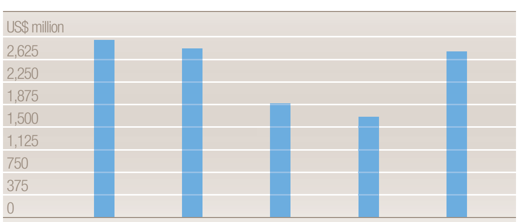
2006	2007	2008*	2009	**2010**
137.4	140.2	173.1	67.7	**106.7**

*Earnings per share excluding exceptional items in 2008 were 85.5 cents and in 2010 were 100.6 cents.

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

Performance in 2010 The increased attributable profit was a result of the increased revenue partly offset by increased expenses and taxation.

EBITDA US$2,771.9m

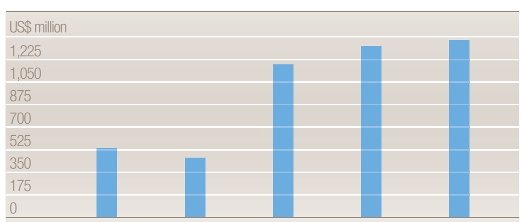


2006	2007	2008	2009	**2010**
2,957.3	2,824.0	1,899.8	1,680.7	**2,771.9**

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

Performance in 2010 The increase in turnover was partly offset by higher operating costs at the mining division to give an increase of 64.9% in EBITDA.

Capital expenditure US$1,385.8m

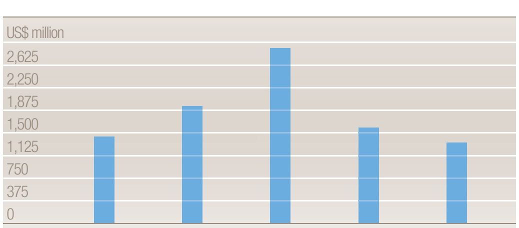


2006	2007	2008	2009	**2010**
539.0	466.0	1,189.6	1,335.3	**1,385.8**

Why it is important to us A measure of the Group's investment in current operations and growth projects.

Performance in 2010 Capital expenditure in 2010 included US$134.3m related to the Los Pelambres expansion and US$1,058.6m at Esperanza.

Net cash US$1,345.1m



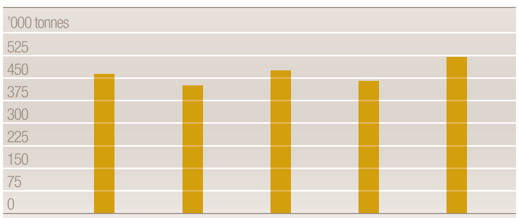
2006	2007	2008	2009	**2010**
1,446.8	1,946.5	2,919.1	1,595.7	**1,345.1**

Why it is important to us An indication of the funds generated by the business and available for future growth and return for shareholders.

Performance in 2010 Strong operating cash flows offset by capital expenditure and dividends paid.

Operational KPIs

Copper production[1] 521,100 tonnes

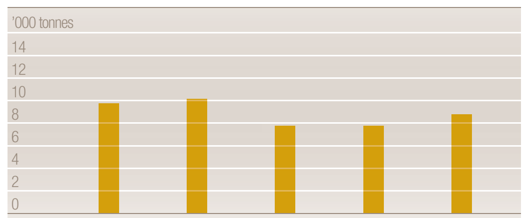


2006	2007	2008	2009	**2010**
465.5	428.1	477.7	442.5	**521.1**

Why it is important to us Key operational parameter for the Group as copper is the main product.

Performance in 2010 Increased copper production of 17.8% mainly as a result of the completion of the Los Pelambres expansion.

Molybdenum production[1] 8,800 tonnes



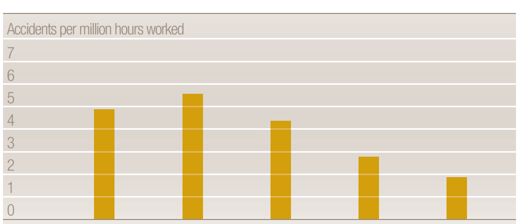
2006	2007	2008	2009	**2010**
9.8	10.2	7.8	7.8	**8.8**

Why it is important to us A significant by-product for the Group.

Performance in 2010 Higher plant throughput as well as slightly improved ore grades increased production.

> An analysis of the Group's copper and molybdenum production are included within the review of each operation in the Operational Review on pages 26 to 33 and within the Financial Review on page 61.

Lost time injury frequency rate[2] (LTIFR) 1.9

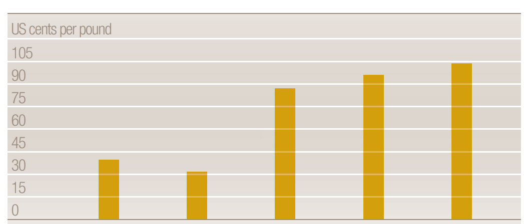


2006	2007	2008	2009	**2010**
4.9	5.6	4.4	2.8	**1.9**

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

Performance in 2010 The LTIFR in 2010 was 1.9.

Cash costs[3] US104.0 cents per pound



2006	2007	2008	2009	**2010**
40.2	31.6	87.3	96.3	**104.0**

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

Performance in 2010 Cash costs benefited from improved by-product credits at Los Pelambres which partly offset higher costs at the three mining operations.

> An analysis of the Group's cash costs are included within the review of each operation in the Operational Review on pages 26 to 33 and within the Financial Review on page 62.

> Detailed safety statistics are set out within the Corporate Sustainability section on page 50.

[1] Copper and molybdenum production figures relating to concentrate are expressed in terms of payable metal contained in concentrate.

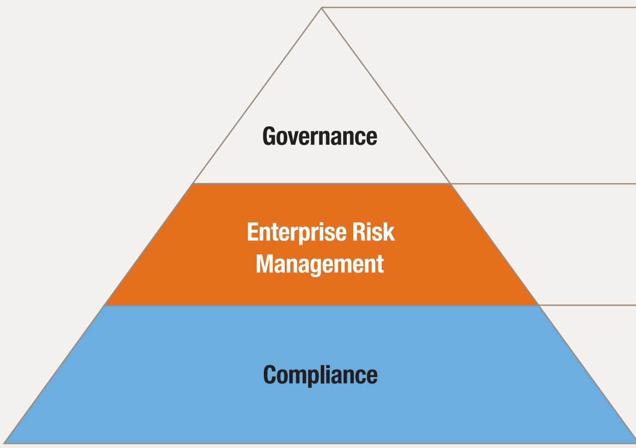
[2] The lost time injury frequency rate is the number of accidents with lost time during the year per million hours worked.

[3] Cash costs are an industry measure of the cost of production and are further explained in Note (c) on page 143.

Risk Management

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

Risk management framework



Governance
- > Vision, strategies and objectives
- > Policies and procedures
- > Governance structure
- > Roles and responsibilities

Enterprise Risk Management
- > Identification and evaluation of risks and appropriate controls and mitigations
- > Monitoring of risks, controls and mitigations
- > Reporting and communication of risks

Compliance
- > Ensuring compliance with policies, internal controls, laws and regulations

Organisational structure and key processes

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

- > Governance – ensuring that the Group's vision, strategy and objectives are communicated throughout the organisation, and that appropriate governance structures and policies and procedures are in place to embed those key aims and objectives.
- > Risk Management – ensuring that there are appropriate structures and processes in place to identify and evaluate risks, and that appropriate controls and mitigating actions are developed to address those risks. Ensuring that details of the key risks, and the performance in managing those risks, are reported on a timely basis to the relevant individuals.
- > Compliance – ensuring that the Group's internal policies and procedures and control activities, as well as all relevant external laws and regulations, are adhered to.

The Board has overall responsibility for the Group's system of risk management. This includes both reviewing the effectiveness of the overall risk management system, and also monitoring major strategic and operational risks. Monthly highlights are presented to the Board which include a variance analysis of operational and financial performance, allowing potential key issues to be identified and corrective measures adopted on a timely basis. Progress on key development projects are closely monitored, including a traffic light risk assessment of progress against key project milestones. The Audit Committee assists the Board with its review of the Group's risk management process, including some detailed aspects of the effectiveness of the internal control system. Further details about the role of the Audit Committee are given in the Corporate Governance Report on page 79.

The Group's Ethics Code sets out our commitment to undertaking business in a responsible and transparent manner. The Code demands honesty, integrity and responsibility from all employees and contractors, and includes guidelines to identify and manage potential conflicts of interest. An Ethics Committee, comprising members of senior executive management, is responsible for implementing, developing and updating the Ethics Code and monitoring compliance with the Code. Further details are provided in the Sustainability Report on page 46.

There is a central risk management function which has overall responsibility for risk management activities across the Group. The risk management function reports to the Audit Committee at least twice a year, with updates on the key risks and mitigations, and summaries of internal audit reviews which have been undertaken. Specific matters will be reported by the risk management function to the Audit Committee on an immediate basis if necessary. The risk management function also reports regularly to the Antofagasta Minerals CEO.

The risk management function maintains the Group's risk register, which includes the strategic risks that cover the most significant threats to the Group's performance and strategy. The risk register is updated on a continuous basis, but strategic risk workshops are also held at least once a year, in which senior management from across the business review the Group's key strategic risks and related controls and mitigation activities. The General Managers of each of the operations have overall responsibility for risk management within their business. There are also risk co-ordinators within each business, who have direct responsibility for the risk management processes within that business, and for the ongoing maintenance of the individual business risk registers. There are risk workshops for each business held at least annually, involving the business's management team and the central risk management function, in which the business unit's risks and corresponding mitigation activities are reviewed in detail to allow a thorough updating of the business risk register.

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

Areas of focus during 2010 and development of key risks

Particular areas of focus in risk management during 2010 included:

> a detailed review and update of the Group's Ethics Code;

> reviewing the emergency planning in place for low probability, high impact natural disasters; and

> reviewing the risks relating to early-stage exploration and development projects, including developing an annual process for assessing the countries in which the Group wishes to engage in exploration work.

Particular key risks which are considered to be increasing in significance include:

> competition for talent and other key resources, particularly given the current strength of the mining sector and wider economic recovery; and

> ensuring that the Group's organisational structure and talent pool reflects the Group's developing requirements as the business increasingly expands beyond its original Chilean base.

Specific areas of compliance focus included an assessment of the impact of and compliance with the new Chilean anti-bribery law which was enacted in December 2009, and an initial assessment of the implications of the UK Bribery Act 2010 pending the issue of final statutory guidance and implementation which is expected to occur in 2011.

Further information

Further information about the Group's risk management systems are given in the Corporate Governance Report on pages 78 and 79 and in the Sustainability Report on page 47. Further detailed disclosure in respect of financial risks relevant to the Group are set out in Note 25 to the financial statements.

Principal risks and uncertainties

Set out below are the principal risks and uncertainties identified and the steps the Group has taken to mitigate each of them.

Principal Risks and Uncertainties

Risk	Mitigation	
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 the safety of its workforce, and continued compliance. Potential environmental impacts are key considerations when assessing projects, including the integration of innovative technology in the project design where it can help to mitigate those effects. The Group 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 section on pages 49 and 50 and 54 to 57.
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 aims to contribute to the local development of the communities in which it operates, in particular through education, training and employment of the local population. The Group endeavours to ensure clear and transparent communication with local communities, including through the use of local perception surveys, local media and community meetings.	> Details of the Group's community relations activities are included in the Corporate Sustainability section on pages 52 to 54.
Political, legal and regulatory risks The Group may be affected by political instability and regulatory developments in the countries in which it is operating, pursuing development projects or conducting exploration activities. Issues with the granting of permits, or the withdrawal or variation of permits already granted, and changes to 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 Operational Review on pages 24 to 45.
Employees and contractors The Group's highly skilled workforce is essential to maintain its current operations, to implement its development projects, and to achieve longer-term growth. 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.	The Group's performance management system is designed to provide reward and remuneration structures and personal development opportunities appropriate to attract and retain a highly skilled workforce. The Group has in place a talent management system to identify and develop internal candidates for critical management positions. There are long-term labour contracts in place at each of the Group's mining operations which help to ensure labour stability. 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 section on pages 51 and 52 and within the Operational Review on pages 24 to 45.
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 pages 14 and 15, and details of significant operational or cost factors related to key inputs are included within the Operational Review on pages 24 to 57.

Risk	Mitigation	
Operational risks Mining operations are subject to a number of circumstances not wholly within the Group's control, including damage to or breakdown of equipment or infrastructure, unexpected geological variations or technical issues, extreme weather conditions and natural disasters, which could adversely affect production volumes and costs.	The key operational risks relating to each operation are identified as part of the regular risk review process undertaken by the individual operations. This process also identifies appropriate mitigations for each of these specific operational risks. Monthly Board reports present an analysis of operational and financial performance, with an analysis of significant variances, allowing potential key issues to be identified on a timely basis, and any necessary monitoring or control activities to be established. The Group has appropriate insurance to provide protection from some, but not all, of the costs that may arise from such events.	> Details of the operational performance of each of the Group's operations are included within the Operational Review on pages 24 to 45.
Development projects A failure to effectively manage the Group's development projects could result in delays in the commencement of production and cost overruns. Demand for supplies, equipment and skilled personnel could affect capital and operating costs. Increasing regulatory and environmental approvals and litigation could result in delays in construction or increases in project costs.	Prior to project approval a detailed feasibility process is followed to assess the technical and commercial viability of the project. Detailed progress reports on the ongoing development projects are regularly reviewed, including assessments of the progress of the key project milestones and actual performance against budget.	> Details of the progress of the Group's development projects are included within the Operational Review on pages 38 to 43.
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 and acquisition. 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 entered into early-stage exploration agreements with third parties in a number of countries throughout the world, and has also acquired interests in companies with known geological potential. The Group assesses a wide range of potential growth opportunities, both from its internal portfolio and external opportunities, to maximise its growth profile. A rigorous assessment process is followed to evaluate all potential business acquisitions.	> A review of the Group's exploration activities, its exploration agreements and other growth opportunities are set out in the Operational Review on pages 38 to 43.
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 65. Details of hedging arrangements put in place by the Group are included within the Financial Review on page 65 and in Note 25 to the financial statements.
Ore reserves and mineral resources estimates The Group's ore reserves and mineral resources estimates are subject to a number of assumptions and estimations, including geological, metallurgical and technical factors, future commodity prices and production costs. Fluctuations in these variables may result in lower grade reserves or resources being deemed uneconomic, and could lead to a reduction in reserves or resources.	The Group's reserves and resources estimates are updated annually to reflect material extracted during the year, the results of drilling programmes and updated assumptions. The Group follows the JORC code in reporting its ore reserves and mineral resources which requires that the reports are based on work undertaken by a Competent Person.	> The ore reserves and mineral resources estimates, along with supporting explanations, are set out on pages 134 to 140.

Operational Review

Operational Review

Mining

> p26

During 2010 the Group's operations produced 521,100 tonnes of copper in concentrate (containing a small amount of silver and gold) and copper cathode as well as 8,800 tonnes of molybdenum in concentrate.

Transport

> p44

The Antofagasta Railway Company plc 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.

Water

> p45

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

Corporate Sustainability

> p46

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.


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

Mining

Los Pelambres

60% owned

Los Pelambres completed its plant expansion during Q1 2010, increasing throughput by approximately 30% from the previous 130,000 tonnes per day level up to a 175,000 tonnes per day level.

2010

384,600	8,800	79.3
Payable copper (tonnes)	Payable molybdenum (tonnes)	Cash costs (US cents per pound) (124.4 excluding by-products)

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.

The plant expansion initiated in mid-2008 was successfully completed, on schedule and on budget, during the first quarter of 2010. The additional plant infrastructure, including a third SAG mill and a sixth ball mill, has increased throughput capacity to a 175,000 tonnes per day level, being the maximum annual average allowed under current environmental permits. This results in an approximate 30% increase in plant capacity, which on average will increase annual production in a full year by around 90,000 tonnes of copper compared with 2009 levels.

In 2010 Los Pelambres produced 384,600 tonnes of payable copper, 23.4% above 2009 production of 311,600 tonnes, with the increase due to the higher throughput as a result of the plant expansion. Ore throughput averaged 159,400 tonnes per day during the year (2009 – 129,200 tonnes per day). In the first quarter of 2010, while the plant expansion was being commissioned, throughput averaged 137,900 tonnes per day. Following the completion of the commissioning throughput increased to an average of 172,100 tonnes per day during Q2 and Q3. In the final quarter of the year throughput temporarily reduced to an average of 155,400 tonnes per day, mainly due to major maintenance work performed in December 2010.

Labour negotiations were concluded during November 2010 with the main union for a new 46-month labour agreement.

This maintenance work, which had originally been scheduled for 2011, included the partial replacement of the conveyor belt that transports the ore from the mine site to the plant. The average ore grade during 2010 was marginally higher than the prior year at 0.76% copper (2009 – 0.74%), although this was partly offset by slightly lower metallurgical recovery of 90.0% (2009 – 92.1%).

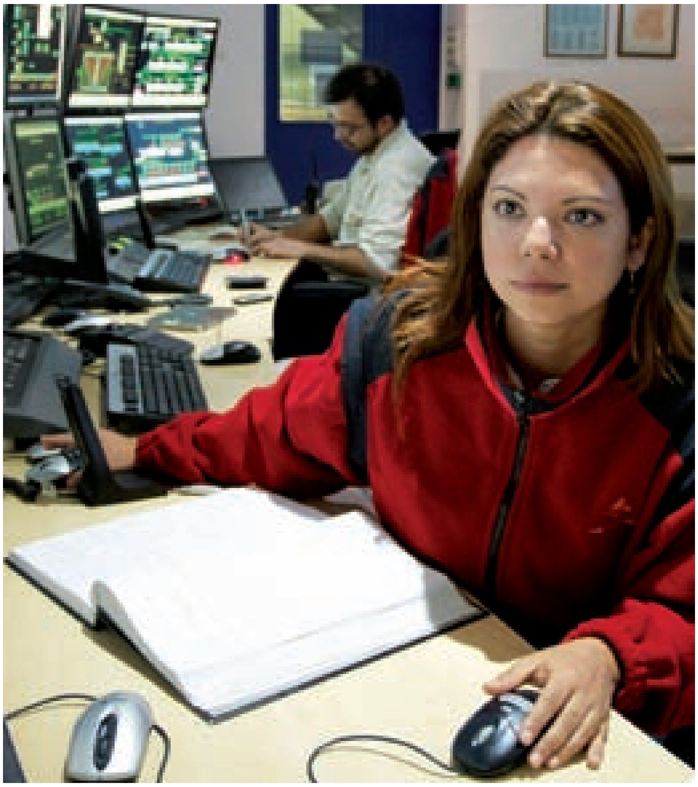
Molybdenum production was 8,800 tonnes, a 12.8% increase on 2009. The increase reflected the increased plant throughput following the expansion, partly offset by a slight decrease in the molybdenum grade to 0.019% (2009 – 0.020%). Gold production was 35,100 ounces (2009 – 23,500 ounces).

Labour negotiations were satisfactorily concluded at Los Pelambres during November 2010 with the main union, which covers more than 70% of the mine's employees, for a new 46-month labour agreement. This was concluded in advance of the expiry of the existing agreement, which ran until February 2011.

Revenue at Los Pelambres in 2010 was US$3,348.3 million, 60.9% ahead of the US$2,081.5 million in 2009. The increase reflected the increase in copper and molybdenum volumes as a result of the plant expansion, and increases in both copper and molybdenum market prices.

Realised copper prices at Los Pelambres were 371.7 cents per pound, 29.6% higher than the 2009 realised price of 286.8 cents. This largely reflected the increase in the average LME price, which was 342.0 cents per pound in 2010, compared with 234.2 cents on average during 2009. The realised copper prices during both 2010 and 2009 exceeded the average LME price, due to significant provisional pricing adjustments in both years, with positive adjustments of US$280.1 million in 2010, and US$380.3 million in 2009. Realised molybdenum prices were US$16.2 per pound (2009 – US$11.3 per pound) which was broadly in line with the average market price of US$15.7 per pound (2009 – US$11.1 per pound). Further details of pricing adjustments for both copper and molybdenum are given in the Financial Review on pages 60 and 61 and in Note 25(d) to the financial statements.

Cash costs for 2010, which are stated net of by-product credits and include tolling charges, were 79.3 cents per pound, marginally below the 80.4 cents for 2009. This reflected an increase in on-site and shipping costs, offset by improved by-product credits due to the higher molybdenum market prices and production volumes. On-site and shipping costs increased from 95.3 cents per pound in 2009 to 106.8 cents, reflecting higher energy prices, increased labour and maintenance and fuel costs as well as the impact of the stronger Chilean peso. Labour costs increased largely as a result of a one-off signing bonus following the early conclusion of the labour agreement in November 2010. The increased maintenance included the major work performed in December 2010 described above. Tolling charges decreased slightly to 17.6 cents per pound (2009 – 19.2 cents), resulting in total cash costs before by-product credits of 124.4 cents per pound (2009 – 114.5 cents).



The increased molybdenum price and improved production volumes resulted in an increased by-product credit of 45.1 cents per pound (2009 – 34.1 cents). The individual components of Los Pelambres' cash costs are set out on page 141.

Los Pelambres achieved an operating profit of US$2,215.9 million, a 73.0% increase compared with the 2009 profit of US$1,280.7 million. This reflected the increased production volumes and realised commodity prices, partly offset by the higher on-site and shipping cash costs, as well as a US$31.0 million increase in depreciation as the plant expansion is now operational and a one-off US$65.2 million charge relating to an increase in the provision for future mine closure costs. The closure provision was increased following an updated assessment during 2010 by external consultants, with the provision increasing due to factors including increases in the scale of the operation, updated cost assumptions, and an acceleration of the timing of certain closure activities relating to the Quillayes tailings dam.

Total capital expenditure during 2010 was US$215.9 million, of which US$134.3 million related to the final expenditure on the completion of the plant expansion during the first quarter of the year. Total expenditure on the plant expansion was in line with budget at just below US$1 billion.

Operational Review

Mining continued

As previously announced, the initial forecast for 2011 production is for approximately 419,000 tonnes of payable copper, a 9% increase compared with 2010. This is based on an average plant throughput of 175,000 tonnes per day, given a full year of operation of the plant at the expanded capacity, and an expected average ore grade of 0.76%. The initial forecast for 2011 molybdenum production is for approximately 9,300 tonnes, again based on the impact of the increased plant throughout, and a relatively stable molybdenum grade of approximately 0.019%. The initial gold production forecast is approximately 38,000 ounces. Copper production during the first two months of 2011 is slightly behind budgeted levels and the ability to fully achieve the forecast will depend on ore grades and plant performance for the remainder of the year. As normal, Los Pelambres will continue to review actual production levels and the full-year forecast as the year progresses.

On-site and shipping costs for 2011 are forecast to be approximately 107 cents per pound, similar to the 106.8 cents achieved in 2010. Inflationary pressures and other general cost increases of approximately 10 cents are expected to be fully offset by a number of specific factors, including unit cost decreases resulting from the higher production levels, lower labour costs in 2011 following the recognition of the one-off labour agreement signing bonus in November 2010, and reduced energy prices as Los Pelambres enters into a two-year period under its existing energy supply agreement with a lower pricing level. Tolling charges are also expected to remain largely stable at approximately 17 cents compared with 17.6 cents in 2010. While the benchmark terms for 2011 have increased slightly from the 2010 level, the impact of this is mitigated by the effect of the "brick system" in many contracts whereby the benchmark is often averaged over two years. Some of Los Pelambres' agreements have also been settled with a slightly lower treatment charge compared with the 2011 benchmark, reflecting the relatively high copper content of its concentrate. Cash costs before by-product credits are expected, therefore, to remain largely steady at approximately 124 cents per pound compared with 124.4 cents per pound in 2010. Based on a molybdenum price of approximately US$18 per pound, by-product credits are expected to be around 45 cents per pound, compared with 45.1 cents in 2010, which would give net cash costs of approximately 79 cents in 2011, compared with 79.3 cents in 2010.

Los Pelambres is continuing to review opportunities for further expansion. The processing capacity of the plant is currently limited by the existing environmental permits to an annual average of 175,000 tonnes per day. It is possible that the engineering capacity of the plant could support operation at a higher level than this current limit, and Los Pelambres is evaluating whether it is feasible to seek to raise this limit. As explained below in the Los Pelambres District section, Los Pelambres is also continuing to review options for the longer-term development of the mine.

El Tesoro

70% owned

Pre-stripping of the Mirador deposit commenced in December 2010, with production from this satellite deposit expected to commence in the final quarter of 2011. This is expected to result in reduced costs at El Tesoro while the deposit is mined in the three-year period to 2014, as well as extending El Tesoro's mine life to 2022.

2010

95,300
Copper cathode (tonnes)

169.2
Cash costs (US cents per pound)

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

Revenue at El Tesoro was US$739.7 million in 2010, a 51.7% increase on the 2009 revenues of US$487.6 million, reflecting an increased realised copper price and improved volumes.

Copper cathode production was 95,300 tonnes in 2010, a 5.7% increase compared with the 90,200 tonnes produced in 2009, partly reflecting the impact of the inclusion of a whole year of production from the ROM which contributed 19,200 tonnes of cathode production in 2010. Operations at the Tesoro North-East open pit were temporarily suspended in August 2010, to allow geotechnical studies to be undertaken to ensure the safety of certain walls of that pit. During this suspension of operations the Tesoro plant processed ore from lower grade stockpiles in place of material from the North-East pit. After the completion of geotechnical studies mining resumed in some areas of the Tesoro North-East pit in November 2010.

The plant throughput relating to the heap-leach operation averaged 26,400 tonnes per day during 2010, largely in line with the 2009 throughput of 26,200 tonnes per day. The average ore grade decreased to 1.10% in 2010, compared with 1.25% in 2009, reflecting the processing of material from the lower grade stockpiles in place of the ore from the North-East pit during the temporary suspension of that operation.

Mining continued

The average metallurgical recovery was also slightly lower at 71.7% (2009 – 73.0%), due to the impact of lower grade feed to the plant. Production from the ROM processing of the Esperanza oxide cap was 19,200 tonnes during 2010. The ROM project entered into production during the second half of 2009, with production of 2,800 tonnes in that year, and reached full design capacity during the first half of 2010.

Realised copper prices at El Tesoro increased by 42.9% to 351.9 cents per pound compared with 246.3 cents per pound in 2009. This increase reflected the rise in the average LME copper price, which increased from an average of 234.2 cents per pound in 2009 to 342.0 cents in 2010.

The increasing market prices during the course of 2010 resulted in positive provisional pricing adjustments of US$17.4 million during the year. El Tesoro had minimal commodity hedging instruments in place during 2010, resulting in realised gains of just US$0.1 million during the year, compared with realised losses of US$20.0 million in 2009. Further details of the effects of commodity hedging instruments in place are given in the Financial Review under "Derivative financial instruments" and in Note 25(e) to the financial statements.

Cash costs were 169.2 cents per pound in 2010, compared with 123.4 cents in 2009. Cash costs during the first half of 2010 averaged 146.6 cents per pound, but increased to 191.5 cents in the second half of the year, with the increase mainly due to the impact of the processing of lower grade stockpiles following the temporary suspension of operations in the Tesoro North-East pit. In addition, higher maintenance costs, the effect of the stronger Chilean peso and higher fuel and energy prices also contributed to the increase in costs, partly offset by lower sulphuric acid prices. 2009 also benefited from temporary cost deferral measures.

Operating profit at El Tesoro was US$386.6 million, compared with US$177.9 million in 2009. The current year results include a credit of US$109.4 million from the reversal of the impairment originally recognised at El Tesoro in 2008, following a review undertaken in light of the current commodity environment. This amount has been recorded as an exceptional credit within operating expenses. Excluding this one-off credit, operating profit was US$277.2 million, 55.8% ahead of 2009. This increase in underlying operating profit was due to the higher revenue as a result of the increased realised copper price, and improved volumes, partly offset by the increase in cash costs and higher depreciation. Depreciation in 2010 was US$75.1 million, compared with US$52.3 million in 2009, with the increase mainly reflecting increased depreciation relating to the Tesoro North-East pit.

Capital expenditure in the year was US$27.7 million, including US$2.9 million relating to the first pre-stripping costs at the Mirador deposit. Capital expenditure is expected to increase during 2011, mainly due to remaining capital expenditure on the Mirador deposit (see page 31) of approximately US$42 million, and US$14 million relating to the construction of a solar thermal plant, to provide heat for the SX-EW plant, in addition to normal sustaining capital expenditure.

For 2011, the initial forecast for cathode production is approximately 96,000 tonnes. Production from the heap-leach operation is expected to be approximately 75,000 tonnes, with the ROM operation producing approximately 21,000 tonnes. For the heap-leach operation it is expected that Tesoro North-East pit will contribute approximately 21,000 tonnes in 2011, following the resumption of operations there in November 2010, and that the Mirador deposit will produce approximately 14,000 tonnes in the final months of the year. The balance of production is expected to come predominantly from the Tesoro Central pit, with a small amount of higher-grade oxide ore from Esperanza also being processed through the heap-leach. Ore grades for the heap-leach operation are expected to decrease slightly to 1.06 % on average over the course of 2011 (2010 – 1.10%), although grades in the final quarter of 2011 are expected to increase as the higher grade production from the Mirador pit commences.

The initial forecast for cash costs at El Tesoro for 2011 is approximately 161 cents per pound, compared with the annual average of 169.2 cents during 2010. The costs during the second half of 2010 were unusually high given the need to process the lower grade ore stockpiles in place of the planned ore from the Tesoro North-East pit, and the resumption of normal operations will result in a decrease in costs in 2011, along with an expected reduction in the level of planned maintenance activity compared with 2010, although these factors will be partly offset by higher sulphuric acid prices. While costs are expected to average 161 cents over the course of 2011 as a whole, costs are likely to be higher than this average level during the first months of the year as normal operations ramp-up again at Tesoro North-East, and conversely costs are likely to be lower than this average in the final months of 2011 as the higher-grade Mirador ore begins to be processed.

El Tesoro is continuing to work to identify further oxide deposits in the district surrounding the mine. As explained above, the Mirador deposit will allow the El Tesoro plant to run at close to capacity for the three-year period from 2012 to 2014, with production of around 98,000 tonnes per year in that period. Thereafter, production is currently forecast to reduce as lower grade material is processed once again from the Tesoro Central and North-East pits. As detailed in the Sierra Gorda District section below, El Tesoro is conducting exploration and evaluation work to identify additional resource which could help to maintain production at closer to capacity levels.

The Mirador deposit will allow the El Tesoro plant to run at close to capacity for the three-year period from 2012 to 2014, and is also expected to result in decreased costs.

Case study

Mirador at El Tesoro

During 2010, El Tesoro approved the inclusion of additional material into its mine plan from the Mirador oxide deposit. The deposit, which is located approximately six kilometres east of Tesoro North-East, contains reserves of 25.1 million tonnes of oxide ore at an average grade of 1.22%, compared with the average reserve grade of the Tesoro Central and North-East pits of 0.74%.

Mirador, which also has sulphide potential, was identified by the Group in 2008 through its ongoing exploration programme. During 2010 El Tesoro, which is 70% owned by the Group, paid US$350 million to the wholly-owned Antofagasta Minerals S.A., for the right to extract the oxide ores from the Mirador deposit. This intragroup transaction, which is eliminated in the consolidated Group results, was based on an independent valuation based on the estimated incremental net present value to El Tesoro of incorporating the oxide ores from Mirador into its mine plan. During the year El Tesoro put in place borrowing facilities of US$300 million to provide financing for this payment.

Pre-stripping of the Mirador deposit commenced in December 2010. There is a limited amount of overburden above the deposit, and so only a comparatively low level of pre-stripping is required, which is expected to be completed during the first nine months of 2011, with a total capital expenditure of approximately US$42 million. Production from Mirador is expected to commence in the final quarter of 2011, with approximately 14,000 tonnes expected to be contributed to El Tesoro's production in 2011. During the following three years from 2012 to 2014, El Tesoro's production is expected to come primarily from the Mirador pit. The relatively higher grade ore which will therefore be mined during this period should allow the El Tesoro plant to operate close to full capacity with production of around 98,000 tonnes per year during this period. The higher grade material is also expected to result in decreased costs during this three-year period. The incorporation of the Mirador reserves into the El Tesoro mine plan has resulted in an increase of the mine life from 2019 to 2022.

Mining continued

Michilla

74.2% owned

Michilla is continuing with work on the evaluation and recategorisation of its resources, to allow the extension of its current mine plan, as well as additional exploration which could further extend the mine life. Michilla has also agreed a four-year labour agreement with its main labour union, which runs until January 2015.

2010

41,200	**183.8**
Copper cathode (tonnes)	**Cash costs (US cents per pound)**

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

Revenue at Michilla in 2010 was US$242.0 million, a 41.9% increase compared with 2009 revenue of US$170.5 million, as a result of a higher realised copper price, and a slight increase in volumes.

Total annual production in 2010 was 41,200 tonnes of copper cathodes, an increase on the prior year production of 40,600 tonnes. The increase reflected higher average ore grades, which offset a reduction in the plant throughput. Average ore grades were 1.03%, compared with average grades of 0.96% in 2009. Average plant throughput decreased slightly to 14,100 tonnes per day, compared with 15,100 tonnes per day in the prior year.

In December 2010 negotiations with the main labour union, representing 90% of Michilla's workforce, were satisfactorily concluded early for a new 48-month labour agreement, commencing in January 2011.

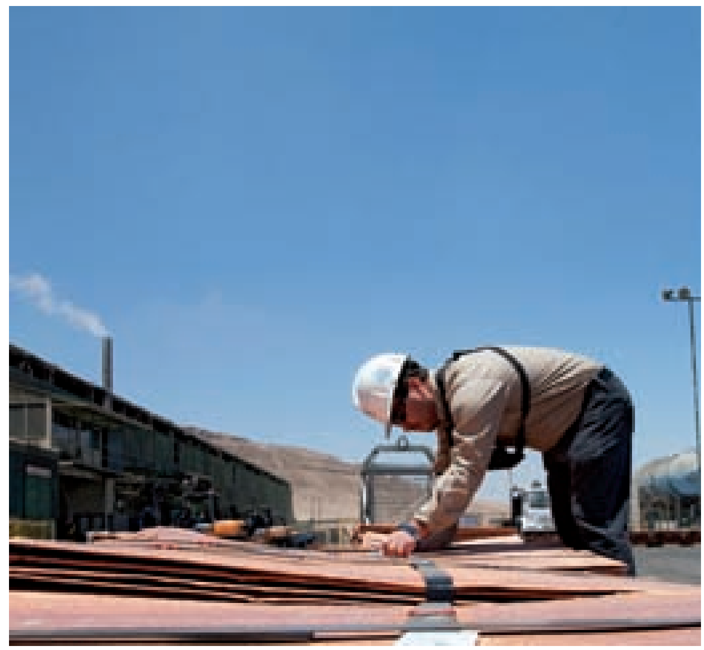
It is likely that the mine plan will initially be extended to approximately 2014 or 2015, and continuing exploration work could identify further resources which could further extend the mine life, potentially to 2018.

The average realised copper price in 2010 was 263.8 cents per pound, 34.8% higher than the 2009 realised price of 195.7 cents. This reflected the increase in average LME market prices over this period, with the average LME price in 2010 of 342.0 cents per pound being 46.0% higher than the 2009 market average of 234.2 cents. The realised copper price was lower than the average LME price in both 2010 and 2009, mainly due to realised losses on copper hedging instruments. During 2010 realised losses of US$81.5 million were recognised in respect of instruments maturing during the year (2009 – loss of US$45.8 million). As a high cost operation Michilla has over recent years often hedged a significant proportion of its production, in order to ensure a reasonable level of return even if market prices were to weaken considerably. In the year ended 31 December 2010, 32,000 tonnes of total production were hedged, which represented slightly under 80% of the total production of 41,200 tonnes. Michilla has in place hedging instruments in respect of 2011 and 2012 production, again covering approximately 80% of expected production. Further details of the effects of commodity hedging instruments in place are given in the Financial Review under "Derivative financial instruments" and in Note 25(e) to the financial statements.

Cash costs averaged 183.8 cents per pound during 2010, compared with 157.6 cents in 2009. The increase reflected the impact of the stronger Chilean peso, as well as the higher cost of ore purchased from ENAMI, the cost of which is often linked to the market price of copper, partly offset by lower sulphuric acid prices.

Operating profit at Michilla was US$50.4 million, compared with US$21.7 million in 2009. The improved result reflected the increase in the realised copper price, partly offset by the higher cash costs and increased depreciation.

The initial forecast for cathode production in 2011 is approximately 40,000 tonnes. The majority of this production is expected to continue to come from the Lince open pit and the Estefania underground mine, but additional sources of material will become increasingly significant to Michilla. Pre-stripping of the Aurora deposit commenced during the first quarter of 2011, with production from the Aurora pit continuing to ramp-up during the year. Approximately 2,500 tonnes of copper are expected to be produced from Aurora in 2011, but this is expected to increase to between 6,000 to 8,000 tonnes from 2012. There is also a substantial amount of low-grade spent ore deposited in spent ore pads at Michilla. This is material removed from the dynamic heap-leach pads after the primary leach cycle is complete. Preliminary testing has indicated that this material is capable of being re-leached on the dynamic leach pads. While this material is only likely to contribute approximately 1,000 tonnes of copper production in 2011, this could become an increasingly important source of material for processing through the Michilla plant.



The initial forecast for cash costs in 2011 is approximately 198 cents per pound. The increase compared with the 2010 costs of 183.8 cents is mainly due to the higher expected cost of purchasing ore from the third parties who lease and operate certain of Michilla's underground mines, costs relating to the commencement of operations at the new Aurora open pit and higher sulphuric acid costs. The forecast does not include potential purchases of ore from ENAMI, the cost of which is often linked to the market price of copper.

If such material continues to be purchased this could, particularly in a strong copper price environment, further increase 2011 cash costs through processing higher cost, but profitable, materials.

Michilla's mine plan currently runs until the end of 2012. Michilla is continuing with work to extend the mine plan beyond this point, including further drilling to allow the recategorisation of existing ore resources into reserves, and engineering studies to incorporate these reserves into an extended mine plan. It is likely that the mine plan will initially be extended to approximately 2014 or 2015. In addition, exploration work continues to be undertaken at Michilla, which could identify further resources which could further extend the mine life, potentially to 2018.

Mining continued

Esperanza

70% owned

Esperanza made its first shipment of copper concentrate in January 2011, following the start of commissioning of the plant in November 2010.

Forecast average annual production levels
(over first 10 years of operation)

190,000	230,000
Payable copper (tonnes)	**Payable gold (ounces)**

Over its first 10 years of operations Esperanza is expected to produce on average approximately 190,000 tonnes of payable copper in concentrate and 230,000 ounces of payable gold annually, significantly increasing total Group production by approximately 25%. The operation utilises innovative technology to minimise its environmental impact and to optimise efficiency.

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 produces copper concentrate containing gold and silver by-product credits through a conventional milling and flotation process, with plant capacity of approximately 97,000 tonnes per day of ore throughput. 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 below, is processed by El Tesoro through both their main heap-leach operation and also a specific Run-of-Mine ("ROM") leaching operation.

Construction was substantially completed by the final quarter of 2010. Commissioning of the plant commenced in late November 2010, and the first shipment of copper concentrate took place on 27 January 2011 from the port of Antofagasta. The major earthquake which occurred in Chile in February 2010 had a number of indirect impacts on the Esperanza construction during the following months, impacting both the construction workforce and also a number of key supplies. Partly as a consequence of this, commissioning of the plant was marginally delayed compared with earlier forecasts which had envisaged the process commencing earlier in Q4 2010. Ramp-up of the plant will continue through the first half of 2011, initially with one of the two ball mills in operation.

The operation utilises innovative technology to minimise its environmental impact and to optimise efficiency.

The dedicated Esperanza port facility is expected to be completed during the second quarter of 2011.

As previously announced, the initial forecast for 2011 production is for approximately 159,000 tonnes of payable copper, reflecting an average ore grade of 0.59%, and 286,000 ounces of gold, based on an average grade of 0.37 grammes per tonne. The forecast is based on the assumption that full design capacity is reached at the start of the second quarter and final production levels for the full year will depend on the precise timing of the completion of the ramp-up. The current expectation is that processing at the full design capacity of 97,000 tonnes per day should be achieved during the second quarter of 2011.

Also as previously announced, the current forecast is for cash costs before by-product credits to average approximately 146 cents per pound over the course of 2011. This average cost level reflects the high costs expected during the ramp-up process, when higher than normal costs are expected to be incurred. Unit cost figures, stated on the basis of cents per pound of payable copper production, will also depend on the actual copper and gold production volumes. The current forecast is for cash costs after by-product credits to average approximately 41 cents per pound during 2011 based on a gold price of approximately US$1,150 per ounce, with this estimated level of by-product credit reflecting the current forecast gold production volumes for 2011 detailed above.

Costs are expected to fall to a more typical level following the completion of the ramp-up process. The average cash costs before by-product credits over the first 10 years of production are currently estimated at approximately 136 cents per pound. Cash costs after by-product credits are expected to average 41 cents per pound during 2011 based on a gold price of approximately US$1,150 per ounce, with this level of by-product credit partly reflecting the particularly high gold production expected in 2011. The gold by-product is expected to reduce cash costs on average during the first 10 years of production by just over five cents per pound for every US$100 in the gold price.

Capital expenditure during 2010 was US$1,058.6 million, taking cumulative expenditure at 31 December 2010 to US$2,276 million. Including some final costs expected in the early part of 2011, the total capital cost of the development is expected to be US$2.6 billion (including financing costs). In addition to the final construction expenditure to be incurred in 2011, sustaining capital expenditure in 2011 is expected to be in the region of US$40 million.

Esperanza currently has in place a two-year labour agreement which runs until May 2011, and during the early part of 2011 will be working to put in place a new agreement, which is likely to be of between three to four years' duration.

Copper production is expected to increase from 2012 with a full year of operation at the maximum plant capacity, and on average over the first 10 years of the mine's life, Esperanza is expected to produce approximately 190,000 tonnes of payable copper annually. The gold grade expected for 2011 is relatively high compared to the longer-term average, and while grades are expected to remain at higher levels for the first two to three years of operation, the average payable gold production over the first 10 years is expected to be approximately 230,000 ounces annually.

The mine is currently evaluating the potential to commence production of molybdenum from 2013, which would necessitate the construction of a separate molybdenum plant. This represents an acceleration on earlier plans which envisaged potential production of molybdenum from 2015, as further drilling and analysis along with the stronger molybdenum price have indicated that the mine should reach economic levels of molybdenum two years earlier than previously expected.

The Group is continuing to review its significant opportunities for longer-term growth, both from Esperanza's own resource base, and also other Group deposits situated within the surrounding district. The Esperanza resources have increased significantly during 2010, to 1,922.6 million tonnes with an average copper grade of 0.39% (2009 – 1,204.4 million tonnes with an average copper grade of 0.45%) following the updating of the resource block model to incorporate additional in-fill drilling results. There is also significant potential from the Telégrafo deposit, which is part of Esperanza's existing property. The Sierra Gorda District section below provides more detail on the size and quality of this and other resources in the district, as well as the range of growth options which they bring to the Group's operations in the district.

Operational Review

Mining continued

Case studies

Training and innovation at Esperanza

Esperanza has been committed to developing the skills and work opportunities of its local communities, and makes full use of technology to maximise its environmental and operational efficiency.

Commitment to training and employment for local communities

Esperanza has been committed from the outset of its development to providing training and employment opportunities for local communities.

Almost 1,400 local people received training supported by Esperanza as part of this commitment. This included nearly 500 people who participated in foundation courses for mine operators and mine and plant maintenance. More than 270 apprenticeships were created by Esperanza, of which approximately 90% were filled by local people.

In total, approximately 60% of the mine's total workforce is drawn from local communities. The mine has also focused on developing the employment of female workers, with women comprising 14% of the mine's workforce, which is high by local industry standards. Esperanza's achievement in this area was recognised by a special Presidential award for the development of good labour practices in respect of gender equality.

Esperanza has been committed from the outset of its development to providing training and employment opportunities for local communities.

Water

Esperanza is situated in the Atacama desert, one of the driest areas in the world, and water availability is one of the key constraints for the mining industry in the region. Esperanza was designed to use two innovative technologies to address this issue – the use of sea water, and the use of thickened tailings.

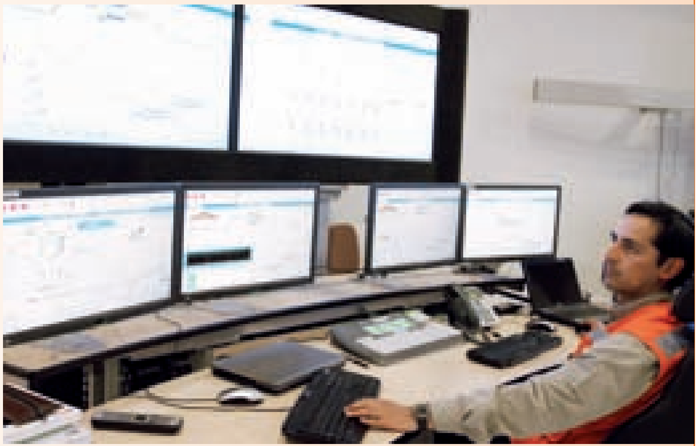
Esperanza will not consume any fresh water. All of its water requirements will be met through sea water, piped 145 kilometres from the coast, to an altitude of 2,250 metres. A small element of the mine's water will be desalinated at two desalination units, located by the mine's dedicated port facility and at the mine site, to provide the desalinated water required to wash the final concentrate, and also to provide potable water for the mine's workforce. However, 90% of the mine's water usage will comprise non-desalinated sea water. The relevant mine infrastructure, such as the pipelines and plant equipment, has been specially engineered from the outset to be optimised for use with sea water. This is the largest copper project in the world to be designed for exclusive use of sea water.

Esperanza will achieve efficient waste management through a high-density thickened tailings deposit. This will be a global first for a large-scale copper project. The main benefit is that it will recover more water than a comparable conventional tailings system. Once deposited, the thickened tailings are more stable because they contain less water, and the desert conditions also allow them to solidify more quickly. The saline quality of the water in the tailings facilitates the formation of a stable crust that substantially reduces dust, further reducing the environmental impact.

In recognition of this, Esperanza was awarded both the Avonni prize as one of the most innovative mining companies in Chile, and also received the Benjamín Teplizky prize in Chile, again for its innovative technology.

Automation of the mining process

The operation's complete process, from the mine site, through the plant, to the dedicated port facility, can be monitored and controlled from one control room. The primary crusher is fully automated, controlled entirely from the central control room. Similarly, it is possible to operate the loading at the dedicated port facility remotely from the control room at the mine site. During the testing phase a parallel control room in Santiago was available to control and monitor the operations remotely. This automated process allows both more efficient management and control of the operation, as well as allowing detailed analysis of the efficiency of all key processes, facilitating continual improvement in the efficiency of the operation.



Mining continued

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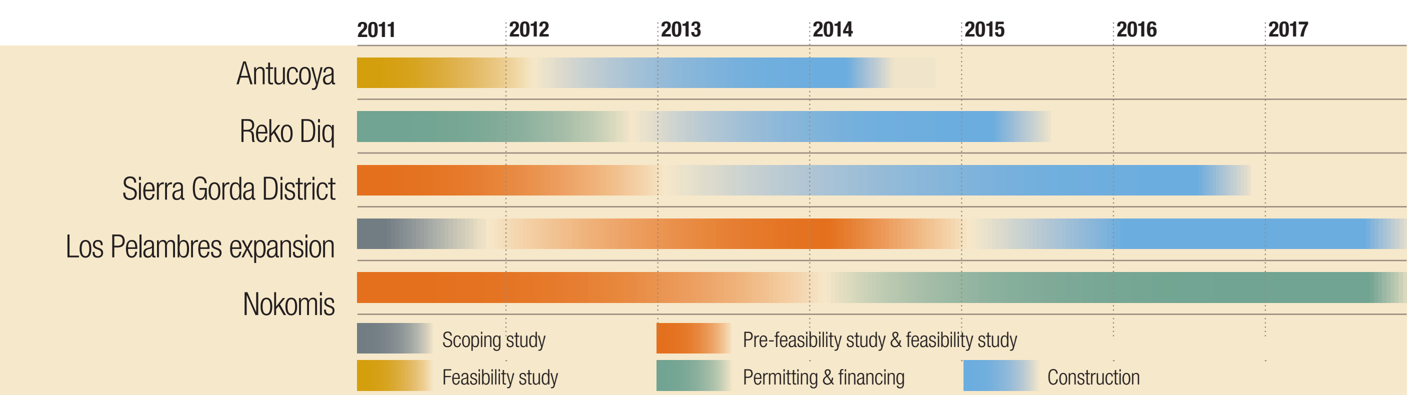
Growth opportunities

The Group is focused on developing its early-stage growth opportunities, both around its existing mining districts in Chile, and also beyond those areas, in Chile and internationally. The Group's primary focus is on early-stage opportunities with the potential for large-scale development.

Current evaluation studies

The Group has a portfolio of growth projects, which could provide significant potential for future growth over the forthcoming years. Given the early-stage nature of these projects, their potential and timing is inherently uncertain, and so the following information is only intended to provide a high-level indication of potential opportunities. The Antucoya project is currently at feasibility stage, and given successful completion of that study and project approval, could potentially commence construction in late 2011 or 2012, which could result in first production by early 2014. In the Sierra Gorda District a pre-feasibility study is under way in respect of the Telégrafo and Caracoles deposits. Given the depth of the Caracoles deposit there is a significant level of pre-stripping which would be required, which could potentially take three to four years to complete, but incremental production from these deposits could be possible from approximately 2016. At Los Pelambres a scoping study is under way to look at the longer-term possibilities for utilising its large resource base, which could potentially lead to a significant increase in the scale of the operation later this decade. The Nokomis deposit is very promising, although this deposit, located in the United States, will require several years to undergo feasibility work and then environmental permitting before construction for a project could begin.



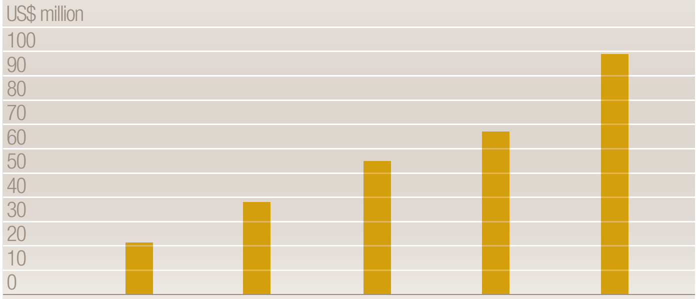
This chart provides indicative timelines for the Group's portfolio of evaluation studies should these be eventually developed as projects. The studies are early-stage, and therefore remain uncertain both as to the likelihood of approval and timing of any future potential projects.

Exploration and evaluation

The Group continues to invest strongly in its early-stage exploration activities. The total exploration and evaluation expenditure in 2010 was US$99.0 million, which reflects a more than four-fold increase over the past five years.

Of the 2010 expenditure, more than 40% related to the Sierra Gorda District, which is the Group's primary area of focus for exploration in Chile.

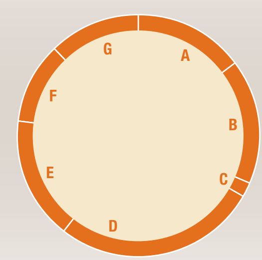
Exploration and evaluation expenditure



2006	2007	2008	2009	**2010**
21.5	38.1	54.9	67.1	**99.0**

2010 Exploration and evaluation expenditure

A Telégrafo	14.6
B Caracoles	16.5
C Mirador	2.1
D Other Chile	26.9
E Reko Diq	16.1
F Nokomis	10.9
G Other rest of the world	11.9
TOTAL	99.0

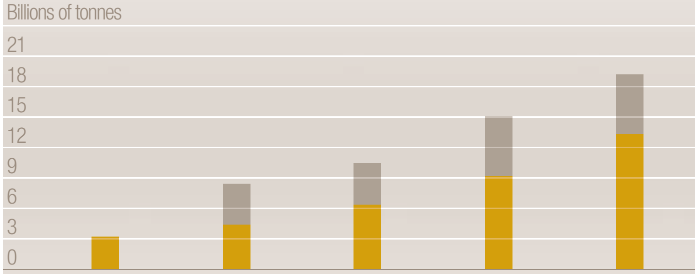


Reserves and resources

The Group's commitment to organic exploration has been rewarded over recent years through the major increase in the resource base. The total resource tonnage of the Group's subsidiaries has increased more than four-fold over the past five years, from 3.2 billion tonnes in 2006 to 13.4 billion tonnes in 2010. During 2010 the total resource tonnage of the Group's subsidiaries increased by 46%, from 9.2 billion tonnes in 2009 to 13.4 billion tonnes, following the proving-up of the resources relating to the Telégrafo and Caracoles deposits.

As well as these amounts relating to the Group's subsidiaries, the Reko Diq joint venture has total resource tonnage of 5.9 billion tonnes (although as described below the exploitation of these resources is dependent upon the granting of a mining lease – for which an application has been made – and the successful conclusion of litigation). Further details are set out in the Ore Reserves and Mineral Resources Estimates on pages 134 to 140.

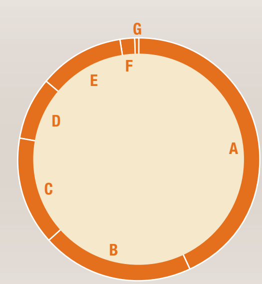
Mineral resources (including ore reserves)



	2006	2007	2008	2009	**2010**
Subsidiaries	3.2	4.4	6.4	9.2	**13.4**
Joint ventures	–	4.1	4.1	5.9	**5.9**

2010 Mineral resources (including ore reserves) of subsidiaries

A Los Pelambres	5,818 mt @ 0.53% Cu
B Telégrafo	2,728 mt @ 0.35% Cu
C Esperanza sulphides	1,923 mt @ 0.39% Cu
D Caracoles	1,129 mt @ 0.45% Cu
E Antucoya	1,509 mt @ 0.27% Cu
F El Tesoro	276 mt @ 0.59% Cu
G Michilla	56 mt @ 1.78% Cu
SUBSIDIARIES TOTAL	13.4 bn tonnes @ 0.44% Cu



Mining continued

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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. The Group owns or controls a number of properties in the district, containing both sulphide and oxide resource. The existing Esperanza concentrator plant and the El Tesoro SX-EW operation mean that the Group is well placed to develop this area as a wider mining district.

During 2010 a total of US$41.3 million of exploration and evaluation expenditure was incurred in respect of this district (2009 – US$20.4 million), predominantly in respect of the Telégrafo and Caracoles deposits. Mineral resource estimates were completed during the year in respect of these two deposits, increasing the Group's total mineral resources by 3.9 billion tonnes with an average copper grade of 0.38% (along with additional gold and molybdenum credits). These deposits represent nearly 30% of the total mineral resources of the Group's subsidiaries. The resources in the district could potentially extend the life or scale of the existing Esperanza and El Tesoro plants, or allow additional stand-alone operations.

In May 2010 Antofagasta Minerals approved further expenditure of approximately US$70 million on growth options in the Sierra Gorda District for the period to the end of 2011, covering further exploration, the preparation of a pre-feasibility study for the district and for infill drilling, geotechnical and metallurgical studies to support eventual feasibility studies at Telégrafo and Caracoles. During the second half of 2010 work has commenced on the pre-feasibility studies for these two deposits, which is expected to continue throughout 2011, potentially then to be followed by feasibility study work.

The Telégrafo deposit is part of Esperanza's existing property, and could be used to extend that mine's life or increase the size of the operation. The Telégrafo deposit is owned through Minera Esperanza and hence the Group's interest in the deposit is 70%. During 2010, US$14.6 million of exploration work was carried out at the deposit. The mineral resource at the Telégrafo deposit is 2,728 million tonnes at an average copper grade of 0.35%, of which the sulphide deposit represents 2,677 million tonnes at 0.36% copper (plus 0.010% molybdenum and 0.10 g/tonne gold) and the oxide deposit represents 51 million tonnes at 0.21% copper.

The Caracoles deposit is situated approximately 10 kilometres south-east of Esperanza, and is 100% owned by the Group. During 2010, US$16.5 million of further exploration work was undertaken at the deposit. The mineral resource at Caracoles is 1,129 million tonnes at an average copper grade of 0.45%, of which the sulphide deposit represents 997 million tonnes at 0.45% copper (plus 0.015% molybdenum and 0.18 g/tonne gold) and the oxide deposit represents 132 million tonnes at 0.50% copper. Depending on the results of the ongoing pre-feasibility study it will be possible to evaluate whether the deposit could provide additional feed for the Esperanza plant, or support a stand-alone project. Given the depth of the deposit there is a significant level of pre-stripping which would be required, which could potentially take three to four years to complete. This pre-stripping could provide oxide ore for processing by the El Tesoro plant.

During the second half of 2010 drilling work has continued around these deposits, in particular to ensure that areas which potentially could be used to site waste dumps or plant contain no economic mineralisation.

As discussed above in the El Tesoro section, in December 2010 El Tesoro commenced pre-stripping of the Mirador oxide deposit. Exploration work is also continuing on the Mirador sulphide deposit, with US$2.1 million of exploration expenditure incurred during 2010.

In addition to the above properties, a further US$8.1 million of exploration work was performed in the Sierra Gorda District during 2010 in respect of a number of other properties which the Group owns in the area, in particular the Llano-Palaeocanal, Centinela and Polo Sur deposits. These deposits contain both sulphide and oxide mineralisation, and exploration work suggests that these deposits have the potential to contain between 450 to 690 million tonnes, with a corresponding average grade of between 0.54% and 0.44%.

Los Pelambres

Los Pelambres is continuing to review options for the longer-term development of the mine, especially given the size of the resource base, which at 5.8 billion tonnes is more than four times the ore reserve of 1.4 billion tonnes.

A scoping study is in progress, looking at the opportunities to utilise this large resource base, focusing particularly on the key enablers of water supply, community engagement and environmental impact. The analysis is considering firstly opportunities to extend the mine life, as well as the potential for expanding the scale of the operation. Over recent years Los Pelambres has undertaken a number of incremental expansions to plant capacity. However, given both the size of the resource base now in place, and also the number of potential bottlenecks with existing mine, plant and related infrastructure which would need to be addressed in the case of further expansion, it is possible that the studies currently in process may indicate the rationale for a substantial increase in the scale of the operation. It is expected that work on the scoping study will continue through much of 2011, potentially to be followed by the commencement of a pre-feasibility study.

Michilla/Antucoya

Michilla

As detailed in the Michilla operations section above, Michilla is continuing with work in respect of its core resource base, to extend its current mine plan beyond 2012. During 2010 a major drilling campaign progressed, with 493 drill holes completed, with a total of more than 86,000 metres of drilling.

In addition to the various deposits which are included within Michilla's resource estimate, the Rencoret deposit has potential to eventually further supplement that resource base in the longer term. Exploration work suggests that this deposit has the potential to contain between 15 to 25 million tonnes, with a corresponding average grade of between 1.22% and 1.00%.

Antucoya

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

A feasibility study is under way, evaluating the potential for a project producing approximately 80,000 tonnes of copper per year, with a 19-year mine life. The study envisages the operation would combine heap-leaching of ore on dynamic pads as well as Run-of-Mine ("ROM") leaching on permanent pads. While the deposit is low grade by historical standards for a greenfield project, there are a number of compensatory factors. There is a relatively low level of pre-stripping required at the deposit, reducing the potential construction time and cost. The waste to ore ratio is also very favourable, at approximately 0.4 tonnes of waste to every tonne of ore, reducing the mine site costs of material extraction and movement. The nature of the mineralogy also results in a relatively short leaching cycle. Partly as a result of these factors, preliminary estimations are that the capital cost of the project could be approximately US$950 million, and that operating cash costs could be in the region of between 135 to 150 cents per pound.

Detailed work on the feasibility study was undertaken in the second half of 2010, with US$17.8 million capitalised during the year in respect of the feasibility study. A test pit has been constructed allowing detailed metallurgical analysis to be performed, including test leaching of extracted ore on specially constructed leach pads at Michilla. The environmental impact assessment was submitted to the authorities in November 2010. It is expected that the feasibility study should be complete by mid-2011. Depending on the results of the study, and project approval, it is possible that construction could commence by the end of 2011. Given the low level of pre-stripping required at the deposit it is possible that construction could be completed within a two-year period, which could result in first production by early 2014.

Mining continued

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Growth beyond the Core Business

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

Reko Diq

The Group holds a 50% interest in Tethyan Copper Company Limited ("Tethyan"), its joint venture with Barrick Gold Corporation ("Barrick"). 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 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. The Group's attributable share of this joint venture interest amounts to 2.2 billion tonnes.

The Group's 50% share of exploration and evaluation expenditure which has been expensed during 2010 was US$16.1 million (2009 – US$32.5 million). A total of US$120.7 million has been capitalised within intangible assets in respect of the value of the licences acquired in respect of the project, and US$20.2 million has been capitalised within property, plant and equipment, predominantly in respect of the costs of the feasibility study.

Work on the feasibility study and the environmental and social impact assessment study are both complete. A copy of the feasibility study has been delivered to the Government of Balochistan in accordance with the terms of the joint venture agreement between Tethyan and the Government. The feasibility study indicates potential capital costs for the project of approximately US$3.3 billion on a 100% basis, based on a 110,000 tonne per day plant, which would be capable of future expansions. The study indicates average annual production for the first five full years of operation of approximately 190,000 tonnes of copper and 270,000 ounces of gold, again on a 100% basis. Cash costs before by-product credits are estimated at approximately 140 cents per pound, with the gold credit reducing net cash costs by approximately 6.5 cents for every US$100 in the gold price.

Further progress on this project will be dependent on the grant of the mining lease, for which an application has been filed on 15 February 2011, and successful conclusion of litigation which is currently in progress before the Supreme Court of Pakistan. The Supreme Court is currently hearing several constitutional petitions which, among other things, challenge the validity of the Chagai Hills Exploration Joint Venture Agreement from 1993 with the Government of Balochistan and Tethyan's mining rights. On 3 February 2011, the Supreme Court issued an interim order providing, among other things, that the Government of Balochistan may not take any decision in respect of the grant or otherwise of a mining lease to the project company until the matters before the Supreme Court are decided.

United States – Twin Metals – Nokomis deposit

On 21 July 2010 the Group signed a definitive Participation and Limited Liability Company Agreement pursuant to the legally binding Heads of Agreement ("HoA") signed on 14 January 2010 with Duluth Metals Limited ("Duluth"), to acquire a 40% interest in the project company Twin Metals Minnesota LLC ("Twin Metals") which holds the Nokomis copper-nickel-platinum group metal ("PGM") deposit

("Nokomis"), located in the highly prospective Duluth Complex in north-east Minnesota, USA. The Group will fund a total of US$130.0 million of further exploration and feasibility study expenditure over a three-year period and has the option to acquire an additional 25% interest in Nokomis under certain conditions including the completion of the feasibility study.

The deposit is situated in an established mining district, with significant existing infrastructure in place. Duluth has published an NI 43-101 compliant resource estimate for the deposit, consisting of 550 and 274 million tonnes of indicated and inferred resource, respectively, with a combined copper grade of approximately 0.6% and a combined copper equivalent grade of approximately 1.5% taking into account the nickel, platinum, palladium and gold content.

US$10.9 million of exploration and evaluation expenditure was incurred by the Group during 2010 in respect of the project, including acquisition-related costs. Exploration drilling work is concentrated during the winter months, to minimise potential environmental impact, and so it is anticipated that further drilling will take place from the latter part of 2011 and early 2012. Work to date has also focused on initial stakeholder engagement, with local authorities and communities. The forecast expenditure for the project in 2011 is currently estimated at approximately US$50 million.

On 20 December 2010 the Group entered into arrangements with Duluth in connection with Duluth's proposed acquisition of 100% of Franconia Minerals Corporation ("Franconia"). Following approval of the acquisition by Franconia's shareholders and by the Court of Queen's Bench of Alberta, Duluth completed the acquisition on 7 March 2011. Franconia's principal assets are a 70% interest in the Birch Lake Joint Venture ("BLJV") which holds the Birch Lake, Maturi and Spruce Road copper-nickel-platinum and palladium deposits that are contiguous to the Nokomis deposit held through Twin Metals. Franconia announced in November 2010 its intention to increase its ownership at the Birch Lake Project to 82% under the terms of the BLJV Agreement. The offer valued Franconia at approximately C$77 million (approximately US$77 million). Duluth and Antofagasta agreed that following the proposed acquisition, Franconia's assets will be transferred to Twin Metals. Subsequent to the year end, Antofagasta has contributed approximately C$30 million (approximately US$30 million) in cash to Duluth's acquisition of Franconia in order to, in part, maintain the 40% and 60% interests of Antofagasta and Duluth, respectively, in Twin Metals. Following the completion of Duluth's acquisition it is expected that Franconia's assets will be transferred to Twin Metals during the first half of 2011.

Other exploration and evaluation activities

The Group has continued with its extensive early-stage exploration activities beyond its existing core districts, both in Chile and internationally. In general, this is undertaken by the Group's internal exploration team in those areas where the Group has historically had its deepest experience, namely Chile and Peru. Typically when the Group wishes to engage in early-stage exploration work outside of those areas it does so through partnerships with other companies already established in those locations. During 2010 the Group established an office in Toronto, Canada, to support its continuing search for such opportunities.

During 2010 the Group's internal exploration team continued to perform exploration work in Chile, in areas beyond the existing core locations of the Sierra Gorda, Los Pelambres and Michilla/Antucoya districts. As well as this internal exploration work in Chile, the Group also continued to fund work at Rio Figueroa, the exploration project located in the Atacama Region in which the Group holds a 30% stake. The combined expenditure on these exploration and evaluation activities in Chile during 2010 was US$9.8 million. In August 2010 the Group also entered into an earn-in agreement with a subsidiary of Codelco in respect of a prospect close to the Group's own properties in the Sierra Gorda District.

The Group has continued to expand its portfolio of early-stage international exploration interests through a number of earn-in agreements. During 2010 the Group incurred US$11.9 million of exploration and evaluation expenditure in respect of its international early-stage exploration activities. During the year the Group entered into agreements in Alaska in the United States and in Australia. Subsequent to the year end the Group entered into a further agreement in Sweden. Further details of these agreements are set out in Notes 32 and 39 to the financial statements. The Group's portfolio of international earn-in agreements also includes projects in Spain and Eritrea. After evaluation of the results of the exploration activities to date, the Group decided during 2010 not to proceed further with its earn-in agreements in Zambia, Namibia and Peru.

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. Energía Andina has been granted 13 concessions to date, grouped into six projects, and is engaged in the bidding process to acquire a number of further concessions.

Exploration activity to date has focused on surface exploration, with the Group's share of Energía Andina's exploration and evaluation expenditure during 2010 being US$3.9 million. Exploration drilling is expected to commence in 2011. Depending on the results of this work, it is anticipated that drilling of the first geothermal well could commence in late 2011, allowing feasibility work to be undertaken during 2012.

Work is continuing on the potential underground coal gasification ("UCG") project at the Mulpun coalfield, situated near Valdivia in southern Chile, along with the Group's partner in the project Carbon Energy Limited ("Carbon Energy") of Australia. In August 2010 the Group received environmental approvals for the first stage of the project, which allows construction and operation of a pilot scheme including the first UCG panel and on-site facilities, and engineering studies in relation to the trial project were undertaken in the second half of the year.

Operational Review

Transport

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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. FCAB's trucking service, Train Ltda., is a key part of FCAB's bi-modal transport service. In Bolivia, FCAB has a 50% controlling interest in the Ferrocarril Andino, which connects to the Chilean network at Ollague.

2010

6,184	**1,919**
Rail tonnage Transported ('000 tons)	**Road tonnage Transported ('000 tons)**

The transport division had a solid operational performance during 2010 with total volumes increasing by 3.4% to 8.1 million tons. Rail volumes decreased marginally to 6.2 million tons and road volumes increased by 27.5% to 1.9 million tons.

Combined turnover at the transport division was US$154.7 million, an 11.0% increase compared to the US$139.4 million achieved in 2009. This increase reflected tariff adjustments, partly due to rates indexed to inflation and fuel costs, as well as the higher volumes. As a result, operating profit also increased, by 6.1% from US$41.3 million to US$43.8 million.

The FCAB holds a 40% interest in Inversiones Hornitos S.A. ("Inversiones Hornitos"), a company which is constructing the 150 MW Hornitos thermoelectric power plant in Mejillones, in Chile's Antofagasta Region. The plant will provide energy to Esperanza under a long-term supply agreement. Construction of the plant is substantially complete, with commissioning having commenced, and the plant is expected to begin operations on schedule during Q2 2011.

During 2010 a capital restructuring of Inversiones Hornitos took place, with the FCAB's previous capital contributions being reduced by US$57.2 million and replaced with loan financing from the FCAB, with the FCAB contributing US$78.6 million of further loan financing to Inversiones Hornitos during the year. The FCAB's cumulative total investment in Inversiones Hornitos, in both equity and loans, was US$154.2 million at 31 December 2010.

The Antofagasta port, which is managed by the Group's 30% associate investment Antofagasta Terminal Internacional S.A. ("ATI") contributed US$1.9 million to Group results (2009 – US$1.5 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 2010, Forestal continued with its ongoing forestation, fertilisation and thinning programme to maintain these assets.

Water

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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 main businesses, a regulated water business supplying domestic customers and an unregulated business serving mines and other industrial users.

2010

46.3

Water volume sold (million cubic metres)

Combined domestic and industrial water sales in 2010 amounted to 46.3 million cubic metres, an increase of 5.9% compared with the 2009 volumes of 43.7 million cubic metres. This was principally due to a 6.3% increase in demand from domestic clients and a 4.8% increase in demand from industrial customers. Water volumes are mainly sourced by surface rights as well as the desalination plant in the city of Antofagasta which was acquired during 2009 and which is now operating at capacity.

Turnover in 2010 was US$92.4 million, a 10.5% increase compared with 2009. This improvement largely reflected the increase in volumes outlined above and the stronger Chilean peso, being the currency in which the revenues are invoiced. This increase in revenues was largely reflected in the increase in operating profit, which rose by 11.5% to US$50.5 million (2009 – US$45.3 million).

In early 2011, an environmental application was submitted for the construction of a second desalination plant in the city of Antofagasta under the terms of the existing concession, to provide additional capacity for future growth in domestic and industrial demand. A decision to proceed with this project, if environmental permits are approved, could be taken later in 2011. The plant, which would have an estimated capacity of 1,000 litres per second, has an estimated cost of US$120 million and could come into operation by 2014.

ADASA is forecasting a slight increase in volumes in 2011. 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. The regulated water business is subject to a tariff review every five years with the next review due in mid-2011.

Corporate Sustainability

Sustainable development

Sustainable development forms an integral part of the Group's decision-making process and supports achievement of our business strategy. The Board continues to place importance on a range of considerations including health and safety, management of human resources, environment and community relations.

Effective management of social and environmental issues reduces costs and risks to our business, supports our reputation, underpins our relationships with key stakeholders including investors, regulators, employees and communities, and helps us to maintain our social licence to operate and grow.

Principles and strategy

The Board has 10 Sustainable Development Principles to guide the decision-making and actions of its employees and contractors and to help embed sustainability into the business. The principles and a number of social and environmental policies are included in "The Way We Think, The Way We Act" which is available on the Group's website. **www.antofagasta.co.uk/pdf/social/2008/principles_en.pdf**

In support of its strategic plan, the Group has also approved a social and environmental strategy for the mining division. The strategy defines how the Group intends to generate economic, social and environmental value, and has two core elements:

Effective management of social and environmental issues reduces costs and risks to our business, supports our reputation, underpins our reputation with key stakeholders and helps us to maintain our social licence to operate and grow.

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

> Responsible behaviour – The Group will prioritise the health and safety of employees and contractors, maintain a beneficial work environment, minimise negative impacts on society, engage with key stakeholders and monitor progress against commitments.

> Risk management – The Group will seek to identify, minimise and manage socio-political risks and be prepared to professionally manage any crises or incidents that occur.

> Developing local human capital – The Group will seek to contribute to local development in the communities near its sites through job creation and local sourcing, and by supporting local education. The Group will seek to implement initiatives to improve local quality of life and support the development and growth of other economic activities.

2. Environmental Responsibility. To protect the environment and natural resources by taking action in three areas:

> Operational efficiency – including managing tailings and other 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.

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

The Group is working to embed sustainability issues into management systems and decision making to ensure delivery of its strategy. See Management Systems and Stakeholder Engagement on page 48.

Material issues, risks and opportunities

The Group's strategy focuses on the risks and opportunities that are most material to its business and its stakeholders. These are identified through its risk management and engagement processes, see below. The sustainability issues currently considered to be most material to the Group are:

Social	Environmental
> Safety > Talent attraction, development and retention > Labour relations > Community relations > Community development	> Resource use efficiency including energy, fresh water, fuel, land use and waste recycling > Minimising environmental impacts including air quality, water quality and availability, greenhouse gas emissions, biodiversity and heritage

Risk management

Risks to each operating company, including social and environmental risks are identified and monitored through the Group's central risk management system. This is informed by the findings of stakeholder engagement activity (see page 48). The key risks for each division are mapped, and processes are put in place to manage and mitigate these. The current main sustainability risks and mitigating measures are:

Risk	Mitigation
An operational incident which damages the environment could affect the Group's relationships with local stakeholders and our reputation, and ultimately undermine its social licence to operate and to grow.	A comprehensive approach to incident prevention has been put in place. Relevant risks have been mapped and are monitored. The Group approach includes raising awareness among employees and providing training to promote operational excellence.
Water is a strategic resource for the Group's mining operations and water scarcity is a particular risk to projects located in dry areas such as the Atacama desert.	The Group has pioneered the use of sea water in Chile and strives to ensure maximum efficiency in the use of it, achieving high rates of reuse and recovery. Esperanza is the first major operation in Chile to use untreated sea water on a large scale.
Lack of compliance with newly introduced environmental regulations.	New and proposed legislation is monitored to enable the Group to anticipate, mitigate or reduce negative impacts to our operations.
Failure to identify social and environmental risks that can impact the viability of new ventures.	New investments are now subject to a social due diligence process as well as economic and environmental analysis.

Corporate Sustainability continued

Corporate sustainability governance

The Board has put in place procedures and management structures (including risk management procedures) at Group and business unit level to ensure the implementation of its sustainable development principles and AMSA's social and environmental strategy. These arrangements are part of the overall Group governance arrangements described in the Corporate Governance Report.

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

The Corporate Sustainability Committee was established in 2008 and has three members: Mr. J-P Luksic, the Group Chairman, and Non-Executive Directors Mr. G S Menéndez and Mr. R F Jara (see Directors' biographies on page 70). The committee met once in 2010.

Reporting

The Group reports its sustainability performance through a number of channels including this Annual Report and the Group's Sustainability Report. The Group's two largest mines, Los Pelambres and El Tesoro, also publish annual site reports. Antofagasta Minerals provides information for the Mining Social and Environmental Report published by the Chilean Mining Council, a national industry organisation.

A new task force was established in 2010 to oversee reporting of the Group's sustainability performance. Its members include deputy managers from the business units as well as key functions such as human resources, environment, external affairs, operations, finance and audit. The task-force will help to improve the quality and consistency of reporting among different business units and functions and raise sustainability awareness across the Group.

Stakeholder engagement

The Group recognises the importance of stakeholder engagement at the local, national and international levels. Regular dialogue helps to identify and address sustainability risks and opportunities and to build strong relationships with key stakeholders based on trust and mutual benefit. It helps us to avoid conflict and contributes to the long-term success of the business.

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

In 2010, regular meetings with key investors were held as well as a series of interviews with responsible investors to get feedback on the Group's approach to sustainability issues. The Group also participated in the Carbon Disclosure Project.

The Group interacts with communities near its sites at all stages of project development and operation. The mining division also conducts an annual employee perception survey. The results are reviewed by senior management who develop action plans to respond to key findings. An annual reputation survey was conducted where the views of social and political leaders, local communities, employees and contractors were noted. The 2010 results will be summarised in its Sustainability Report 2010.

ADASA, the water business was included in the annual customer surveys conducted by SISS, the regulator of the sanitary services industry. This assessed issues such as water quality, customer service, billings and service continuity.

Management systems

AMSA uses an Assessment of Environmental Performance ("AEP") tool to monitor progress against its performance indicators. These cover operational efficiency, impact control and environmental benefits. The Group will further strengthen the AEP this year and add more information on how environmental benefits can be generated. The Group is also developing an Assessment of Social Performance tool that includes performance indicators on issues such as health and safety, employee development and diversity, stakeholder relationships, grievance procedures and community investment.

Each operation uses these frameworks to set its own goals reflecting local priorities. Key environmental indicators are now included in the monthly performance reports submitted by the mining businesses, and are reviewed by AMSA's environmental manager. The Group plans to integrate key social indicators into these reports during 2011.

The Group produced a Corporate Environmental Best Practices Handbook that contains the key frameworks and standards, including those of the International Finance Corporation and International Council on Mining and Minerals, relevant to the exploration, construction, operation and closure stages of mining operations. It aims to ensure a consistent approach to environmental management and decision making across the business. The Handbook will be rolled out in 2011.

The Group has achieved accreditation to the international management standards ISO 14001, ISO 9001 and OHSAS 18001 at a number of our sites. See table below. During 2011, it plans to achieve accreditation to ISO 14001 at Esperanza's port facility (located in Michilla), with a view to extending it to the rest of Esperanza in future.

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

Audit and performance assessment

Regular internal and external audits are used to assess performance and implementation of our management systems and our compliance with the law in regard to labour, social security and occupational health issues as well as employment standards.

External auditors are commissioned to assess contractor compliance with our safety, human rights and labour standards. This includes Group policies on fair wages, collective bargaining, paid overtime and vacations, and those prohibiting child labour and forced labour.

During 2010, independent external auditors assessed environmental performance at each of the operations. They identified and classified a number of risks and made recommendations for improvement. The operations have developed action plans to implement these recommendations. Improvements have included the introduction of additional safety measures to prevent water pollution at the port in Punta Chungo and new measures to reduce dust emissions and protect worker safety at Tesoro and Michilla.

Activity in 2010

Safety

Protecting the safety of employees, contractors and local communities is a priority for the Group. The Group focuses on identifying, mitigating and managing the safety risks inherent in its different operations and development projects. The Group requires all contractors to comply with its Occupational Health and Safety Plan.

The Group's goal is to create a safety culture through regular training and awareness campaigns for employees and contractors. It also aims to reach workers' families and local communities particularly on issues of road safety.

Antofagasta Minerals has a team of safety experts that train and supervise workers and contractors. All new workers, contractors and visitors must complete a health and safety induction course before entering one of the Group's mining operations. Employees and contractors must also attend refresher workshops on our safety policies and procedures at least every other year. The Group operates personal identification systems for machinery, so that it can only be operated by authorised and appropriately trained personnel. All facilities have been constructed to withstand the impact of earthquakes and evacuation plans have been put in place.

Contractor safety practices are monitored through monthly audit processes. Contractors are required by law to establish worker-employer accident prevention committees.

As well as operational safety, Antofagasta Minerals focuses on road safety training and awareness to prevent transport accidents. Road transportation contracts include strict requirements on safety. Compliance with standards is monitored through speed controls and random breathalyser tests.

All incidents are investigated and action plans put in place to prevent recurrence. This may include: redesigning procedures and/or maintenance programmes, revising equipment control, protection and blockage systems and providing increased training for workers.

Safety and health management systems are established across the Group, and the majority of its mining operations and the Railway are certified to OHSAS 18001. Los Pelambres is also making certification to OHSAS 18001 a requirement for contractors and is helping them to achieve this.

The Board has a clear target of zero fatalities and considers any fatality to be unacceptable. In response to the four fatalities at Los Pelambres in 2009, Los Pelambres introduced changes that link workers' remuneration to safety performance. 25% of the workers' bonus is now awarded based on whether the site's lost time injury frequency target has been met.

Corporate Sustainability continued

	Lost Time Injury Frequency Rate (LTIFR)					All Injury Frequency Rate (AIFR)					Number of Fatalities				
	2010	2009	2008	2007	2006	**2010**	2009	2008	2007	2006	**2010**	2009	2008	2007	2006
Chilean mining industry*	**n/a**	4.0	5.8	5.9	5.8	**n/a**	n/a	n/a	n/a	n/a	**n/a**	35	43	40	31
Mining Council**	**n/a**	2.3	3.2	3.4	n/a	**n/a**	n/a	n/a	n/a	n/a	**n/a**	8	6	10	n/a
Los Pelambres	**0.9**	1.3	1.3	1.7	2.3	**2.6**	3.6	6.6	5.3	7.5	**2**	4	–	–	–
El Tesoro	**0.5**	1.7	2.0	1.2	2.2	**4.6**	6.0	6.6	13.1	19.4	**–**	1	–	–	–
Michilla	**4.2**	3.2	4.4	2.6	1.3	**8.8**	9.9	12.1	12.8	12.7	**–**	–	–	1	1
Esperanza	**1.6**	1.5	1.6	n/a	n/a	**14.7**	15.0	8.2	n/a	n/a	**–**	–	–	–	–
AMSA including exploration	**3.2**	6.0	5.4	n/a	n/a	**13.6**	23.0	13.1	n/a	n/a	**–**	–	1	–	–
Mining	**1.6**	1.7	2.2	1.8	2.0	**10.1**	8.5	8.2	9.0	11.6	**2**	5	1	1	1
FCAB	**7.4**	12.0	13.9	19.2	15.3	**26.4**	33.9	35.7	44.3	37.5	**–**	–	–	–	3
ADASA	**5.6**	7.0	11.5	8.6	9.1	**22.4**	16.8	21.6	28.7	29.9	**–**	–	–	–	–
Group	**1.9**	2.8	4.4	5.6	4.9	**11.0**	11.0	12.9	17.1	17.5	**2**	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. 2010 full-year figures have not yet been released by Servicio Nacional de Geología y Minería and therefore are not shown above.

** Data from the Chilean Mining Council (Consejo Minero), an industry association which represents a number of large mining companies in Chile.

n/a Figures for Chilean Mining Industry and Mining Council 2010 are not currently available.

The Board deeply regrets the death of two contractors at Los Pelambres during 2010. Following these incidents further safety training and awareness raising has been provided for workers. The Group audited relevant systems at Los Pelambres and inspected all other facilities using similar systems.

Protecting workers' and contractors' health is also a priority. As well as implementing high standards on issues such as dust control and the use of protective equipment, the Group provides a yearly preventative health check for workers and runs programmes on issues such as healthy eating, combating stress and smoking cessation. Many of its operations provide gyms and other sporting facilities for workers and offers healthy eating options in cafeterias.

The Group's lost time injury frequency rate (LTIFR) was an average of 1.9 injuries per million hours worked in 2010 compared with 2.8 the previous year (see above).

The management systems put in place by the operations have allowed the Group's indicators to remain stable and with a tendency to decrease, despite the operations' sustained growth and growing complexity of processes that have augmented the demand on structures, systems and people. This effort has been recognised by the Mining Ministry who in 2010 granted Minera Esperanza the "Benjamín Teplizky" annual prize on excellency in environmental, health and safety management. It must be noted that through 2009 and most of 2010, this site was under construction, a stage normally associated with an increase in safety risks.

Nevertheless, the two fatal accidents in 2010 emphasise the need to continually improve the system despite improvements in standards to date. In order to achieve this, the mining operations plan to introduce global operational excellency programmes combined with risk management models that help make preventive actions more effective.

The Group has introduced a number of initiatives to increase representation of women, including a training plan for local women near to the El Tesoro and Esperanza mines.

Employment

Training and development

There is a growing talent shortage in Chile, making it more difficult and expensive to recruit and retain skilled employees. This particularly affects the mining industry, which may soon experience a shortfall in the number of qualified mining professionals available for new projects. The Group is participating in a survey commissioned by the Mining Council to obtain more detailed data on this issue.

The Group increased its focus on training and development during 2010 to ensure it continues to develop the skills and expertise the business needs. This included:

> The launch of the Antofagasta Minerals management diploma in partnership with the Adolfo Ibanez University School of Business. This is designed to help trainees, first-time managers, middle managers and senior managers develop their leadership capabilities and was completed by 120 employees.

> A graduate trainee programme was completed by 15 graduates, most of whom have been offered full-time positions with the business. We will expand the programme to 30 graduates in 2011.

> The new Leaders for Change two-day workshop, completed by 30 leaders and potential leaders in 2010.

Labour relations

The Group aims to build constructive relationships with employees and the 13 labour unions that represent them, and to resolve any issues that arise through regular dialogue. This contributes to the productivity and efficiency of our business and helps us to avoid the disputes and strikes that have affected much of the Chilean mining industry in recent years.

Collective agreements are in place at all mining operations covering remuneration as well as terms and conditions of employment. There were two collective bargaining processes in 2010 with unions at Los Pelambres and Michilla. The negotiations were successful and new contracts were agreed for the maximum period allowed under Chilean law, well ahead of the expiration of the previous agreements.

Contractors made up a significant proportion of the workforce of the Group's mining division in 2010. The Group requires its contractors to meet high employment standards in line with our own. This includes offering a minimum wage that exceeds legal requirements and passing on a portion of any bonuses they receive from Antofagasta to their employees. Their approach is monitored through the Group's annual performance agreement system and regular audits.

There were no labour disputes and no strikes among our employees or contractors during 2010. The operations received a positive rating in the compliance audits conducted by the government agency responsible for monitoring compliance with Chile's labour laws. Audits cover issues such as health and safety and remuneration.

The Group complies with legal requirements relating to employment in Chile, including those concerning child labour, discrimination and equal opportunity. As in previous years, no cases of human rights breaches were identified in 2010.

Diversity

The Group is committed to equal opportunities in all areas of employment including recruitment, employee development and remuneration. Data on gender diversity will be available in the Group's Sustainability Report. The Group has introduced a number of initiatives to increase representation of women including a training plan for local women near to the El Tesoro and Esperanza mines. Women account for 14% of the workforce at Esperanza, compared with the national average for the mining industry of 6%.

Internal communication

The Group aims to keep employees informed about the business through a range of channels including the intranet, newsletters, bulletin boards and social events.

The Group seeks feedback from employees in our mining division through regular employee surveys. In response to the findings of our 2010 survey we will be focusing on training team leaders to give feedback to employees and introducing new systems for recognising employee achievements.

Corporate Sustainability continued

Engaging with indigenous communities

Our Mulpun coal gasification project is located adjacent to a Mapuche community.

This is the first time a Group project has been located next to an indigenous community. We have taken a proactive approach to engagement and, to date, this has proved successful. The Mapuche community has not opposed development of the site and have become willing to engage with us.

Our approach at Mulpun has included demonstrating our goodwill by providing information on the project from its earliest stages, before applying for environmental approval.

We have also launched a number of projects to bring sustained benefits to local people. This has included bringing electricity to the community for the first time. We have financed and overseen the installation and also educated local families on how to use energy efficiently and how to budget for their electricity bills.

We are using our experiences at Mulpun to inform our approach to engagement with native communities in other locations.

Ethical conduct

The Group is committed to meeting high ethical standards in its work. The Ethics Committee oversees approach, monitors compliance with the Group's policies and investigates any reports of suspected unethical conduct. The Committee is made up of the Vice-Presidents of Risk, Human Resources and Corporate Affairs and its work is overseen by the Audit Committee. On issues relating to the mining division, it reports to the Chief Executive Officer of Antofagasta Minerals.

The Group has an Ethics Code which applies to all its operations and projects in Chile and abroad. It emphasises the Board's commitment to carry out business in a responsible and transparent manner. It sets standards on a range of issues including respect for human rights, local customs and values and the rights of neighbouring communities, as well as the Group's procedure for identifying and managing potential conflicts of interest. It demands honesty, integrity and responsibility from all employees and contractors.

Employees may report any unethical behaviour, anonymously if necessary, via the Group's intranet site. There were no reported cases of suspected misconduct that required investigation by the Ethics Committee during 2010. During 2010 further revisions were made to the Code and other internal control procedures to ensure compliance with Chile's new relevant legislation. An updated code is expected to be rolled out in 2011.

Community relations and engagement

The Group's businesses make a significant contribution to economic development but it recognises that mining operations can also negatively impact local communities. It seeks to maximise our positive contribution and to minimise negative impacts, as well as fostering good relations with the communities near its sites through regular dialogue. This helps to avoid conflict, contributes to the efficient running of operations and helps protect the Group social licence to operate and to grow.

The Group engages with local stakeholders at our sites and development projects, in a variety of ways including through face-to-face meetings, newsletters and radio broadcasts. It often establishes joint community-company committees to address specific issues such as air quality, water availability or site closures.

The Group respects the culture, customs and values of indigenous groups. For details of our approach to engagement with indigenous communities, see case study.

The Group conducts regular surveys to get feedback from local people and to help us better understand their views. More details are available in the sustainability reports of Los Pelambres and Tesoro operations.

Five days after the earthquake Antofagasta Minerals had a team working in the severely affected town of Curepto. Simultaneously it established a recovery fund, and provided management expertise to implement and run the scheme.

Supporting communities affected by the Chilean earthquake

The earthquake and tsunami which shook the central-south zone of Chile in February 2010 devastated the coast of the regions of Maule and Bio-Bio.

Five days after the earthquake, Antofagasta Minerals had a debris clearing team and equipment working in the severely affected town of Curepto, in Maule region. Simultaneously, it engaged with the authorities to offer support for the reconstruction and established a US$10 million recovery fund and the management expertise and standards used in its large mining projects to implement and run the scheme.

The joint decision was to invest the fund in the recovery of the infrastructure used by local artisanal fishing in Maule, an important source of revenue for the area. Antofagasta Minerals' Coastal Route project is supporting the recovery of artisanal fishing and using the redevelopment as an opportunity to further develop local tourist infrastructure. As well as a US$10 million donation, we are applying our project-management expertise, and the standards and practices used in our large mining projects to implement and run the scheme. This has included working in partnership with key stakeholders and promoting the involvement of local people, as well as integrating sustainable solutions for energy use and waste management into the project design.

Both the public (national, local and regional authorities) and the private sectors were involved in the design and implementation of this initiative. The Chilean Architects' Association and World Wildlife Fund WWF advised on the reconstruction of coastline fishing coves to ensure their sustainability and to incorporate improvements that will add environmental value. Local communities and organisations were given opportunities to review the project plans.

After nearly one year of work, 190 fishermen have received new boats and/or engines through a support programme implemented jointly with government agencies. Along the 160 km coastline, six small ports have been rebuilt, including community centres, warehouses and restrooms. New restaurant infrastructure has been developed to support the tourist industry, capable of servicing 1,000 tourists per day, and 141 people trained to work in them.

El Mauro tailings dam

The Mauro tailings dam, for which environmental permission was received in 2004, is located 12 kilometres from the town of Caimanes which has a population of 700 people. In 2008, when the construction of the dam was in its final stages, Los Pelambres entered into binding settlements in respect of litigation relating to the tailings dam which had been initiated after the environmental impact study had been approved and which enabled construction to be completed. In December 2008, after operation of the dam had commenced, Los Pelambres became aware of further legal proceedings that had been initiated by further members of the Caimanes community, which seek to prevent the operation of the dam. A number of these proceedings have since been rejected by the relevant courts.

During 2010, 11 members of the Caimanes community initiated a hunger strike in the context of this litigation demanding a number of measures including financial demands. The strike ended without incident in December 2010 without financial settlements or impact to the health of the strikers. Los Pelambres maintained open dialogue with the community and authorities throughout the incident. The Group strongly believes it has taken all appropriate steps at the Mauro tailings dam both in terms of environmental and community measures both during construction and operation. The construction of the dam was developed in accordance with all legal and administrative requirements and complies with international standards of design and operation.

Corporate Sustainability continued

Contribution to socio-economic development

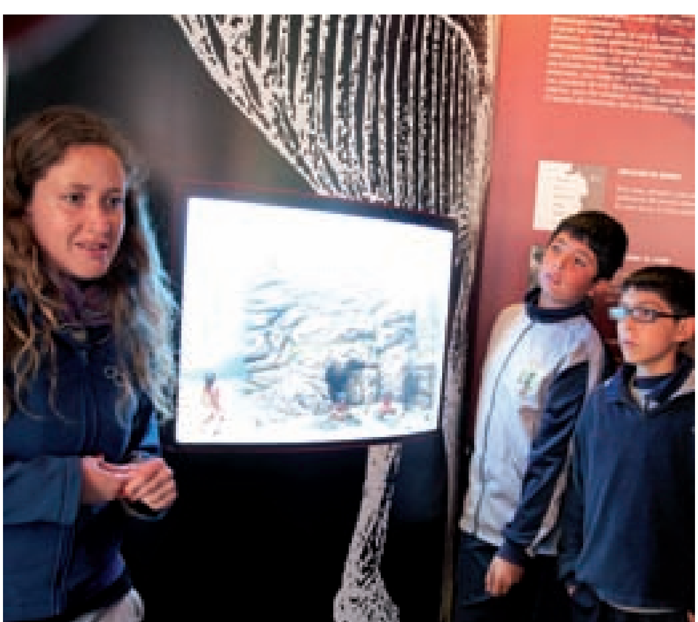
The Group makes a positive contribution to socio-economic development through the taxes paid, the employment created, the products and services purchased and through the social investments made to enhance the development of local human capital.

The Group's Social Strategy aims to provide training and other support to help local people access employment opportunities at our sites. For example, Esperanza has committed to hire at least 30% of construction and operation workers from the Antofagasta Region. Its approach includes training to give 800 residents the skills they need in areas such as safety, quality, environment and community relations to work at the mine.

Antofagasta Mineral's mining companies voluntarily elected to accept amendments to the Chilean mining tax introduced in 2010. These were established to contribute to the financing of reconstruction costs following the severe earthquake which affected the country in 2010. In exchange for waiving protection under existing invariability agreements for a three-year period from 2010–2012, the companies will be granted an additional stability period of six years at the end of their existing stability agreements, during which any connected projects will also benefit from tax invariability. Further details are given in the Financial Review on page 63.

Community investment

The Los Pelambres Mining Foundation continued to support initiatives in the areas of education, water resources and productive development during 2010. See **www.fundacionmlp.cl/** for more information.



Environment

The Group recognises the environmental impacts of its mining operations and aims to reduce these as far as possible during the development, operation and closure of its sites. When impacts are unavoidable, it strives to mitigate and compensate them. This supports relationships with local communities and contributes to operational efficiency, reduces costs and ensures compliance with legislation.

The Group's key environmental impacts include water use, water quality, air quality, waste, biodiversity and greenhouse gas emissions. Antofagasta Minerals uses an Assessment of Environmental Performance ("AEP") tool to monitor progress against its performance measures. See page 48.

The Group aims to raise the environmental awareness of employees through training and communication. During 2010 it held a series of events around World Water Day and Chile's Environment Month and distributed a bi-monthly newsletter with updates on its progress and tips to help employees protect the environment.

Energy and climate change

Climate impact

The Group recognises the need to conserve energy and develop a strategic response to climate change. This will protect the business from future cost increases associated with energy supply and carbon emissions reduction. The Group intends to play its part in helping Chile achieve its target to reduce national greenhouse gas emissions by 20% by 2020.

Operations are already implementing energy efficiency projects and investigating opportunities to use renewable energy where possible. During 2011 Antofagasta Minerals will undertake a study of the potential effects of climate change on its operations and develop a climate change policy that will be presented to the Board.

In line with the agreements reached at the UN Climate Change Conferences, Chilean law demands that the proportion of energy generation from renewable sources should rise from 5% in 2010 to 10% in 2024. Antofagasta Minerals is exploring a number of new renewable energy alternatives to increase the proportion of renewable energy in its total energy supply. Currently, renewable energy accounts for around 10% at the Los Pelambres site. Data is not currently available for other sites. At the end of 2010 El Tesoro issued a tender for a major solar thermal plant to provide heat to the electro-winning plant and reduce dependence on diesel. A decision on whether to progress with the project is expected early in 2011.

The Group measures and manages its CO_2 emissions according to the GHG protocol of the Carbon Disclosure Project ("CDP"). In the latest year for which CDP data is available, 2009, Group total CO_2 emissions were 1.12 million tonnes. Further data will be published in the Group's Sustainability Report.

Energy security

Antofagasta Minerals continues to work towards securing alternative energy supplies and establishing longer-term agreements and contracts with energy suppliers.

The possibility of new regulations applying to emissions from coal fired power stations from 2012 might result in a shortage of supply in the Antofagasta Region if older plants are closed which could impact market prices for energy.

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. Energía Andina has been granted 13 concessions to date, grouped into six projects, and is engaged in the bidding process to acquire a number of further concessions. Exploration activity to date has focused on surface exploration, and drilling is expected to commence in 2011. Depending on the results of this work, it is anticipated that drilling of the first geothermal well could commence in late 2011, allowing feasibility work to be undertaken during 2012.

Work is continuing on the potential underground coal gasification project ("UCG") at the Mulpun coalfield, situated near Valdivia in southern Chile, along with the Group's partner in the project Carbon Energy Limited ("Carbon Energy") of Australia. In August 2010 the Group received environmental approvals for the first stage of the project, which allows construction and operation of a pilot scheme including the first UCG panel and on-site facilities, and engineering studies in relation to the trial project were undertaken in the second half of the year.

Water resources

The Group's mining operations use significant volumes of water. Water use is a particularly important issue for the Group due to its location in areas of water scarcity. The Group needs to use water efficiently and recycle it where possible to ensure its continued availability for our operations and local communities. The Group must also protect the quality of fresh water sources near its sites.

All mines have water management plans in place to reduce and monitor water use and ensure that emissions of wastewater meet relevant quality standards. To reduce demand on fresh water sources, Michilla has pioneered the use of non-desalinated sea water in its operations and a similar system will be implemented at Esperanza where use of thickened tailings also increases water recovery, see page 37. Los Pelambres uses a system of industrial water recirculation which recycles a high proportion of water used in its processes. El Tesoro operates a similar system.

The Group is reviewing whether implementation of the water accounting framework developed by the Sustainable Minerals Institute at the University of Queensland would help to better audit Group water consumption.

The Group monitors water consumption and efficiency at each operation. Water use levels remained steady this year, except at Los Pelambres where levels went up due to an increase in production. Data on water consumption by source and water use efficiency will be published in the Sustainability Report 2010.

ADASA is seeking to increase the supply of desalinated water for domestic consumption in the Antofagasta Region to 50%.

Environmental incidents and fines

The Group aims to prevent environmental incidents at our sites. Chilean environmental law provides a wide definition of environmental impacts, so in 2010, the Group developed a corporate protocol for identifying, classifying and reporting incidents at its mining sites, to help address these and prevent recurrences.

The following environmental incidents were reported in 2010.

There was an oil leak from a tank at El Tesoro. The contaminated soil was removed and disposed of according to regulations. An improvement plan was developed which included building a containment platform, improving loading and unloading procedures and reviewing the leak control system.

At Los Pelambres, there was a tailings spill in the Polcura ravine due to a drainage gutter becoming blocked. The ravine has been thoroughly cleaned and the gutter has been strengthened to prevent a recurrence.

Also at Los Pelambres, there was a water discharge from the mine tunnel evacuation system into the Borrega ravine. The operation informed the local authorities, the neighbouring Cuncumen community and the local channel irrigation association (a community organisation which ensures the fair distribution of water resources) who investigated the incident. The local water courses were monitored and water quality was found not to have been affected. The affected area has been thoroughly cleaned and the water evacuation system was reviewed.

The Group was fined US$35,240 in 2010 in relation to a tailings spill at Los Pelambres in February 2009 which affected the Polcura ravine.

Corporate Sustainability continued

A sustainable approach to the site closure

When closing Group facilities we aim to work closely with local people to find safe and sustainable solutions. For example, in 2010 Los Pelambres began the process of closing a tailings dam at Los Quillayes.

The Group has worked closely with local people since 2008 to jointly develop a closure plan for the site. This includes an innovative remediation programme, known as phytostabilisation. The 400 hectare site is being covered with a thick layer of topsoil and planted with native species. This will reduce the risk of pollution and leaching due to wind or water erosion. Over the life of the project, estimated to be 10–15 years, it will also create employment opportunities for local people in planting, irrigation and cultivation.

Biodiversity

The Group recognises the importance of protecting local ecosystems and biodiversity. Biodiversity protection plans are developed for every mine in compliance with regulations and take into account the interests of different stakeholders including farmers and landowners, local communities and non-governmental organisations.

The Group's efforts to promote biodiversity focus in particular on the Choapa valley where our Los Pelambres mine is located. Los Pelambres restored and manages a nature sanctuary at the Laguna Conchalí wetlands which has significant biological diversity. It has also put in place programmes to protect peat lands and one of the few remaining Chilean Palm forests. All these sites provide habitats for endangered species.

In the Antofagasta Region, operations are located in the Atacama desert, the driest desert in the world, where there are very few animal and plant species. In 2010, El Tesoro financed a survey of biodiversity around its fresh water source at Ojos de Opache. This found that the area is home to one vulnerable species, the Atacama Runner (a type of lizard).

There were also two incidents (one at Esperanza and one at El Tesoro) involving foxes found drowned in evaporation pools. The operations have improved fencing round the sites to prevent other animals getting in and reminded workers of the importance of taking steps to avoid attracting foxes to the area.

The Group monitors marine and bird biodiversity at Michilla Bay and contributes to the protection of marine biodiversity and the development of sustainable fishing through the Fundación Minera Los Pelambres charitable foundation.

Waste

Mining operations produce significant amounts of hazardous and non-hazardous waste including waste rock, spent ore and tailings (waste from processing ore and concentrates). Hazardous waste consists mainly of used oils, rags and containers with the remains of oil, lead-contaminated sediment and used batteries. Waste is also an issue for the transport and water businesses.

The Group aims to reduce the amount of waste it produces, to reuse resources where possible and to dispose of waste according to legal requirements.

Tailings

It is particularly important that tailings are managed safely to prevent leakages which could impact water quality. The failure of a tailings dam could have a major impact on local communities, the environment and the Group's workers. All dams are designed to resist extreme weather and high-magnitude earthquakes. They are carefully maintained and monitored during use.

Taking advantage of its geographical location, at our Esperanza mine we have introduced "thickened tailings" technology. This will reduce water consumption and the risk of soil contamination, and mean that the tailings are more stable during operations and after the mine has closed. It will also reduce dust levels.

At the Los Pelambres mine, the Mauro tailings dam is now operational, which will provide enough waste disposal capacity for the remaining 26 years' mine life.

Assessing social and environmental impacts at Reko Diq

Reko Diq is a copper and gold deposit located in the state of Balochistan in Pakistan. The Group has been a joint venture partner in the project since 2006. An Environmental and Social Impact Assessment ("ESIA") has been undertaken for the site and will be presented to the Balochi and Pakistani environmental authorities in 2011. Stakeholder engagement was a key part of this process and feedback covered issues such as water use, employment and economic growth, transportation, air quality, biodiversity and the impact of the pipeline on local agriculture.

A social investment plan has been developed for the site which will form part of the social management process for the project, and reflects the commitment of the joint venture partners to provide lasting benefits to local communities.

See **www.tethyan.com** for more information.

Closure provisions

The Group aims to close and decommission our facilities safely and in ways that protect the environment and the interests of local people. It has closure plans and provisions in place for all its operations in accordance with regulations. These are regularly updated, often in consultation with local people. The Group includes closure plans within the environmental impact assessment reports submitted to authorities for all new projects. It is contributing to development of the new law on mining closure being discussed by the Chilean Congress and will comply with its requirements.

Developments in environmental law

REACH

The European Union's REACH Directive requires companies to collect or generate toxicity data on chemicals manufactured in or imported into the EU.

Antofagasta's molybdenum and copper products are covered by REACH.

The Group met the November 2010 registration deadline for its Michilla and Tesoro sites. Copper concentrates do not need to be registered under REACH but must undergo a toxicity and danger evaluation. The findings of this evaluation showed that no special measures are needed to ensure the compliance of copper concentrates from Los Pelambres.

Global Harmonising System

The Global Harmonising System ("GHS") is intended to create an internationally consistent system of chemical hazard management and reporting through standard product labelling and Safety Data Sheets.

The Group meets all GHS requirements. Its concentrates were evaluated under GHS and found not to be classifiable as they do not contain impurities. Clients and traders are provided with safety data sheets.

Other

The Group reviewed its processes and updated them where necessary to ensure compliance with updates to Chile's environmental law 19.300. Group companies are also preparing to meet proposed new standards on air quality.

Making mining projects sustainable

Since 2009, the Group has been defining the social and environmental criteria it uses when deciding whether to proceed with a new project, and when developing the terms of reference and design criteria for new ventures. This process was completed in 2010 and the criteria will be incorporated into AMSA's due diligence and project design processes in Chile and abroad. The criteria reflect current best practice and relevant international standards such as those of the International Finance Corporation and International Council on Mining and Minerals.

It also has a Social and Environmental Best Practices Handbook for Exploration and Projects that includes guidance on stakeholder engagement. The Group focuses on stakeholder engagement from the start of new projects. This enables understanding in local concerns and expectations and this is considered in the project design even before undertaking the official social and environmental assessment process.

Financial Review

Financial Review

Financial Review

Basis of preparation

The Group's financial statements on pages 88 to 128 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 31.12.10 US$m	Year ended 31.12.09 US$m
Turnover	**4,577.1**	2,962.6

Group turnover in 2010 was US$4,577.1 million, 54.5% above the US$2,962.6 million achieved in 2009. This mainly reflected increased 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 which were operational in 2010 increased by 57.1% to US$3,953.8 million, compared with US$2,516.1 million in 2009. The increase mainly reflected the impact of higher realised prices as well as higher copper volumes.

(i) Realised copper prices

The Group's average realised copper price increased by 32.8% to 359.3 cents per pound (2009 – 270.6 cents), reflecting the higher average LME copper price, which increased by 46.0% to 342.0 cents per pound (2009 – 234.2 cents) as well as positive adjustments to provisionally priced sales which were partially offset by 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 up to 120 days after delivery to the customer in the case of concentrate sales). Realised copper prices also reflect the impact of realised losses or gains of commodity derivative instruments hedge accounted for in accordance with IAS 39 "Financial Instruments: Recognition and Measurements".

In 2010 there were significant positive 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$280.1 million in 2010, compared with a US$380.3 million increase of sales in 2009. The adjustments in 2010 comprised a deduction of US$6.4 million in respect of sales invoiced in 2009 (net of the reversal of mark-to-market adjustments made at the end of 2009) which were finally priced in 2010, and an uplift of US$286.5 million in respect of sales invoiced in 2010 (including a positive mark-to-market provision for open sales at the end of the year of US$124.3 million). Pricing adjustments in 2010 at El Tesoro and Michilla increased revenues by US$17.4 million (2009 – increased revenues by US$31.1 million) and US$6.0 million (2009 – increased revenues by US$11.8 million) respectively. Further details of provisional pricing adjustments are given in Note 25(d) to the financial statements.

In 2010, turnover also included a net loss of US$81.4 million (2009 – loss of US$65.8 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 Operational Review on pages 26 to 33. The movement in the LME copper price during the year is described in the Marketplace section on page 13.

(ii) Copper volumes

Copper sales volumes increased by 16.5% from 442,900 tonnes in 2009 to 516,000 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 Operational Review on pages 26 to 33. The increased production volumes in the year were mainly due to increased production at Los Pelambres, reflecting higher throughput as a result of the plant expansion.

(iii) Tolling charges

Tolling charges for copper concentrate at Los Pelambres increased marginally from US$125.1 million in 2009 to US$134.0 million in 2010, reflecting the increased production. The decreased level of annual treatment and refining charges in 2010 compared with 2009 have been largely offset by the "brick system" under which terms are often averaged over two years. Tolling charges are deducted from concentrate sales in reporting turnover and hence the increase in these charges has had a negative impact on turnover.

Turnover from molybdenum and other by-products

Turnover from by-products at Los Pelambres, which relate mainly to molybdenum, increased by 68.3% to US$376.2 million in 2010 compared with US$223.5 million in 2009, mainly due to increased molybdenum realised and prices. Molybdenum revenues (net of roasting charges) were US$303.5 million (2009 – US$180.1 million).

(i) Realised molybdenum prices

The realised molybdenum price increased by 43.4% to US$16.2 per pound in 2010 (2009 – US$11.3 per pound), compared to a 41.4% increase in the average market price to US$15.7 per pound (2009 – US$11.1 per pound). Molybdenum concentrate sales are also subject to provisional pricing with an average open period of up to approximately 90 days.

(ii) Molybdenum volumes

Molybdenum sales volumes increased by 15.6% to 8,900 tonnes, compared with 7,700 tonnes in 2009. Small differences with production in each year reflected shipping and loading schedules.

Production volumes for Los Pelambres are analysed in the Operational Review on page 27.

(iii) Gold and silver credits in copper concentrate sales

Credits received from gold and silver contained in copper concentrate sold increased to US$72.7 million (2009 – US$43.4 million). This was mainly due to the increase in gold content from 23,500 ounces in 2009 to 35,100 ounces in 2010.

Turnover from the transport and water divisions

Turnover from the transport division ("FCAB") increased by US$15.3 million or 11.0% to US$154.7 million, mainly due to a 27.5% increase in road tonnages partly offset by a slight decrease in rail tonnages and normal tariff adjustments in line with contractual terms.

Turnover at Aguas de Antofagasta, which operates the Group's water business increased by US$8.8 million or 10.5% to US$92.4 million in 2010. This was mainly due to increased demand from domestic clients and to a lesser extent to increased demand from industrial customers.

Financial Review continued

EBITDA and operating profit from subsidiaries and joint ventures

	Year ended 31.12.10 US$m	Year ended 31.12.09 US$m
EBITDA	**2,771.9**	1,680.7
Depreciation and amortisation	**(277.0)**	(217.5)
Loss on disposals	**(9.8)**	(4.2)
Operating profit from subsidiaries and joint ventures excluding exceptional items	**2,485.1**	1,459.0
Impairment reversal (exceptional item)	**109.4**	–
Operating profit from subsidiaries and joint ventures including exceptional items	**2,594.5**	1,459.0

EBITDA

EBITDA (earnings before interest, tax, depreciation, and amortisation) from subsidiaries and joint ventures increased by 64.9% to US$2,771.9 million (2009 – US$1,680.7 million).

EBITDA at the mining division increased by 69.1% from US$1,563.9 million to US$2,645.1 million, due to the increase in turnover as explained above, partly offset by higher operating costs. At Los Pelambres, EBITDA increased from US$1,408.9 million in 2009 to US$2,375.0 million this year. EBITDA at El Tesoro increased by US$123.2 million to US$354.9 million. At Michilla, EBITDA increased by US$32.7 million to US$60.6 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) increased from 106.8 cents per pound in 2009 to 124.3 cents per pound. This increase was mainly due to increased on-site and shipping costs as a result of higher input costs, in particular energy, and the effect of the stronger Chilean peso across the three mining operations, as well as the effect of the temporary suspension of the Tesoro North-East pit and increased maintenance at Los Pelambres. Cash costs are analysed by mine in the Operational Review on pages 24 to 57.

Operating costs at Los Pelambres include a one-off US$65.2 million charge relating to the increase in the closure provision following an updated assessment during 2010 by external consultants, with the provision increasing due to factors including increases in the scale of the operation, updated cost assumptions, and an acceleration of the timing of certain closure activities relating to the Quillayes tailings dam.

Exploration costs increased from US$67.1 million in 2009 to US$99.0 million, reflecting the increased level of exploration activity across the Group. Net costs in respect of corporate and other items were higher at US$46.4 million (2009 – US$37.5 million) mainly as a result of the increased level of costs associated with supporting the Group's longer-term growth plans at the corporate centre.

EBITDA at the transport division increased by US$3.2 million to US$59.8 million, with the increased revenue as explained above partly offset by increased operating costs. Aguas de Antofagasta contributed US$67.0 million compared to US$60.2 million last year, mainly reflecting the increased volumes and revenue as explained above which were partly offset by increased operating costs.

Depreciation, amortisation and impairments

Depreciation and amortisation increased by US$59.5 million to US$277.0 million in 2010, mainly due to higher charges at Los Pelambres (as a result of depreciation relating to the expansion) and El Tesoro (as a result of depreciation relating to Tesoro North-East and amortisation of the related mining licences). The loss on disposal of property, plant and equipment in 2010 was US$9.8 million, compared with US$4.2 million in the prior year.

During 2010 the reversal of the remaining US$109.4 million impairment originally recognised at El Tesoro in the year ended 31 December 2008 has been recorded as an exceptional credit within total operating costs, following a review undertaken in light of the current commodity environment. The recoverable amounts in the 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 7.6%.

Operating profit from subsidiaries and joint ventures

As a result of the above factors, operating profit from subsidiaries and joint ventures (excluding the 2010 exceptional item) increased by 70.3% to US$2,485.1 million. Including the 2010 exceptional item, operating profit from subsidiaries and joint ventures increased by 77.8% to US$2,594.5 million.

Share of (net loss)/income from associates

	Year ended 31.12.10 US$m	Year ended 31.12.09 US$m
Share of (net loss)/income from associate	**(2.6)**	4.5

The Group's share of net loss from its associates was US$2.6 million (2009 – net income of US$4.5 million), comprised of a net loss of US$2.0 million (2009 – net profit of US$3.2 million) from its 40% interest in Inversiones Hornitos, a net profit of US$1.9 million (2009 – net profit of US$1.5 million) from its 30% interest in ATI and a net loss of US$2.5 million (2009 – net loss of US$0.2 million) from its 17.8% interest in Sunridge which was sold at the end of the year.

Net finance expense

	Year ended 31.12.10 US$m	Year ended 31.12.09 US$m
Investment income	**16.5**	13.2
Interest expense	**(18.3)**	(24.0)
Other finance items	**(16.9)**	(15.1)
Net finance expense	**(18.7)**	(25.9)

Net finance expense in 2010 was US$18.7 million, compared with a net finance expense of US$25.9 million in 2009.

Interest receivable increased from US$13.2 million in 2009 to US$16.5 million in 2010, reflecting the higher cash and liquid investment balances held during the year.

Interest expense decreased from US$24.0 million in 2009 to US$18.3 million in 2010, mainly due to a reduction in borrowings at Los Pelambres in 2010 compared to 2009.

Other finance items comprised a loss of US$16.9 million (2009 – loss of US$15.1 million). A loss of US$16.1 million (2009 – loss of US$1.1 million) has been recognised in respect of the time value element of changes in the fair value of commodity derivative options, which is excluded from the designated hedging relationship, and is therefore recognised directly in the income statement. Foreign exchange gains included in finance items were US$9.6 million in 2010, compared with a gain of US$1.2 million in the previous year. A loss on foreign exchange derivatives of US$6.1 million (2009 – loss of US$12.4 million) is also included in other finance items. An expense of US$4.3 million (2009 – US$2.8 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$2,573.2 million compared to US$1,437.6 million in 2009, reflecting the increase in turnover explained above, partly offset by the increase in operating costs.

Income tax expense

	Year ended 31.12.10 US$m	Year ended 31.12.09 US$m
Total tax charge (Income tax expense)	**(752.5)**	(317.7)

The rate of first category (i.e. corporation) tax in Chile was 17% for both 2010 and 2009.

Los Pelambres, El Tesoro, Michilla and Esperanza are also subject to a mining tax (royalty) which is tax deductible (i.e. an allowable expense in determining liability to first category tax). On 12 January 2011 these four companies, which have tax invariability agreements to the mining tax, voluntarily elected to accept amendments as permitted pursuant to a law enacted in Chile on 21 October 2010. Between 2010 and 2012, production from Los Pelambres, El Tesoro, Michilla and Esperanza mines is subject to a mining tax at a rate of between 4–9% of tax-adjusted operating profit, based on a sliding scale with the minimum rate of 4% applying to operations with a tax-adjusted operating profit margin of below 40% and a maximum rate of 9% applying to operations with a tax-adjusted operating profit margin of above 75%. Production from the Tesoro North-East deposit and the Run-of-Mine processing at El Tesoro is subject to a mining tax at a rate of between 5–14% of tax-adjusted operating profit, based on a sliding scale with the minimum rate of 5% applying to operations with a tax-adjusted operating profit margin of below 35% and a maximum rate of 14% applying to operations with a tax-adjusted operating profit margin of above 85%.

In addition to first category tax and the mining tax, the Group incurs withholding taxes on the remittance of profits from Chilean operations and deferred tax is provided on undistributed earnings to the extent that remittance is probable in the foreseeable future. Withholding tax is levied on remittances of profits from Chile at 35% less first category tax already paid. Accordingly, during the year ended 31 December 2010 the effective tax rate of withholding tax is approximately 18% of the amount remitted or expected to be remitted.

The tax charge for the year was US$752.5 million and the effective tax rate was 29.2%. This rate varies from the standard rate principally due to the provision of withholding tax of US$160.9 million and the effect of the mining tax which resulted in a charge of US$157.7 million. In 2009 the total tax charge was US$317.7 million and the effective tax rate was 22.1%. This rate varied 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.

Non-controlling interests

	Year ended 31.12.10 US$m	Year ended 31.12.09 US$m
Non-controlling interests	**768.9**	452.2

Profit for the financial year attributable to non-controlling interest shareholders was US$768.9 million, compared with US$452.2 million in 2009. The increase is mainly due to the effect of the increased Group profit in 2010 in comparison to 2009.

Financial Review continued

Earnings per share

	Year ended 31.12.10 US$m	Year ended 31.12.09 US$m
Earnings per share including exceptional items	**106.7**	67.7
Earnings per share excluding exceptional items	**100.6**	67.7

Earnings per share calculations are based on 985,856,695 ordinary shares. As a result of the factors set out above, profit for the 2010 financial year attributable to equity shareholders of the Company was US$1,051.8 million compared with US$667.7 million in 2009. Accordingly, basic earnings per share were 106.7 cents in 2010 compared with 67.7 cents for 2009. Basic earnings per share excluding exceptional items (detailed in Note 5 of the financial statements) were 100.6 cents for 2010. During 2009 there were no exceptional items.

Dividends

The Board has recommended a final dividend for 2010 of 112 cents per ordinary share, which amounts to US$1,104.2 million and if approved at the Annual General Meeting, will be paid on 9 June 2011 to shareholders on the Register at the close of business on 6 May 2011. This final dividend comprises an ordinary dividend of 12 cents and a special dividend of 100 cents.

This gives total dividends for the year of 116 cents, including the interim dividend of 4 cents which was paid in October, amounting to US$1,143.6 million and representing a distribution of 109% of 2010 net earnings.

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

As explained above, in determining the appropriate level of the special dividend of 100 cents per share for 2010, the Board has taken into account the successful completion of the key growth projects, the strong financial position of the Group, and its continued ability to fund future growth. Accordingly, the 2010 distribution level is significantly in excess of the typical distribution level in recent years.

The Board's overall policy remains unchanged and the level of distribution in future years, including any special or additional dividends, will depend on the factors set out above.

	2010 US cents	2009 US cents	2008 US cents	2007 US cents	10 v 09 change	09 v 08 change	08 v 07 change
Ordinary							
Interim	**4.0**	3.4	3.4	3.2			
Final	**12.0**	6.0	5.6	5.4			
	16.0	9.4	9.0	8.6	**70.2%**	4.4%	4.7%
Special							
Interim	**–**	–	3.0	3.0			
Final	**100.0**	14.0	48.0	38.0			
	100.0	14.0	51.0	41.0			
Total dividends to ordinary shareholders	**116.0**	23.4	60.0	49.6	**395.7%**	(61.0%)	21.0%
Dividends as a percentage of profit attributable to equity shareholders	**109%**	35%	35%	35%			

Dividends represent dividends proposed in relation to the year.

Capital expenditure

Details of capital expenditure during the year are set out in the cash flow summary on pages 65 and 66.

Derivative financial instruments

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 on pages 60 and 61 in the sections on turnover, operating profit from subsidiaries and net finance income, and in Note 25(e) to these 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 2010 the Group had min-max instruments for 58,575 tonnes of copper production at Michilla covering a total period up to 31 December 2012. The weighted average remaining period covered by the min-max hedges calculated with effect from 1 January 2010 was 12.7 months. The instruments had a weighted average floor of 311.1 cents per pound and a weighted average cap of 392.2 cents per pound. This represents approximately 80% of Michilla's forecast production for 2011 and 2012 respectively, and the Group's exposure to the copper price will be limited by the extent of these instruments.

Details of the mark-to-market position of these instruments at 31 December 2010, 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 2010 the Group had cross-currency swaps with a principal value of US$10.0 million relating to Esperanza to swap Chilean pesos for US dollars, at an average rate of Ch$550.3/US$1, covering a total period up to 6 January 2011. The weighted average remaining period covered by these hedges calculated with effect from 1 January 2011 is 1.0 months. Between 31 December 2010 and 31 January 2011 US$10.0 million of cross-currency swaps matured.

The Group also periodically uses interest rate swaps to swap the floating rate interest for fixed rate interest. At 31 December 2010 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 2010 production volumes and without taking into account the effects of provisional pricing and any hedging activity, a 10 cent change in the average copper price would affect turnover and profit before tax by US$114.9 million and earnings per share by 5.6 cents. Similarly, a one-dollar change in the average molybdenum price would affect turnover and profit before tax by US$19.4 million and earnings per share by 0.9 cents.

Cash flows

The Group cash flow statement is presented on page 91. The key features are summarised in the following table.

	Year ended 31.12.10 US$m	Year ended 31.12.09 US$m
Cash flows from operations	**2,433.9**	1,167.8
Income tax paid	**(427.9)**	(135.2)
Net interest paid	**(16.2)**	(11.2)
Acquisition of non-controlling interest in subsidiary	**–**	(25.0)
Acquisition of associates and subsequent capital contributions	**–**	(114.5)
Acquisition of available for-sale-investments	**(12.9)**	–
Purchases of property, plant and equipment	**(1,301.8)**	(1,323.6)
Purchases of intangible assets	**–**	(52.5)
Dividends paid to equity holders of the Company	**(236.6)**	(561.9)
Dividends paid to non-controlling interests	**(702.7)**	(310.0)
Other items	**4.1**	0.5
Changes in net cash relating to cash flows	**(260.1)**	(1,365.6)
Exchange and other non-cash movements	**9.5**	42.2
Movement in net cash in the year	**(250.6)**	(1,323.4)
Net cash at the beginning of the year	**1,595.7**	2,919.1
Net cash at the end of the year (analysed on page 66)	**1,345.1**	1,595.7

Cash flows from operations were US$2,433.9 million in 2010 compared with US$1,167.8 million last year, reflecting the operating results adjusted for depreciation, amortisation, impairments and gains and losses on disposals of US$286.8 million (2009 – US$221.7 million) and a net working capital increase of US$338.0 million (2009 – increase of US$512.9 million). The significant working capital movements relate mainly to an increase in trade debtors as a result of copper prices and provisional pricing mark-to-market adjustments at the end of each year, and to a lesser extent increased inventory levels with the start-up of Esperanza partly offset by an increase in closure provisions as well as creditors, mainly as a result of increased tax liabilities.

Financial Review continued

Cash tax payments in the year were US$427.9 million (2009 – US$135.2 million), comprising corporation tax of US$306.0 million (2009 – US$95.0 million), mining tax of US$74.7 million (2009 – US$40.1 million) and withholding tax of US$47.2 million (2009 – US$0.1 million). These amounts differ from the current tax charge in the consolidated income statement of US$631.5 million (2009 – US$185.1 million) because cash tax payments partly comprise lower monthly payments on account in respect of current year profits and partly comprise the settlement of the outstanding balance for the previous year.

The purchase of available-for-sale investments of US$12.9 million relates to the purchase of shares in Duluth Metals Limited.

Cash disbursements relating to capital expenditure in 2010 were US$1,301.8 million compared with US$1,323.6 million in 2009. This included expenditure of US$1,058.6 million relating to the Esperanza project (2009 – US$716.4 million) and US$134.3 million (2009 – US$399.4 million) relating to the plant expansion at Los Pelambres.

Dividends (including special dividends) paid to ordinary shareholders of the Company this year were US$236.6 million (2009 – US$561.9 million), which related to the final dividend declared in respect of the previous year and the interim dividend in respect of the current year, and reflected the decreased dividend per share paid out during 2010 compared with 2009. Dividends paid by subsidiaries to non-controlling shareholders were US$702.7 million (2009 – US$310.0 million), principally due to increased distributions by Los Pelambres.

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

Financial position

	Year ended 31.12.10 US$m	Year ended 31.12.09 US$m
Cash, cash equivalents and liquid investments	**3,541.6**	3,222.3
Total borrowings	**(2,196.5)**	(1,626.6)
Net cash at the end of the year	**1,345.1**	1,595.7

At 31 December 2010 the Group had combined cash, cash equivalents and liquid investments of US$3,541.6 million (2009 – US$3,222.3 million). Excluding the non-controlling interest share in each partly-owned operation, the Group's attributable share of cash, cash equivalents and liquid investments was US$3,393.8 million (2009 – US$2,934.3 million).

New borrowings in the year amounted to US$1,022.0 million (2009 – US$2,051.6 million), mainly due to drawdowns from the Esperanza Project finance facility and new corporate loans at Los Pelambres and El Tesoro and an increase of subordinated debt provided to Esperanza by Marubeni. Repayments of borrowings and finance leasing obligations in the year were US$459.8 million, relating mainly to repayment of the Los Pelambres short-term borrowings and to a lesser extent regular repayments on existing loans (2009 – US$874.5 million mainly relating to repayment of short-term borrowings).

Total Group borrowings at 31 December 2010 were US$2,196.5 million (2009 – US$1,626.6 million). Of this, US$1,486.8 million (2009 – US$1,067.6 million) is proportionally attributable to the Group after excluding the non-controlling interest shareholdings in partly-owned operations.

Balance sheet

Net equity (i.e. equity attributable to ordinary shareholders of the Company) increased from US$5,338.6 million at 1 January 2010 to US$6,170.6 million at 31 December 2010, relating mainly to profit after tax and non-controlling 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.

Non-controlling interests increased from US$1,278.8 million at 1 January 2010 to US$1,355.2 million at 31 December 2010. This principally reflected the non-controlling interest's share of profit after tax less the non-controlling interest's share of the dividends paid by subsidiaries in the year. Other movements affecting non-controlling interest are also set out in the Consolidated Statement of Changes in Equity.

Long-term provisions increased from US$127.9 million at 31 December 2009 to US$244.4 million at 31 December 2010. During the year ended 31 December 2010 there has been a one-off charge of US$65.2 million to operating profit in relation to increases to the rehabilitation provision, and US$44.4 million capitalised in relation to the decommissioning provision at Los Pelambres following an updated independent review and which reflects changes to the assumptions relating to the provision.

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 2010 the currency translation gain recognised in net equity of US$27.1 million resulted mainly from the strengthening in the Chilean peso during the year from Ch$507 = US$1 at the start of 2010 to Ch$468 = US$1 at the end of 2010. In 2009 the currency translation gain recognised in net equity of US$46.1 million resulted mainly from the strengthening in the Chilean peso during the year from Ch$636 = US$1 at the start of 2009 to Ch$507 = US$1 at the end of 2009.

Going concern

The Group's business activities, together with those factors likely to affect its future performance, are set out in the Operational Review on pages 24 to 45. 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 financial statements include details of the Group's cash, cash equivalent and liquid investment 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 balance of cash, cash equivalents and liquid investments, the borrowing facilities in place and their terms, the current copper price and market expectations in the medium term, the Group's expected operating cost profile and its capital expenditure and financing plans.

After making appropriate enquiries, the Directors consider that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future and that it is appropriate to adopt the going concern basis in preparing the financial statements.

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.

Governance

The Board of Directors

J-P Luksic Chairman

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. 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 47 at the date of the 2011 Annual General Meeting.

C H Bailey Non-Executive

Mr. C H 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. Mr. Bailey will be 77 at the date of the 2011 Annual General Meeting.

G S Menéndez Non-Executive

Mr. G S 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. and Banco de Chile 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 will be 62 at the date of the 2011 Annual General Meeting.

R F Jara Non-Executive

Mr. R F Jara was appointed a Non-Executive Director in 2003. He is a lawyer and a director of Empresa Nacional del Petróleo. 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 58 at the date of the 2011 Annual General Meeting.

G A Luksic Non-Executive

Mr. G A Luksic was appointed a Non-Executive Director in 2005. Mr. Luksic is a director of several companies including Nexans S.A. and Banco de Chile and chairman of Quiñenco S.A., Compañía Cervecerías Unidas S.A., Vina San Pedro Tarapaca S.A. and Madeco S.A. Mr. G A Luksic will be 55 at the date of the 2011 Annual General Meeting.

J G Claro Non-Executive

Mr. J G Claro was appointed a Non-Executive Director in 2005. He is currently chairman of Embotelladora Andina S.A. and Energia Coyanco S.A. He is a director of several other companies in Chile, including Entel Chile S.A. and Empresas CMPC S.A. He is also a member of the governing boards of Universidad Adolfo Ibáñez and Centro de Estudios Públicos, a non-profit academic foundation in Chile. 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 will be 60 at the date of the 2011 Annual General Meeting.

W M Hayes Non-Executive

Mr. W M 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 and former president of the Gold Institute in Washington, D.C. He holds an M.A. degree in International Management from the Thunderbird School of Global Management. Mr. Hayes will be 66 at the date of the 2011 Annual General Meeting.

H Dryland Non-Executive

Mr. H Dryland was appointed a Non-Executive Director subsequent to the year end on 20 January 2011. He is a senior managing director at Rothschild based in the United States and is Global Head of Rothschild's investment banking activities in the mining and metals sector. He has 25 years of investment banking experience in natural resources, advising on numerous mergers and acquisitions, restructurings and financings during his career. Prior to joining Rothschild in 1986, he practised law in the United States, specialising in corporate M&A, joint ventures and financings in the natural resources and infrastructure sectors, and, prior to that, worked in the Energy Division of the World Bank. He holds Masters Degrees in Business and Comparative Law from the University of Warwick (UK) and the George Washington University (US) respectively. Mr. Dryland will be 55 at the date of the 2011 Annual General Meeting.

T C Baker Non-Executive

Mr. T C Baker was appointed a Non-Executive Director subsequent to the year end on 1 March 2011. He was previously executive vice-president and chief operating officer at Kinross Gold Corporation, and is a member of the board of Augusta Resource Corporation. He has a B.Sc. in Geology from Edinburgh University. Prior to joining Kinross Gold Corporation in 2006, Mr. Baker was executive general manager of Placer Dome Chile. He has previously managed mining operations in Chile, the United States, Tanzania and Venezuela and held geological and production roles in Kenya and Liberia. Mr. Baker will be 59 at the date of the 2011 Annual General Meeting.

Directors' Report

The Directors present their Annual Report, together with the audited financial statements for the year ended 31 December 2010.

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 pages 4 to 7, the Marketplace section on pages 12 to 15, the Operational Review (including information on expected future developments) on pages 24 to 57, the Financial Review on pages 60 to 67 and the Corporate Governance Report on pages 76 to 80. A summary of the key performance indicators considered most relevant to the Group is on pages 16 and 17. Information on environmental, employee and social and community matters is included within the Corporate Sustainability section on pages 46 to 57. Information on significant contractual and other arrangements which are essential to the business of the Group is included within this Directors' Report on pages 72 and 73. A description of the financial risk management objectives and policies of the Group, together with the principal risks and uncertainties facing the Group, is contained in the Risk Management section on pages 18 to 21, 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. This land is held for long-term real estate development and recreational potential and is held in the financial statements at cost. The fair value of such land is disclosed in Note 15 to the financial statements.

Results and dividends

The consolidated profit before tax has increased from US$1,437.6 million in 2009 to US$2,573.2 million in 2010.

The Board has recommended a final dividend of US 112.0 cents (2009 – US 20.0 cents) per ordinary share, comprising an ordinary dividend of US 12.0 cents (2009 – US 6.0 cents) and a special dividend of US 100.0 cents (2009 – US 14.0 cents). An ordinary interim dividend of US 4.0 cents was paid on 7 October 2010 (2009 ordinary dividend – US 3.4 cents). This gives total dividends per share proposed in relation to 2010 of US 116.0 cents (2009 – US 23.4 cents), including the special dividend. The total amount of dividends paid to ordinary shareholders (including special dividends) proposed in relation to 2010 will be US$1,143.6 million, compared with US$230.7 million in 2009.

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 (2009 – US$0.2 million). Further information relating to dividends is set out in the Financial Review on page 64, and in Note 12 to the financial statements.

Directors

The Directors who served during the year are set out on page 149. No Director has a service contract with the Company which cannot be terminated within 12 months. Mr. H Dryland and Mr. T C Baker were appointed Non-Executive Directors subsequent to the year end on 20 January 2011 and 1 March 2011 respectively. Mr. D E Yarur served as a Non-Executive Director throughout 2010, and resigned from the Board subsequent to the year end on 1 March 2011.

As recommended by the UK Corporate Governance Code, all Directors are seeking re-election at the forthcoming Annual General Meeting. Biographical details of the Directors are set out on page 70. The reasons why the Board considers that these Directors should be re-elected are set out in the Corporate Governance Report on pages 76 to 80 and in particular in the sections headed "Performance evaluation" and "Re-election".

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 82.

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 personally incurred as a result of their office. In respect of those matters for which the Directors may or may not be indemnified, the Company maintained a Directors' and Officers' liability insurance policy throughout the financial year. This policy has been renewed for the current financial year.

Conflicts of interest

The Companies Act 2006 requires that a Director must avoid a situation where he has, or can have, a direct or indirect interest that conflicts, or possibly may conflict, with the Company's interests. The Company has undertaken a process to identify, and, where appropriate, authorise and manage potential and actual conflicts. Each Director of the Company has identified his interests which may constitute conflicts, including for example, directorships in other companies. The Board has considered the potential and actual conflict situations of each of the Directors and decided in relation to each situation whether to authorise it and the steps, if any, 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 ongoing process. Directors are required to notify the Company of any material changes in those positions or situations that have already been considered, as well as to notify the Company of any other new positions or situations that may arise. In addition to considering any new situations as they arise, the Board considers the conflict position of all Directors formally each year.

Significant relationships

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

- the Group holds a number of mining and exploration rights in Chile and other countries in which it has exploration or development activities, normally granted by the relevant national government;
- a significant proportion of the Group's sales of copper concentrate (and other payable elements) and molybdenum concentrate are made under long-term framework agreements with a number of customers. These framework contracts will typically set out the minimum annual volumes to be supplied, with the processing charges determined annually and the pricing of contained material to be in accordance with market prices. A significant proportion of the Group's copper cathode sales are made under annual contracts with a number of customers. These contracts will typically specify the volumes to be supplied, with the pricing to be in accordance with market prices. Further details of such arrangements are given in Note 25(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;
- tax invariability agreements are in place in respect of the Group's four mining operations – Los Pelambres, Esperanza, El Tesoro and Michilla – which provide that set rates will apply in respect of the mining royalty for specified periods;
- in 2003 the Group was awarded a 30-year concession to operate the water rights and facilities in the Antofagasta Region of Chile, supplying domestic and industrial users. The domestic tariffs are controlled by the Chilean Water Regulator. Further details are given in Note 35 to the financial statements;
- the transport division has long-term contracts with a number of customers, which typically govern volumes and pricing structures; and
- the Group has shareholder agreements in place governing its relationship with its partners at its operations and development and exploration projects. The Group also has a number of "earn-in" agreements in respect of exploration and development projects.

Directors' Report continued

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 on page 75.

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

Donations

The Group made charitable donations of US$13.7 million during the year ended 31 December 2010 (2009 – US$2.2 million). The donations include amounts paid during 2010 from the US$10 million recovery fund established by Antofagasta Minerals S.A. to support the earthquake reconstruction efforts in Chile, as described in more detail in the Corporate Sustainability section. This also includes US$53,000 (2009 – US$32,000) of charitable donations in the United Kingdom, principally related to educational studies with a focus on Chile. The Group made political donations of US$49,000 during the year ended 31 December 2010, in relation to presidential elections (2009 – US$2.2 million in relation to Chilean presidential and parliamentary 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 32 days (2009 – 40 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 section on pages 46 to 57.

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
Blackrock Inc.	5.10	–	4.24
Aureberg Establishment	4.26	–	3.54

Metalinvest Establishment and Kupferberg Establishment are both controlled by the E. Abaroa Foundation, in which members of the Luksic family are interested. As explained on page 128, 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 8 June 2011 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

7 March 2011

Corporate Governance Report

Introduction

The Company is incorporated in England and listed on the London Stock Exchange, with the Group's businesses, which comprise mining, transport and water distribution, principally located in Chile, the largest copper producing country in the world. 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 as at the date of this report. Antofagasta's Board is committed to managing the operations of the Group with a view to maximising value for all shareholders.

During 2010 the Board had eight members, comprising an Executive Chairman and seven Non-Executive Directors. Two of these eight Directors (including the Chairman) are members of the Luksic family. Six of these Directors, including the Chairman, are based in Chile, where the Group's operations are principally located; one of these Directors is based in England, where the Company is incorporated and listed on the London Stock Exchange; and one of these Directors is based in the United States.

Subsequent to the year end, two further Directors were appointed to the Board, one of whom is based in the United States and one of whom is based in Canada.

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). The Antofagasta Board oversees these divisional boards and provides strategic direction. Each division is headed by a chief executive officer who reports to his divisional board and the Chairman of the Group – Marcelo Awad for the mining division, Miguel Sepúlveda at the transport business and Marco Kútulas in the water division. Antofagasta Minerals S.A. has a team of senior executives who report to Marcelo Awad, focusing on areas including operations, strategy, risk management, human resources, finance and business development, exploration and mineral resources, corporate affairs and project development.

During the 2010 financial year, the Combined Code on Corporate Governance issued by the Financial Reporting Council in June 2008 ("the Combined Code") applied to the Company. The Board describes below how it applied the corporate governance principles contained in the Combined Code during that year. 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". The UK Corporate Governance Code issued by the Financial Reporting Council in June 2010 will apply to the Company from the 2011 financial year and will be reported upon in the 2011 Annual Report and Financial Statements.

Directors

The Board

The Directors collectively have responsibility for the conduct of the Group's business. The Board, which met eight times during 2010, was comprised of an Executive Chairman and seven Non-Executive Directors, five of whom are considered by the Board to be independent. Subsequent to the year end, two further Directors, were appointed to the Board. One is not considered by the Board to be independent for the purposes of the UK Corporate Governance Code while the other is considered by the Board to be independent. One Director based in Chile who was considered independent resigned after the end of the year.

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 7 March 2011 are set out on page 70. Mr. D E Yarur served as a Non-Executive Director throughout 2010, and resigned from the Board subsequent to the year end on 1 March 2011.

The recognised senior independent Non-Executive Director is Mr. C H Bailey, who is also Chairman of the Audit Committee. Mr. G S 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, Nomination and Sustainability 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 who served during 2010 to be independent – Mr. C H Bailey, Mr. G S Menéndez, Mr. D E Yarur, Mr. J G Claro and Mr. W M Hayes. Mr. T C Baker who was also appointed subsequent to the year end is considered independent. 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. All Directors will be standing for re-election at the forthcoming Annual General Meeting and biographical details of each Director can be found on page 70.

Mr. Claro, Mr. Hayes and Mr. Baker 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. 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. R F Jara or Mr. G A Luksic who served during the year nor Mr. Dryland who was appointed subsequent to the year end to be independent. Mr. R F Jara provides advisory services to the Group, as explained in the Remuneration Report on page 82. Mr. G A Luksic is the brother of Mr. J-P Luksic, the Chairman of Antofagasta plc. Mr. G A Luksic is chairman of Quiñenco S.A. and chairman or a director of Quiñenco's other listed subsidiaries. Mr. J-P Luksic and Mr. G S Menéndez are also non-executive directors of Quiñenco and some of its listed subsidiaries. Like Antofagasta plc, Quiñenco is also controlled by the Luksic family. Mr. H Dryland was appointed a Non-Executive Director subsequent to the year end on 20 January 2011. The Board does not consider Mr. H Dryland to be independent, as Mr. Dryland has provided advisory services to the Group in his capacity as a senior managing director at Rothschild, which remains a financial advisor to the Group.

Appointments to the Board

The Nomination Committee currently comprises Mr. G S Menéndez (Chairman), Mr. C H Bailey and Mr. R F Jara. As explained above, Mr. C H Bailey and Mr. G S 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 re-appointment 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). The Company intends to comply with provision B.7 of the UK Corporate Governance Code from the 2011 financial year and submit each Director for annual re-election.

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

Corporate Governance Report continued

each significant operation to ensure that they remain properly briefed about the performance and financial position of the Group 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, and normally attend the Company's Annual General Meeting held in London.

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 services and advice are 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 2010 by Mr. G S Menéndez, with the assistance of senior management. Mr. C H 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 for re-election all of the Directors at the forthcoming Annual General Meeting. The Board is satisfied that each Director continues to contribute effectively and to demonstrate commitment to his role.

Re-election

All Directors at the date of this report will stand for re-election at this year's Annual General Meeting. Biographical details of all the Directors are set out on page 70. The Chairman confirms that the Board is satisfied that each of the Directors 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 81 to 83.

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 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,

Directors' attendance at meetings in 2010

The number of Board and Committee meetings held during 2010, together with details of each Director's attendance, is set out below:

	Board		Audit Committee		Nomination Committee		Remuneration Committee		Sustainability Committee	
	Number attended	Maximum possible	Number attended	Maximum possible	Number attended	Maximum possible	Number attended	Maximum possible	Number attended	Maximum possible
J-P Luksic	8	8	–	–	–	–	–	–	1	1
C H Bailey	7	8	3	3	2	2	2	2	–	–
G S Menéndez	8	8	3	3	2	2	2	2	1	1
R F Jara	8	8	–	–	2	2	–	–	1	1
D E Yarur(1)	8	8	2	3	–	–	1	2	–	–
G A Luksic	2	8	–	–	–	–	–	–	–	–
J G Claro	8	8	–	–	–	–	–	–	–	–
W M Hayes(1)	7	8	–	–	–	–	–	–	–	–

(1) On 29 November Mr. D E Yarur retired from the Remuneration Committee and was replaced by Mr. W M Hayes. No meetings were held in 2010 since Mr. W M Hayes joined the committee.

All Directors in office at the time of the Annual General Meeting in June 2010 attended that meeting.

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

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 on pages 18 to 21.

Going concern

The Board's statement on going concern is included in the Financial Review on page 67.

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. G S Menéndez and Mr. R F Jara, assists the Board in its responsibilities with respect to the Group's social responsibility. The Committee met once in 2010 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. The Group also published a separate annual Sustainability Report to provide further information on its social and environmental performance. More information on corporate sustainability is given on pages 46 to 57.

"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

During the year the Audit Committee comprised Mr. C H Bailey (Chairman), Mr. G S Menéndez and Mr. D E Yarur. On 1 March 2011, Mr. D E Yarur retired from the Board and was replaced on the Audit Committee by Mr. W M Hayes. The Audit Committee members during the year and to the date of this report 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, re-appointment 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 control" 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 and the half yearly financial report. 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.

The Company's external auditors, Deloitte LLP, have provided non-audit services to the Company, which amounted to US$609,000. This comprised the provision of services relating to corporate finance advisory services, 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.

Corporate Governance Report continued

Relations with shareholders

Directors and senior management regularly meet with institutional shareholders and analysts in the United Kingdom, Europe, Chile, North America, Asia and Australia. The senior independent Non-Executive Director, Mr. C H 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, the Group also publishes a separate Sustainability Report 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 2010 except as follows:

– the Board did not have a separately identified Chief Executive and hence at Board level there is no formal separation of the functions of Chairman and Chief Executive (provision A.2.1). 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 which applied to the Company during the 2010 financial year. The UK Corporate Governance Code issued by the Financial Reporting Council in June 2010 will apply to the Company from the 2011 financial year and will be reported upon in the 2011 Annual Report and Financial Statements.

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 80, 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. G S Menéndez (Chairman), Mr. C H Bailey and Mr. W M Hayes, all of whom are considered by the Board to be independent Non-Executive Directors. Mr. W M Hayes replaced Mr. D E Yarur, who retired from the Remuneration Committee on 29 November 2010.

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. R F Jara for advisory services to the Group. During the year, exceptional bonuses were paid in respect of Mr. Jara and to a number of long-serving senior executives recognising their contribution to long-term value creation of the Group over the years from the development of the Los Pelambres mine in the late 1990s to the commissioning of the Esperanza mine towards the end of 2010. The aggregate amount of the bonuses was US$8.8 million. 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:

	2010 US$000	2009 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

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 Directors within the table of Directors' remuneration on page 83.

Strategic Review
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Remuneration Report continued

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 2010. Amounts paid during 2009 and 2010 have been included in the table of Directors' remuneration on page 83.

All Non-Executive Directors (other than Mr. Menéndez, Mr. Bailey, Mr. Baker and Mr. Dryland) have letters of appointment with the Company, for an initial period of three years from the date of their appointment, subject to re-appointment at each Annual General Meeting ("AGM") during their period of appointment. Mr. Menéndez, Mr. Bailey, Mr. Baker and Mr. Dryland are each appointed for a one-year period from the date of their appointment, subject to re-appointment at the AGM following their appointment. The Company intends to comply with provision B.7 of the UK Corporate Governance Code from the 2011 financial year and submit each Director for annual re-election. 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 2010	1 January 2010
J-P Luksic[(1)]	**41,963,110**	41,963,110
C H Bailey	**32,000**	32,000
R F Jara[(2)]	**1,260**	–

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

[(2)] Mr R F Jara's interest relates to shares held by a close family member.

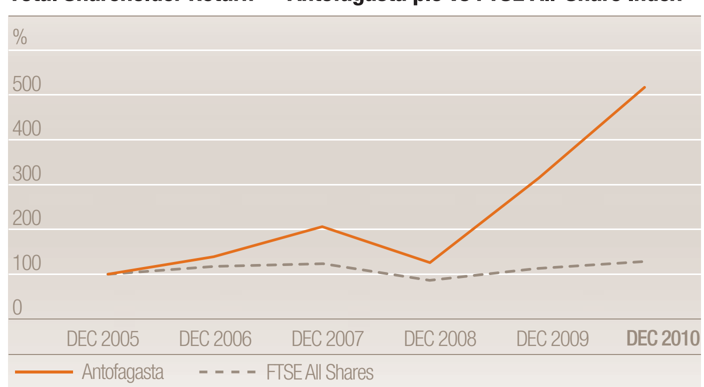
There have been no changes to the Directors' interests in the shares of the Company between 31 December 2010 and the date of this report.

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

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 2006 = 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		Bonus		Benefits		Total remuneration	
	2010 US$000	2009 US$000	**2010 US$000**	2009 US$000	**2010 US$000**	2009 US$000	**2010 US$000**	2009 US$000
J-P Luksic[(1)]	**3,232**	3,116	**–**	–	**98**	67	**3,330**	3,183
C H Bailey	**146**	134	**–**	–	**–**	–	**146**	134
G S Menéndez	**320**	320	**–**	–	**–**	–	**320**	320
R F Jara[(2)]	**821**	770	**1,000**	–	**4**	–	**1,825**	770
D E Yarur	**143**	144	**–**	–	**–**	–	**143**	144
G A Luksic	**124**	124	**–**	–	**–**	–	**124**	124
J W Ambrus[(3)]	**–**	123	**–**	–	**–**	–	**–**	123
J G Claro	**196**	196	**–**	–	**–**	–	**196**	196
W M Hayes	**207**	178	**–**	–	**–**	–	**207**	178
	5,189	5,105	**1,000**	–	**102**	67	**6,291**	5,172

[(1)] During 2010, remuneration of US$1,000,000 for the provision of services by Mr. J-P Luksic was paid to Goldbeam Finance Limited (2009 – remuneration of US$1,000,000 was paid to Goldstream Finance Limited). This amount is included in the amounts attributable to Mr. J-P Luksic of US$3,232,000 (2009 – US$3,116,000). The benefits expense represents the provision of car usage and life, accident and health insurance for Mr. J-P Luksic.

[(2)] During 2010, remuneration of US$509,000 (2009 – US$462,000) for the provision of services by Mr. R F Jara was paid to Asesorías Ramón F Jara Ltda. This amount is included in the amounts attributable to Mr. R F Jara of US$821,000 (2009 – US$770,000). The benefits expense represents the provision of accident insurance to Mr. Jara. As explained in relation to Company Policy on page 81, during 2010 an exceptional bonus was paid to Riverwood Services Inc. in respect of Mr. Ramon Jara reflecting his contribution to the Group over a long period of time.

[(3)] Mr. J W Ambrus resigned from the Board on 14 October 2009, and the amounts shown above for 2009 represent fees payable up to this date.

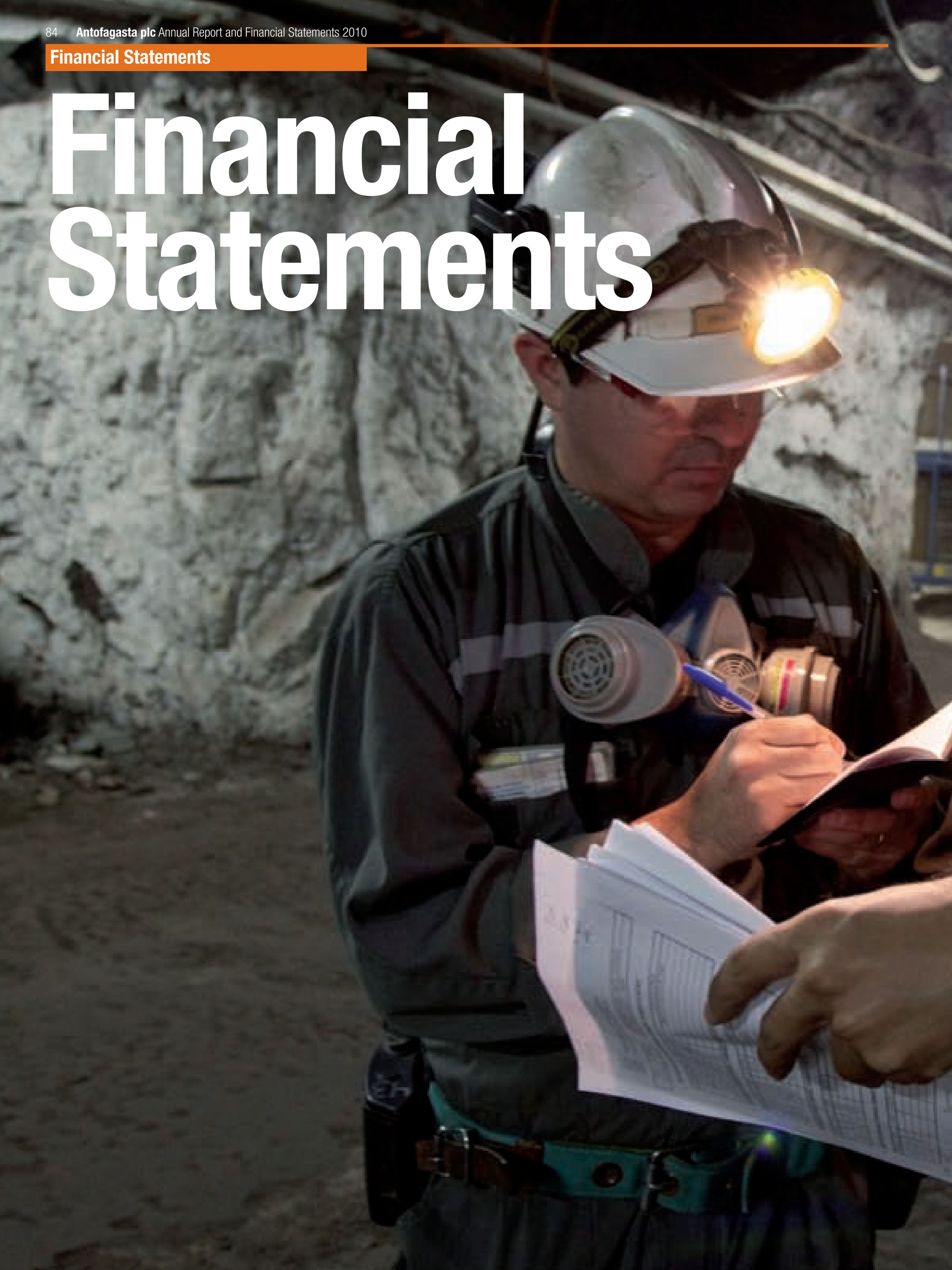
[(4)] Mr. P J Adeane retired from the Board in 2006. Following retirement, Mr. P J Adeane has continued to serve the Board as a Senior Advisor under a contract for services at the rate of £10,000 per annum until 30 June 2010. Mr. Adeane was paid £5,000 (approximately US$7,720) under this contract for services during 2010 (2009 – £10,000 (approximately US$15,590)).

Approved on behalf of the Board

G S Menéndez
Chairman of the Remuneration Committee

7 March 2011

Financial Statements



Statement of Directors' Responsibilities

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

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

– properly select and apply accounting policies;

– present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;

– provide additional disclosures when compliance with the specific requirements in IFRS are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and

– make an assessment of the Company's ability to continue as a going concern.

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

– select suitable accounting policies and then apply them consistently;

– make judgements and accounting estimates that are reasonable and prudent;

– state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and

– prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

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

Directors' Responsibility Statement

We confirm to the best of our knowledge:

(a) 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;

(b) 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

(c) the Directors' Report, including those sections incorporated therein by reference, includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

By order of the Board

J-P Luksic
Chairman

C H Bailey
Director

7 March 2011

Independent Auditors' Report to the Members of Antofagasta plc

We have audited the financial statements of Antofagasta plc for the year ended 31 December 2010 which comprise the 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 auditor

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

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and the Parent Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements.

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 2010 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;

– 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; and

– certain elements of the report to shareholders by the Board on Directors' remuneration.

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

7 March 2011

Consolidated Income Statement
For year ended 31 December 2010

	Notes	2010 US$m	2009 US$m
Group revenue	4,6	**4,577.1**	2,962.6
Total operating costs (including exceptional item*)		**(1,982.6)**	(1,503.6)
Operating profit from subsidiaries and joint ventures	4,6	**2,594.5**	1,459.0
Share of net (loss)/profit from associates	4,6,17	**(2.6)**	4.5
Total profit from operations and associates	4,6	**2,591.9**	1,463.5
Investment income		**16.5**	13.2
Interest expense		**(18.3)**	(24.0)
Other finance items		**(16.9)**	(15.1)
Net finance expense	9	**(18.7)**	(25.9)
Profit before tax	6	**2,573.2**	1,437.6
Income tax expense	10	**(752.5)**	(317.7)
Profit for the financial year	6	**1,820.7**	1,119.9
Attributable to:			
Non-controlling interests	30	**768.9**	452.2
Equity holders of the Company (net earnings)	11	**1,051.8**	667.7

		US cents	US cents
Basic earnings per share	11	**106.7**	67.7

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)		**4.0**	3.4
– ordinary dividend (final)		**12.0**	6.0
– special dividend (final)		**100.0**	14.0
		116.0	23.4
Dividends per share paid in the year and deducted from net equity			
– ordinary dividend (interim)		**4.0**	3.4
– ordinary dividend (final)		**6.0**	5.6
– special dividend (final)		**14.0**	48.0
		24.0	57.0

In aggregate	12	**US$m**	US$m
Dividends proposed in relation to the year		**1,143.6**	230.7
Dividends paid in the year and deducted from net equity		**236.6**	561.9

Revenue and operating profit are derived from continuing operations.

* The exceptional item included within "Total operating costs" in respect of the year ended 31 December 2010 is the US$109.4 million reversal of an impairment charge relating to property, plant and equipment at El Tesoro. Excluding this exceptional item, operating profit from subsidiaries and joint ventures was US$2,485.1 million and profit before tax was US$2,463.8 million. There were no exceptional items in the year ended 31 December 2009. Further details of this exceptional item are set out in Note 5.

Consolidated Statement of Comprehensive Income For year ended 31 December 2010

	Notes	2010 US$m	2009 US$m
Profit for the financial year	6	**1,820.7**	1,119.9
Losses in fair value of cash flow hedges deferred in reserves	25	**(93.7)**	(177.9)
Gains in fair value of available for sale investment	19	**6.8**	0.5
Currency translation adjustment	29	**27.1**	46.2
Deferred tax effects arising on cash flow hedges deferred in reserves	25	**17.8**	34.0
Total expense recognised in equity		**(42.0)**	(97.2)
Gains in fair value of cash flow hedges transferred to the balance sheet	25	**–**	(22.0)
Losses in fair value of cash flow hedges transferred to the income statement	25	**81.4**	65.8
Deferred tax effects arising on cash flow hedges transferred to the income statement	25	**(13.8)**	(11.2)
Total transferred to the income statement		**67.6**	32.6
Total comprehensive income for the year		**1,846.3**	1,055.3
Attributable to:			
Non-controlling interests	30	**765.8**	421.6
Equity holders of the Company		**1,080.5**	633.7

Consolidated Statement of Changes in Equity For the year ended 31 December 2010

	Share capital US$m	Share premium US$m	Hedging reserves US$m	Fair value reserves US$m	Translation reserves US$m	Retained earnings US$m	**Net equity US$m**	Non-controlling interests US$m	**Total US$m**
At 1 January 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 non-controlling interests	–	–	–	–	–	–	**–**	1.4	**1.4**
Dividends	–	–	–	–	–	(561.9)	**(561.9)**	(310.0)	**(871.9)**
At 31 December 2009 and 1 January 2010	89.8	199.2	(50.1)	(2.6)	30.1	5,072.2	**5,338.6**	1,278.8	**6,617.4**
Total comprehensive income for the year	–	–	(5.2)	6.8	27.1	1,051.8	**1,080.5**	765.8	**1,846.3**
Acquisition of subsidiary	–	–	–	–	–	0.6	**0.6**	0.8	**1.4**
Capital increase of non-controlling interests	–	–	–	–	–	(12.5)	**(12.5)**	12.5	**–**
Dividends	–	–	–	–	–	(236.6)	**(236.6)**	(702.7)	**(939.3)**
At 31 December 2010	**89.8**	**199.2**	**(55.3)**	**4.2**	**57.2**	**5,875.5**	**6,170.6**	**1,355.2**	**7,525.8**

Consolidated Balance Sheet
At 31 December 2010

	Notes	2010 US$m	2009 US$m
Non-current assets			
Intangible assets	13	**311.5**	311.2
Property, plant and equipment	14	**6,093.4**	4,873.2
Investment property	15	**3.7**	3.4
Investment in associate	17	**58.0**	121.3
Trade and other receivables	21	**42.9**	36.6
Available-for-sale investments	19	**21.8**	1.2
Deferred tax assets	27	**110.0**	31.1
		6,641.3	5,378.0
Current assets			
Inventories	20	**385.0**	240.1
Trade and other receivables	21	**973.7**	608.6
Current tax assets		**44.4**	59.8
Derivative financial instruments	25	**1.8**	1.7
Liquid investments (restated – see Note 1)	22	**806.9**	631.8
Cash and cash equivalents (restated – see Note 1)	22	**2,734.7**	2,590.5
		4,946.5	4,132.5
Total assets		**11,587.8**	9,510.5
Current liabilities			
Short-term borrowings	23	**(137.6)**	(431.8)
Derivative financial instruments	25	**(54.7)**	(81.2)
Trade and other payables	24	**(504.8)**	(437.6)
Current tax liabilities		**(233.6)**	(45.0)
		(930.7)	(995.6)
Non-current liabilities			
Medium and long-term borrowings	23	**(2,058.9)**	(1,194.8)
Derivative financial instruments	25	**(59.0)**	(4.5)
Trade and other payables	24	**(4.7)**	(12.3)
Post-employment benefit obligations	26	**(68.0)**	(48.2)
Long-term provisions	28	**(244.4)**	(127.9)
Deferred tax liabilities	27	**(696.3)**	(509.8)
		(3,131.3)	(1,897.5)
Total liabilities		**(4,062.0)**	(2,893.1)
Net assets		**7,525.8**	6,617.4
Equity			
Share capital	29	**89.8**	89.8
Share premium	29	**199.2**	199.2
Hedging, translation and fair value reserves	29	**6.1**	(22.6)
Retained earnings	29	**5,875.5**	5,072.2
Equity attributable to equity holders of the Company		**6,170.6**	5,338.6
Non-controlling interests	30	**1,355.2**	1,278.8
Total equity		**7,525.8**	6,617.4

Approved by the Board and signed on its behalf on 7 March 2011.

J-P Luksic
Chairman

C H Bailey
Director

Consolidated Cash Flow Statement
For year ended 31 December 2010

	Notes	2010 US$m	2009 US$m
Cash flows from operations	33	**2,433.9**	1,167.8
Interest paid		**(42.4)**	(27.0)
Dividends from associate	17	**0.8**	0.7
Income tax paid		**(427.9)**	(135.2)
Net cash from operating activities		**1,964.4**	1,006.3
Investing activities			
Acquisition of and capital contributions to associates		**–**	(114.5)
Acquisition of available-for-sale investments	19	**(12.9)**	–
Acquisition of non-controlling interest in subsidiary		**–**	(25.0)
Net increase in liquid investments (restated – see Note 1)	33	**(175.1)**	(86.9)
Purchases of property, plant and equipment		**(1,301.8)**	(1,323.6)
Purchases of intangible assets		**–**	(52.5)
Disposal of intangible assets	13	**3.5**	–
Interest received		**26.2**	15.8
Net cash used in investing activities		**(1,460.1)**	(1,586.7)
Financing activities			
Dividends paid to equity holders of the Company	12	**(236.6)**	(561.9)
Dividends paid to preference shareholders of the Company	12	**(0.2)**	(0.2)
Dividends paid to non-controlling interests	30	**(702.7)**	(310.0)
Net proceeds from issue of new borrowings	33	**1,022.0**	2,051.6
Repayments of borrowings	33	**(447.0)**	(863.6)
Repayments of obligations under finance leases	33	**(12.8)**	(10.9)
Net cash (used in)/received from in financing activities		**(377.3)**	305.0
Net increase/(decrease) in cash and cash equivalents		**127.0**	275.4
Cash and cash equivalents at beginning of the year		**2,590.5**	2,813.1
Net increase/(decrease) in cash and cash equivalents	33	**127.0**	(275.4)
Effect of foreign exchange rate changes	33	**17.2**	52.8
Cash and cash equivalents at end of the year (restated – see Note 1)	22,33	**2,734.7**	2,590.5

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 67 of the Financial Review.

The prior year balance sheet reflects a reclassification of certain balances between cash and cash equivalents and liquid investments to better reflect the maturity terms of the underlying instruments. At 31 December 2009 this results in a cash and cash equivalents balance of US$2,590.5 million and a new liquid investments balance of US$631.8 million (31 December 2008 – US$2,813.1 million and US$544.9 million). This has resulted in certain reclassifications within the cash flow statement.

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

– IFRS 9 Financial Instruments

– IAS 24 (amended) Related Party Disclosures

– IAS 32 (amended) Classification of Rights Issue

– IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments

– IFRIC 14 (amended) Prepayments of a Minimum Funding Requirement

– Improvements to IFRSs (May 2010)

The adoption of IFRS 9 will have an effect on the classification and measurement of the Group's financial assets. The Group does not expect that the adoption of the other standards listed above will have a material impact on the financial statements of the Group in future periods.

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 3 Business Combinations (2008). In the current year the Group has adopted IFRS 3 Business Combinations (2008) for accounting for business combinations. The change in accounting policy has been applied prospectively. For acquisitions on or after 1 January 2010, the Group measures goodwill as the fair value of the consideration transferred and the recognised amount of any non-controlling interests in the acquiree, less the net recognised amount of the identifiable assets acquired and liabilities assumed, all measured as of the acquisition date. Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred. The revised standard was applied to the acquisition of the 40% controlling interest in Twin Metals Minnesota LLC. See Note 31 for further details of this business combination which occurred in 2010.

IAS 27 Consolidated and Separate Financial Statements (2008). In the current year the Group has adopted IAS 27 Consolidated and Separate Financial Statements (2008) for accounting for acquisitions of non-controlling interests. The change in accounting policy has been applied prospectively and there was no impact on the Group's results in the current year. From 1 January 2010 a change in the ownership interest of a subsidiary (without loss of control) is accounted for as an equity transaction.

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

– IFRS 2 (amended) Group Cash-settled Share-based Payment Transactions

– IFRIC 17 Distributions of Non-cash Assets to Owners

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(t).

b) Basis of consolidation

The financial statements comprise the consolidated financial statements of Antofagasta plc ("the Company") and its subsidiaries (collectively "the Group").

(i) **Subsidiaries** – A subsidiary is an entity over which the Group has power to govern the operating and financial policies in order to obtain benefits from its activities. The consolidated financial statements include all the assets, liabilities, revenues, expenses and cash flows of the Company and its subsidiaries after eliminating inter-company balances and transactions. For partly-owned subsidiaries, the net assets and net earnings attributable to non-controlling shareholders are presented as "Non-controlling interests" in the consolidated balance sheet and consolidated income statement.

(ii) **Associates** – An associate is an entity over which the Group is in a position to exercise significant influence, but not control or joint control, through the power to participate in the financial and operating policy decisions of that entity. The 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(t) 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

Revenue represents the value of goods and services supplied to third parties during the year. Revenue is measured at the fair value of consideration received or receivable, and excludes any applicable sales tax.

A sale is recognised when the significant risks and rewards of ownership have passed. This is generally when title and any insurance risk has passed to the customer, and the goods have been delivered to a contractually agreed location or when any services have been provided.

Revenue from mining activities is recorded at the invoiced amounts with an adjustment for provisional pricing at each reporting date, as explained below. For copper and molybdenum concentrates, which are sold to smelters and roasting plants for further processing, the invoiced amount is the market value of the metal payable by the customer, net of deductions for tolling charges. Revenue includes amounts from the sale of by-products.

Copper and molybdenum concentrate sale agreements and copper cathode sale agreements generally provide for provisional pricing of sales at the time of shipment, with final pricing based on the monthly average London Metal Exchange ("LME") copper price or the monthly average market molybdenum price for specified future periods. This normally ranges from 30 to 120 days after delivery to the customer. Such a provisional sale contains an embedded derivative which is required to be separated from the host contract. The host contract is the sale of metals contained in the concentrate or cathode at the provisional invoice price less tolling charges deducted, and the embedded derivative is the forward contract for which the provisional sale is subsequently adjusted. At each reporting date, the provisionally priced metal sales together with any related tolling charges are marked-to-market, with adjustments (both gains and losses) being recorded in revenue in the consolidated income statement and in trade debtors in the balance sheet. Forward prices at the period end are used for copper concentrate and cathode sales, while period-end average prices are used for molybdenum concentrate sales due to the absence of a futures market.

Interest income is accrued on a time basis, by reference to the principal outstanding and the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Dividend income from 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. Acquisition-related costs are expensed as incurred. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at non-controlling interest's proportionate share of the acquirer's net assets.

(ii) **Goodwill** – Goodwill arising in a business combination is recognised as the excess of the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the next identifiable assets acquired and liabilities assumed. Any goodwill on the acquisition of subsidiaries is separately disclosed, while any goodwill on the acquisition of associates is included within investments in equity accounted entities. Internally generated goodwill is not recognised. Where the fair values of the identifiable net assets acquired exceed the sum of the consideration transferred, the surplus (which represents the discount on the acquisition) is credited to the income statement in the period of acquisition.

(iii) **Transactions with non-controlling interests** – The Group treats transactions with non-controlling interests as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. When the Group ceases to have control or significant influence, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequent accounting for the retained interest as an associate, joint venture or financial asset. Any amounts previously recognised in other comprehensive income in respect of that entity are reclassified to profit and loss.

(iv) **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 rights** – 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 rights". The concession rights 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 rights 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 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, when a decision has been taken that a mining project is commercially viable (normally when the project has reached the feasibility stage).

The cost of 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.

Notes to the Financial Statements continued

2 Principal Accounting Policies continued

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.

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 production 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 restoration costs

An obligation to incur decommissioning and restoration costs occurs when environmental disturbance is caused by the development or ongoing production of a mining property. Costs are estimated on the basis of a formal closure plan and are subject to regular formal review.

Such costs arising from the installation of plant and other site preparation work, discounted to their net present value, are provided and capitalised at the start of each project, as soon as the obligation to incur such costs arises. These decommissioning costs are charged against profits over the life of the mine, through depreciation of the asset and unwinding or amortisation of the discount on the provision. Depreciation is included in operating costs while the unwinding of the discount is included as financing costs. Changes in the measurement of a liability relating to the decommissioning of plant or other site preparation work are added to, or deducted from, the cost of the related asset in the current period.

The costs for restoration of site damage, which is created on an ongoing basis during production, are provided for at their net present values and charged against operating profits as extraction progresses. Changes in the measurement of a liability relating to site damage created during production is charged against operating profit.

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 90 days or less.

r) Liquid investments

Liquid investments represent highly liquid current asset investments that do not meet the IAS 7 definition of cash and cash equivalents, normally because even if readily accessible, the underlying investments have an average maturity profile greater than 90 days. These assets are designated as fair value through profit or loss.

s) 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.

t) 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 revenue. The time value element of changes in the fair value of derivative options is excluded from the designated hedging relationship, and is therefore recognised directly in the income statement within other finance items. 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 revenue.

(vii) **Impairment of financial assets** – Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that as a result of one or more events that occurred after the initial recognition of the financial asset the estimated future cash flows of the investment have been impacted. For loans and receivables the amount of the impairment is the difference between the asset's carrying value and the present value of estimated future cash flows, discounted at the original effective interest rate. Any impairment loss is recognised in 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:

	2010 US$m	2009 US$m
Sales of goods	**4,418.6**	2,827.8
Rendering of services	**158.5**	134.8
Group revenue	**4,577.1**	2,962.6
Other operating income	**27.6**	10.0
Investment income	**16.5**	13.2
Total revenue	**4,621.2**	2,985.8

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

	2010 US$m	2009 US$m
Group revenue	**4,577.1**	2,962.6
Cost of sales (including exceptional item)	**(1,475.6)**	(1,166.8)
Gross profit	**3,101.5**	1,795.8
Administrative and distribution expenses	**(322.3)**	(244.2)
Closure provision	**(69.6)**	(2.2)
Severance charges	**(16.1)**	(13.3)
Exploration and evaluation expenditure	**(99.0)**	(67.1)
Other operating income	**27.6**	10.0
Other operating expenses	**(27.6)**	(20.0)
Operating profit from subsidiaries and joint ventures	**2,594.5**	1,459.0
Share of income from associates	**(2.6)**	4.5
Total profit from operations and associates	**2,591.9**	1,463.5

In the year ended 31 December 2010, cost of sales includes the reversal of an impairment of US$109.4 million relating to property, plant and equipment at El Tesoro (see Note 5).

5 Exceptional Item

The exceptional item in the year ended 31 December 2010 and its impact on the results are set out below.

There were no exceptional items in the year ended 31 December 2009.

	Operating profit		Profit before tax		Earnings per share	
	2010 US$m	2009 US$m	2010 US$m	2009 US$m	2010 US$m	2009 US$m
Before exceptional item	**2,485.1**	1,459.0	**2,463.8**	1,437.6	**100.6**	67.7
Reversal of impairment	**109.4**	–	**109.4**	–	**6.1**	–
After exceptional item	**2,594.5**	1,459.0	**2,573.2**	1,437.6	**106.7**	67.7

Reversal of impairment

In the year ended 31 December 2010 the reversal of the remaining US$109.4 million impairment originally recognised at El Tesoro in the year ended 31 December 2008 has been recorded as a credit within total operating costs, following a review undertaken in light of the current commodity environment. The recoverable amounts in the 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 7.6% (initial impairment review – 9.9%).

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 and evaluation activity. Los Pelambres, El Tesoro and Michilla are all operating mines and Esperanza is a mine which was under construction during 2010. 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 2010

	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	3,348.3	739.7	242.0	–	–	–	4,330.0	154.7	92.4	4,577.1
EBITDA	2,375.0	354.9	60.6	–	(99.0)	(46.4)	2,645.1	59.8	67.0	2,771.9
Depreciation and amortisation	(159.1)	(75.1)	(8.9)	–	–	(1.9)	(245.0)	(15.5)	(16.5)	(277.0)
Loss on disposals	–	(2.6)	(1.3)	–	–	(5.4)	(9.3)	(0.5)	–	(9.8)
Impairment reversal	–	109.4	–	–	–	–	109.4	–	–	109.4
Operating profit	2,215.9	386.6	50.4	–	(99.0)	(53.7)	2,500.2	43.8	50.5	2,594.5
Share of income from associates	–	–	–	–	–	(2.5)	(2.5)	(0.1)	–	(2.6)
Investment income	2.3	1.8	0.4	–	–	8.5	13.0	3.3	0.2	16.5
Interest expense	(14.0)	(1.4)	–	–	–	(2.6)	(18.0)	(0.3)	–	(18.3)
Other finance items	(3.7)	–	(15.1)	–	–	3.1	(15.7)	(1.3)	0.1	(16.9)
Profit before tax	2,200.5	387.0	35.7	–	(99.0)	(47.2)	2,477.0	45.4	50.8	2,573.2
Tax	(514.7)	(79.0)	(8.8)	–	–	(133.6)	(736.1)	(8.0)	(8.4)	(752.5)
Non-controlling interests	(675.0)	(94.9)	(6.4)	–	–	8.0	(768.3)	(0.6)	–	(768.9)
Net earnings	1,010.8	213.1	20.5	–	(99.0)	(172.8)	972.6	36.8	42.4	1,051.8
Additions to non-current assets										
Capital expenditure	215.9	27.7	21.5	1,058.6	–	31.3	1,355.0	18.5	12.3	1,385.8
Segment assets and liabilities										
Segment assets	3,680.4	955.4	148.9	2,592.8	–	3,144.3	10,521.8	797.8	268.2	11,587.8
Segment liabilities	(1,468.5)	(447.2)	(144.8)	(1,487.8)	–	(406.6)	(3,954.9)	(49.8)	(57.3)	(4,062.0)

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 associate	–	–	–	–	–	(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)
Non-controlling 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)

Notes to segment revenues and results

(i) The accounting policies of the reportable segments are the same as the Group's accounting policies. Operating profit excludes the share of net loss from associates of US$2.6 million (year ended 31 December 2009 – income of US$4.5 million). Operating profit is shown after exceptional items (see Note 5).

(ii) Inter-segment revenues are eliminated on consolidation. Revenue from the Railway and other transport services is stated after eliminating inter-segmental sales to the Mining division of US$13.5 million (year ended 31 December 2009 – US$11.6 million). Revenue from the Water concession is stated after eliminating inter-segmental sales to the Mining division of US$10.5 million (year ended 31 December 2009 – US$8.6 million) and after eliminating sales to the Railway and other transport services of US$0.2 million (year ended 31 December 2009 – US$0.2 million). The payment of US$350 million by El Tesoro to Antofagasta Minerals S.A. for the right to extract the oxide ores from the Mirador deposit has been eliminated on consolidation and so does not form part of the above figures.

(iii) Revenue includes the effect of both final pricing and mark-to-market adjustments to provisionally priced sales of copper and molybdenum concentrates and copper cathodes. Further details of such adjustments are given in Note 25(d).

(iv) Revenue includes a realised gain on commodity derivatives at El Tesoro of US$0.1 million (year ended 31 December 2009 – loss of US$20.0 million) and a realised loss at Michilla of US$81.5 million (year ended 31 December 2009 – loss of US$45.8 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 2010 relate to a reversal of the impairment at El Tesoro (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$53.1 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, under construction in Chile's Antofagasta Region and US$4.9 million relating to the Group's 30% interest in Antofagasta Terminal Internacional S.A.("ATI"), which operates a concession to manage installations in the port of Antofagasta.

Notes to the Financial Statements continued

6 Segment Information continued

b) Entity wide disclosures

Revenue by product

	2010 US$m	2009 US$m
Copper		
– Los Pelambres	**2,972.1**	1,858.0
– El Tesoro	**739.7**	487.6
– Michilla	**242.0**	170.5
Molybdenum		
– Los Pelambres	**303.5**	180.1
Silver		
– Los Pelambres	**29.3**	19.8
Gold		
– Los Pelambres	**43.4**	23.6
Total Mining	**4,330.0**	2,739.6
Railway and transport services	**154.7**	139.4
Water concession	**92.4**	83.6
	4,577.1	2,962.6

Revenue by location of customer

	2010 US$m	2009 US$m
Europe		
– United Kingdom	**–**	148.1
– Switzerland	**106.5**	348.1
– Rest of Europe	**665.3**	377.5
Latin America		
– Chile	**322.3**	278.2
– Rest of Latin America	**229.6**	166.1
North America		
– United States	**176.6**	151.8
– Rest of North America	**3.9**	11.7
Asia Pacific		
– Japan	**1,583.1**	784.9
– China	**878.1**	392.8
– Rest of Asia	**611.7**	303.4
	4,577.1	2,962.6

Information about major customers

Included in revenues arising from Los Pelambres for the year ended 31 December 2010 are revenues of US$792.2 million (year ended 31 December 2009 – US$438.2 million) and US$569.1 million (year ended 31 December 2009 – US$282.3 million) which arose from sales to the Group’s two 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

	2010 US$m	2009 US$m
Chile	**6,334.8**	5,159.7
Bolivia	**32.5**	33.7
Pakistan	**140.9**	141.3
Other	**1.3**	11.0
	6,509.5	5,345.7

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

7 Profit for the Year

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

	2010 US$m	2009 US$m
Foreign exchange gains		
– included in net finance costs	**9.6**	0.4
– included in income tax expense	**0.6**	18.3
Amortisation of intangible asset included in cost of sales	**(14.7)**	(12.4)
Depreciation of property, plant and equipment		
– owned assets	**(275.6)**	(203.0)
– assets held under finance leases	**(1.4)**	(2.1)
Property and equipment written-off	**(9.8)**	(4.2)
Reversal of impairments of property, plant and equipment (exceptional item)	**109.4**	–
Cost of inventories recognised as expense	**(1,227.9)**	(906.3)
Employee benefit expense	**(208.7)**	(181.8)
Auditors' remuneration		
– audit services	**(0.8)**	(0.6)
– non-audit services	**(0.6)**	(0.1)

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

	2010 US$000	2009 US$000
Audit and related fees		
Fees payable to the Company's auditors for the audit of the Company's annual accounts	**(103)**	(103)
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	**(241)**	(201)
– the audit of the Company's subsidiaries as part of the audit of the consolidated financial statements	**(151)**	(126)
– the review of the Company's half yearly financial report pursuant to legislation	**(247)**	(215)
Total audit and related fees	**(742)**	(645)
Non-audit and related services		
– Tax services	**(116)**	(44)
– Other consultancy services	**(493)**	(62)
	(1,351)	(751)

Other consulting services of US$493,000 includes fees paid in respect of corporate finance advisory services.

Notes to the Financial Statements continued

8 Employee Benefit Expense

a) Average number of employees

	2010 Number	2009 Number
Los Pelambres	**723**	715
El Tesoro	**527**	475
Michilla	**566**	491
Esperanza	**582**	379
Exploration and evaluation	**31**	31
Corporate and other employees		
– Chile	**188**	149
– United Kingdom	**8**	8
– Other	**134**	132
Mining	**2,759**	2,380
Railway and other transport services	**1,558**	1,562
Water concession	**280**	276
	4,597	4,218

(i) The average number of employees for the year includes all the employees of subsidiaries and the Group's share of employees of jointly controlled entities. The average number of employees does not include contractors who are not directly employed by the Group.

(ii) The average number of employees does not include employees from associates.

(iii) The average number of employees includes the Executive Director but does not include Non-Executive Directors.

b) Aggregated remuneration

The aggregated remuneration of the employees included in the table above was as follows:

	2010 US$m	2009 US$m
Wages and salaries	**(237.9)**	(193.3)
Social security costs	**(7.7)**	(7.0)
Post-employment benefits – severance charge in the year	**(16.1)**	(13.3)
	(261.7)	(213.6)

The amounts above relating to Esperanza of US$53.0 million (2009 – US$31.8 million) have 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. From 2010, key management personnel who are not Directors have been treated as those responsible for the running of the key business divisions of the Group and prior year amounts have been restated accordingly.

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

	2010 US$m	2009 US$m
Salaries and short-term employee benefits	(9.8)	(7.0)
Post-employment benefits – severance charge in the year	(0.1)	(0.1)
	(9.9)	(7.1)

Disclosures on Directors' remuneration required by Schedule 8 of the Large and Medium-sized Companies and Group (Accounts and Reports) Regulations 2008 including those specified for audit by that Schedule are included in the Remuneration Report on pages 81 to 83.

9 Net Finance Expense

	2010 US$m	2009 US$m
Investment revenue		
Interest receivable	16.5	13.2
Interest expense		
Interest payable	(16.4)	(23.4)
Amortisation of deferred finance costs	(1.7)	(0.4)
Preference dividends	(0.2)	(0.2)
	(18.3)	(24.0)
Other finance items		
Time value effect of derivatives	(16.1)	(1.1)
Foreign exchange derivatives	(6.1)	(12.4)
Unwinding of discount on provisions	(4.3)	(2.8)
Foreign exchange	9.6	1.2
	(16.9)	(15.1)
Net finance expense	(18.7)	(25.9)

An expense of US$32.4 million (2009 – income of US$8.7 million) relating to 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.

Notes to the Financial Statements continued

10 Taxation

The tax charge for the year comprised the following:

	2010 US$m	2009 US$m
Current tax charge		
– Corporate tax (principally first category tax in Chile)	**(437.4)**	(161.6)
– Mining tax (Royalty)	**(147.3)**	(41.4)
– Withholding tax provision	**(47.4)**	(0.4)
– Exchange gains on corporate tax balances	**0.6**	18.3
	(631.5)	(185.1)
Deferred tax charge		
– Corporate tax (principally first category tax in Chile)	**2.9**	(91.2)
– Mining tax (Royalty)	**(10.4)**	(13.7)
– Withholding tax provision	**(113.5)**	(27.7)
	(121.0)	(132.6)
Total tax charge (Income tax expense)	**(752.5)**	(317.7)

The rate of first category (i.e. corporation) tax in Chile was 17% for both 2010 and 2009. A temporary increase in the corporate income tax rate for the 2011 and 2012 calendar years to 20.0% and 18.5% respectively was enacted into law in Chile on 31 July 2010.

Los Pelambres, El Tesoro, Michilla and Esperanza are also subject to a mining tax (royalty) which is tax deductible (i.e. an allowable expense in determining liability to first category tax). On 12 January 2011 the Group voluntarily elected to accept amendments to the mining tax as permitted pursuant to a law enacted in Chile on 21 October 2010. Between 2010–2012, production from Los Pelambres, El Tesoro, Michilla and Esperanza mines is subject to a mining tax at a rate of between 4%–9% of tax-adjusted operating profit, based on a sliding scale with the minimum rate of 4% applying to operations with a tax-adjusted operating profit margin of below 40% and a maximum rate of 9% applying to operations with a tax-adjusted operating profit margin of above 75%. Production from the Tesoro North-East deposit and the Run-of-Mine processing at El Tesoro is subject to a mining tax at a rate of between 5%–14% of tax-adjusted operating profit, based on a sliding scale with the minimum rate of 5% applying to operations with a tax-adjusted operating profit margin of below 35% and a maximum rate of 14% applying to operations with a tax-adjusted operating profit margin of above 85%.

In addition to first category tax and the mining tax, the Group incurs withholding taxes on the remittance of profits from Chile and deferred tax is provided on undistributed earnings to the extent that remittance is probable in the foreseeable future. Withholding tax is levied on remittances of profits from Chile at 35% less first category tax already paid. Accordingly, during the year ended 31 December 2010 the effective tax rate of withholding tax is approximately 18% of the amount remitted or expected to be remitted.

	2010		2009	
	US$m	**%**	US$m	%
Profit before tax	**2,573.2**		1,437.6	
Tax at the Chilean corporation tax rate of 17%	**(437.4)**	**17.0**	(244.4)	17.0
Tax effect of share of results of associate	**(0.7)**	**–**	(1.0)	0.1
Effect of items not subject to or deductible from first category tax	**3.6**	**(0.1)**	(7.4)	0.5
Royalty	**(157.7)**	**6.1**	(55.1)	3.8
Withholding taxes provided in year	**(160.9)**	**6.3**	(28.1)	2.0
Exchange differences	**0.6**	**–**	18.3	(1.3)
Tax expense and effective tax rate for the year	**(752.5)**	**29.2**	(317.7)	22.1

The tax charge for the year was US$752.5 million and the effective tax rate was 29.2%. This rate varies from the standard rate principally due to the provision of withholding tax of US$160.9 million and the effect of the mining tax which resulted in a charge of US$157.7 million. In 2009 the total tax charge 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 and exchange gains of US$18.3 million on Chilean peso denominated tax prepayments due to the strengthening of the Chilean peso during the year.

11 Earnings Per Share

	2010 US$m	2009 US$m
Profit for the year attributable to equity holders of the Company (Net earnings)	**1,051.8**	667.7
Profit for the year attributable to equity holders of the Company (Net earnings) – excluding exceptional items	**991.3**	667.7

	2010 Number	2009 Number
Ordinary shares in issue throughout each year	**985,856,695**	985,856,695

	2010 cents	2009 cents
Basic earnings per share	**106.7**	67.7
Basic earnings per share – excluding exceptional items	**100.6**	67.7

Basic earnings per share is calculated as profit after tax and non-controlling interests, based on 985,856,695 ordinary shares.

There was no potential dilution of earnings per share in either year set out above, and therefore diluted earnings per share did not differ from basic earnings per share as disclosed above.

Basic earnings per share excluding exceptional items is calculated on profit after tax and non-controlling interest giving net earnings, excluding exceptional items (and related tax and non-controlling interest), of US$991.3 million.

12 Dividends

Amounts recognised as distributions to equity holders in the year:

	2010 US$m	2009 US$m	2010 US cents per share	2009 US cents per share
Final dividend paid in June (proposed in relation to the previous 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
Interim dividend paid in October				
– ordinary	**39.4**	33.5	**4.0**	3.4
	39.4	33.5	**4.0**	3.4
	236.6	561.9	**24.0**	57.0

The proposed final dividend for each year, which is subject to approval by shareholders at the Annual General Meeting and has therefore not been included as a liability in these financial statements, is as follows:

	2010 US$m	2009 US$m	2010 US cents per share	2009 US cents per share
Final dividend proposed in relation to the year				
– ordinary	**118.3**	59.2	**12.0**	6.0
– special	**985.9**	138.0	**100.0**	14.0
	1,104.2	197.2	**112.0**	20.0

This gives total dividends proposed in relation to 2010 (including the interim dividend) of 116.0 cents per share or US$1,104.2 million (2009 – 23.4 cents per share or US$230.7 million).

In accordance with IAS 32, preference dividends have been included within interest expense (see Note 9) and amounted to US$0.2 million (2009 – US$0.2 million).

Further details relating to dividends for each year are given in the Directors' Report on page 72.

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13 Intangible Assets

	Concession rights US$m	Exploration licences US$m	Total intangible assets US$m
Cost			
At 1 January 2009	144.3	125.7	270.0
Additions	52.5	–	52.5
Foreign currency exchange difference	48.3	–	48.3
At 31 December 2009 and 1 January 2010	245.1	125.7	370.8
Reclassification	5.3	–	5.3
Disposal (see Note 32)	–	(5.0)	(5.0)
Foreign currency exchange difference	20.9	–	20.9
At 31 December 2010	**271.3**	**120.7**	**392.0**
Amortisation			
At 1 January 2009	(36.4)	–	(36.4)
Charge for the year	(12.4)	–	(12.4)
Foreign currency exchange difference	(10.8)	–	(10.8)
At 31 December 2009 and 1 January 2010	(59.6)	–	(59.6)
Charge for the year	(14.7)	–	(14.7)
Foreign currency exchange difference	(6.2)	–	(6.2)
At 31 December 2010	**(80.5)**	**–**	**(80.5)**
Net book value			
At 31 December 2010	**190.8**	**120.7**	**311.5**
At 31 December 2009	185.5	125.7	311.2

The concession rights relates to the 30-year concession to operate the water rights and facilities in the Antofagasta Region of Chile which the Group's wholly-owned subsidiary, Aguas de Antofagasta S.A., acquired in December 2003 and any other subsequent additions or acquisitions subject to the terms of the concession. This intangible asset is being amortised on a straight-line basis over the life of the concession, or the useful life of any component part if less.

The exploration licences relate to the US$120.7 million value attributed to the exploration licences in the Reko Diq area of south-west Pakistan. This asset is subject to the grant of a mining lease for which an application has been made and the successful conclusion of litigation as set out in Note 38. This intangible asset will be amortised in accordance with the Group's policy for mining properties when the related mining properties enter into production.

After evaluation of the results of the exploration activities to date the Group has decided not to proceed further with the partnership with TEAL Exploration & Mining Incorporated ("TEAL"), and accordingly has withdrawn from the agreement. The US$5.0 million disposal relates to the Group's interests in the mining licences relating to the project with TEAL. Further details are disclosed in Note 32.

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 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 and 1 January 2010	905.2	2,042.6	48.2	122.2	1,894.9	1,499.3	6,512.4
Additions	5.1	0.1	–	5.3	148.1	1,223.1	1,381.7
Acquisition of subsidiary	4.1	–	–	–	–	–	4.1
Provisions capitalised	–	–	–	–	44.4	–	44.4
Reclassifications	(3.2)	383.7	15.2	5.1	648.6	(1,070.7)	(21.3)
Asset disposals	–	(1.8)	–	(1.9)	(6.8)	(1.6)	(12.1)
Foreign currency exchange difference	0.2	3.2	–	1.5	4.3	1.3	10.5
At 31 December 2010	**911.4**	**2,427.8**	**63.4**	**132.2**	**2,733.5**	**1,651.4**	**7,919.7**
Accumulated depreciation and impairment							
At 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 and 1 January 2010	(357.3)	(520.9)	(10.9)	(59.1)	(687.0)	(4.0)	(1,639.2)
Charge for the year	(70.9)	(107.4)	(1.7)	(9.7)	(72.6)	–	(262.3)
Depreciation capitalised	–	(6.7)	–	–	(29.2)	–	(35.9)
Impairments reverse	47.2	33.2	–	–	29.0	–	109.4
Asset disposals	–	0.8	–	1.6	4.9	–	7.3
Foreign currency exchange difference	–	(4.1)	–	(0.9)	(0.6)	–	(5.6)
At 31 December 2010	**(381.0)**	**(605.1)**	**(12.6)**	**(68.1)**	**(755.5)**	**(4.0)**	**(1,826.3)**
Net book value							
At 31 December 2010	**530.4**	**1,822.7**	**50.8**	**64.1**	**1,978.0**	**1,647.4**	**6,093.4**
At 31 December 2009	547.9	1,521.7	37.3	63.1	1,207.9	1,495.3	4,873.2
Assets under finance leases included in the totals above							
Net book value							
At 31 December 2010	**–**	**39.0**	**–**	**–**	**3.8**	**–**	**42.8**
At 31 December 2009	–	40.6	–	–	6.9	–	47.5

The Group has pledged assets with a carrying value of US$585.2 million (2009 – US$403.6 million) as security against bank loans provided to the Group.

At 31 December 2010 the Group had entered into contractual commitments for the acquisition of property, plant and equipment amounting to US$60.6 million (2009 – US$495.1 million). Commitments at 31 December 2010 included US$26.9 million (2009 – US$428.5 million) relating to the Esperanza project and US$21.5 million (2009 – US$49.2 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$0.5 million in 2010 (2009 – US$6.9 million).

During 2010, depreciation capitalised includes US$23.2 million (2009 – US$24.2 million) in respect of assets relating to the Esperanza project which have been capitalised within the development expenditure of that project, US$6.0 million (2009 – US$24.1 million) of depreciation in respect of assets relating to the ROM and Tesoro North-East projects which have been capitalised within inventories and US$6.7 million (2009 – $nil) of depreciation in respect of assets relating to Los Pelambres 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).

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15 Investment Property

Cost	2010 US$m	2009 US$m
Balance at the beginning of the year	**3.4**	2.7
Foreign currency exchange difference	**0.3**	0.7
Balance at the end of the year	**3.7**	3.4

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 2010 was US$11.0 million (2009 – US$11.0 million), based on an independent valuation carried out during 2008 by Gabriel Durán, who is not connected with the Group. Mr. Durán is a Forestry Engineer, Valuer and Assessor of forestry properties for Banco Itau in Chile, with extensive experience of valuation in the region where the assets are located. The valuation was based on market evidence of transaction prices for similar properties.

Direct operating expenses (principally ongoing maintenance costs) arising on these properties amounted to US$0.3 million (2009 – US$0.2 million).

16 Investments in Subsidiaries

The principal subsidiaries of the Group, the percentage of equity owned and the main country of operation are set out below. These interests are consolidated within these financial statements. The Group has restricted the information to its principal subsidiaries as full compliance with section 409 of the Companies Act 2006 would result in a statement of excessive length. A full list of subsidiaries, joint ventures and associates will be annexed to the next annual return of Antofagasta plc to be filed with the Registrar of Companies.

	Country of incorporation	Country of	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%
Atacama Aguas y Tecnología Limitada	Chile	Chile	Water distribution	100%
Servicios de Transportes Integrados Limitada	Chile	Chile	Road transport	100%
Empresa Ferroviaria Andina S.A.	Bolivia	Bolivia	Railway	50%
Minera Mulpún Limitada	Chile	Chile	Mining	100%
Minera Antucoya Limitada	Chile	Chile	Mining	100%
Twin Metals Minnesota LLC	USA	USA	Mining	40%
Forestal S.A.	Chile	Chile	Forestry	100%

The Group exercises management control over the boards of Empresa Ferroviaria Andina S.A. and Twin Metals Minnesota LLC. Accordingly, these investments are treated as subsidiaries and are consolidated in these Group financial statements.

17 Investment in Associates

	Inversiones Hornitos 2010 US$m	ATI 2010 US$m	Sunridge 2010 US$m	Total associates 2010 US$m	Total associates 2009 US$m
Balance at the beginning of the year	112.7	3.8	4.8	121.3	3.0
Acquisitions	–	–	–	–	85.9
Disposals	–	–	(2.3)	(2.3)	–
Capital (reductions)/contributions	(57.2)	–	–	(57.2)	28.6
Interest expense capitalised by associate payable to subsidiary	(0.4)	–	–	(0.4)	–
Share of net (loss)/profit before tax	(1.8)	2.4	(2.5)	(1.9)	5.5
Share of tax	(0.2)	(0.5)	–	(0.7)	(1.0)
Share of (loss)/income from associates	(2.0)	1.9	(2.5)	(2.6)	4.5
Dividends received	–	(0.8)	–	(0.8)	(0.7)
Balance at the end of the year	53.1	4.9	–	58.0	121.3

The investments which are included in the US$58.0 million balance at 31 December 2010 are set out below:

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

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

During December 2010 the Group sold its 17.8% interest in Sunridge Gold Corp ("Sunridge") for US$17.5 million resulting in a gain of US$15.1 million. Although the Group held less than a 20% interest in Sunridge, the Group's representation on the board of directors of Sunridge gave it significant influence over the entity and it was therefore accounted for as an associate.

During 2010 a capital restructuring of Inversiones Hornitos took place, with the FCAB's previous capital contributions being reduced by US$57.2 million and replaced with loan financing from the FCAB, with the FCAB contributing US$78.6 million of further loan financing to Inversiones Hornitos during the year. The balance due from Inversiones Hornitos to the Group at 31 December 2010 was US$101.1 million (year ended 31 December 2009 – US$22.5 million).

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

	Inversiones Hornitos 2010 US$m	ATI 2010 US$m	Total associates 2010 US$m	Total associates 2009 US$m
Total assets (net of fair value adjustments)	386.2	61.4	447.6	145.9
Total liabilities	(258.0)	(43.2)	(301.2)	(24.6)
Revenue	–	11.5	11.5	8.6
Profit after tax and minorities	(5.0)	6.3	1.3	4.5

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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 2010, 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$25.5 million (2009 – US$59.6 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. Further progress in this project is subject to the grant of a mining lease for which an application has been made and the successful conclusion of litigation as set out in Note 38.

The following amounts represent the Group's 50% share of the assets and liabilities, and results of the jointly controlled entity, and are included in the consolidated balance sheet and in the consolidated income statement of the Group under the proportionate consolidation method:

	2010 US$m	2009 US$m
Total non-current assets	**137.2**	137.7
Total current assets	**3.2**	4.6
Total current liabilities	**(3.9)**	(5.2)
Total non-current liabilities	**(0.3)**	(0.2)
Group's share of jointly controlled entity's net assets	**136.2**	136.9
Operating loss	**(12.8)**	(29.8)
Net finance income	**0.1**	–
Tax	**–**	–
Group's share of jointly controlled entity's results	**(12.7)**	(29.8)

In addition to these amounts, the Group incurred US$4.0 million (2009 – US$3.5 million) relating to Tethyan which is included in Corporate and other items.

b) Energía Andina S.A.

In October 2008, Energía Andina S.A. was formed as a vehicle for the exploration and exploitation of potential sources of geothermal energy. 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 2010 and 2009, Energía Andina S.A. was wholly engaged in geothermal exploration and evaluation activities and did not generate any revenue in the period after its incorporation. The operating loss resulting from Energía Andina S.A. for the year was US$6.7 million (2009 – US$2.4 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:

	2010 US$m	2009 US$m
Total current assets	**4.1**	7.3
Group's share of jointly controlled entity's net assets	**4.1**	7.3
Operating loss	**(4.0)**	(1.5)
Group's share of jointly controlled entity's results	**(4.0)**	(1.5)

19 Available-for-Sale Investments

	2010 US$m	2009 US$m
Balance at the beginning of the year	**1.2**	0.7
Additions	**12.9**	–
Movements in fair value	**6.8**	0.5
Foreign currency exchange difference	**0.9**	–
Balance at the end of the year	**21.8**	1.2

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

The investments which are included in the US$21.8 million balance at 31 December 2010 are set out below:

(i) US$19.3 million relating to the market value of shares in Duluth Metals Limited which were acquired as part of the Nokomis transaction detailed in Note 31. The fair value of these shares increased by US$5.5 million during the year.

(ii) US$2.5 million relating to the market value of shares in Panoro Minerals Limited which were acquired as part consideration for the disposal in 2008 of the Group's share of the joint venture entity Cordillera de las Minas S.A. The fair value of these shares increased by US$1.3 million during the year (2009 – an increase of US$0.5 million).

20 Inventories

	2010 US$m	2009 US$m
Raw materials and consumables	**106.4**	57.5
Work-in-progress	**234.0**	166.0
Finished goods	**44.6**	16.6
	385.0	240.1

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

(i) US$29.4 million (2009 – US$30.0 million) relating to long-term inventories at Los Pelambres.

(ii) US$4.5 million (2009 – US$5.2 million) relating to high carbonate ore inventories at El Tesoro.

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21 Trade and Other Receivables

	Due in one year		Due after one year		Total	
	2010 US$m	2009 US$m	**2010 US$m**	2009 US$m	**2010 US$m**	2009 US$m
Trade debtors	**704.1**	401.0	**0.5**	0.9	**704.6**	401.9
Other debtors	**269.6**	207.6	**42.4**	35.7	**312.0**	243.3
	973.7	608.6	**42.9**	36.6	**1,016.6**	645.2

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 55 days (2009 – 49 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.

Movements in the provision for doubtful debts were as follows:

	2010 US$m	2009 US$m
Balance at the beginning of the year	**(3.0)**	(2.3)
Charge for the year	**(0.3)**	(0.6)
Unused amounts reversed	**0.1**	0.1
Foreign currency exchange difference	**(0.2)**	(0.2)
Balance at the end of the year	**(3.4)**	(3.0)

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**
2010	**1,005.6**	**9.8**	**0.5**	**0.7**	**1,016.6**
2009	635.7	6.8	2.6	0.1	645.2

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

Other debtors include US$18.5 million (2009 – US$52.9 million) relating to prepayments for the purchase of property, plant and equipment.

22 Cash, Cash Equivalents and Liquid Investments

The fair value of cash, cash equivalents and liquid investments are not materially different from the carrying values presented. The credit risk on cash and cash equivalents is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

Cash, cash equivalents and liquid investments was comprised of:

	2010 US$m	2009 US$m
Cash and cash equivalents (restated – see Note 1)	**2,734.7**	2,590.5
Liquid investments (restated – see Note 1)	**806.9**	631.8
	3,541.6	3,222.3

US$50.9 million (2009 – nil) of cash is held in escrow accounts and is subject to certain legal restrictions.

The currency exposure of cash, cash equivalents and liquid investments was as follows:

	2010 US$m	2009 US$m
US dollars	**3,445.5**	3,006.4
Chilean pesos	**66.2**	190.8
Australian dollars	**28.7**	23.2
Sterling	**0.5**	1.2
Other	**0.7**	0.7
	3,541.6	3,222.3

Details of cross-currency swaps in place at the end of the year end are given in Note 25(e)(iii).

23 Borrowings

a) Analysis by type of borrowing

Borrowings may be analysed by business segment and type as follows:

	Notes	2010 US$m	2009 US$m
Los Pelambres			
Corporate loans	(i)	**(625.2)**	(576.9)
Short-term loans	(ii)	**–**	(245.0)
El Tesoro			
Corporate loan	(iii)	**(296.4)**	–
Finance leases	(iv)	**(0.2)**	(0.3)
Michilla			
Finance leases	(v)	**–**	(1.5)
Esperanza			
Project financing	(vi)	**(1,008.7)**	(677.6)
Subordinated debt	(vii)	**(212.4)**	(66.1)
Finance leases	(viii)	**(4.3)**	(11.8)
Corporate and other items			
Finance leases	(ix)	**(39.5)**	(37.6)
Railway and other transport services			
Loans	(x)	**(6.3)**	(6.6)
Water concession			
Finance leases	(xi)	**(0.4)**	–
Other			
Preference shares	(xii)	**(3.1)**	(3.2)
Total		**(2,196.5)**	(1,626.6)

(i) Corporate loans at Los Pelambres are unsecured and US dollar denominated. The balance of US$625.2 million represents syndicated loans of US$631.5 million less deferred financing costs of US$6.3 million. These loans have a remaining term between five and seven years and have an interest rate of LIBOR six-month plus margins between 0.9% – 1.6%.

(ii) Short-term loans at Los Pelambres outstanding at 31 December 2009 were repaid during the year ended 31 December 2010.

(iii) The corporate loan at El Tesoro are US dollar denominated. The balance of US$296.4 million represents the US$300.0 million drawn down net of deferred financing costs of US$3.6 million. This loan has approximately five years remaining, with an interest rate over the life of the loan of LIBOR six-month plus 1.2%.

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

(v) Finance leases at Michilla were repaid during the year.

(vi) The project financing at Esperanza is US dollar denominated. The balance of US$1,008.7 million represents the US$1,050.0 million drawn down net of deferred financing costs of US$41.3 million. This loan has approximately 12 years remaining, with an interest rate over the life of the loan of LIBOR six-month rate plus margins of between 1.375% – 3.000%.

The Group has used interest rate swaps to swap the floating rate interest for fixed rate interest. At 31 December 2010 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.

(vii) 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 LIBOR six-months plus 3.75%. Long-term subordinated debt provided by Group companies to Esperanza has been eliminated on consolidation.

(viii) Finance leases at Esperanza are denominated in US dollars, Chilean pesos and Unidades de Fomento (i.e. inflation-linked Chilean pesos) with a maximum remaining duration of four years and fixed rate with an average interest rate at approximately LIBOR three-month rate plus 2.8%.

(ix) Finance leases at Corporate and other items are denominated in Unidades de Fomento (i.e. inflation-linked Chilean pesos) and have a remaining duration of 19 years and a fixed rate of 5.29%.

(x) Railway and other transport services includes a balance of US$6.0 million related with bonds issued in the Bolivian stock market to refinance short-term loans with a fixed interest rate of 5.5% and duration of five years. The balance at 31 December 2010 also includes customer advances of US$0.2 million.

(xi) Finance leases at the Water concession are denominated in Unidades de Fomento (i.e. inflation-linked Chilean pesos) and have a remaining duration of 25 years and a fixed rate of 7.0%.

(xii) The preference shares are sterling-denominated and issued by the Company. There were 2,000,000 shares of £1 each authorised, issued and fully paid at 31 December 2010. 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 2010	Pesos US$m	Sterling US$m	US dollars US$m	2010 Total US$m
Corporate loans	–	–	(1,930.3)	(1,930.3)
Other loans (including short-term loans)	–	–	(218.7)	(218.7)
Finance leases	(44.4)	–	–	(44.4)
Preference shares	–	(3.1)	–	(3.1)
	(44.4)	(3.1)	(2,149.0)	(2,196.5)

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)

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 2010	Fixed US$m	Floating US$m	2010 Total US$m
Corporate loans	–	(1,930.3)	(1,930.3)
Other loans (including short-term loans)	(6.3)	(212.4)	(218.7)
Finance leases	(44.4)	–	(44.4)
Preference shares	(3.1)	–	(3.1)
	(53.8)	(2,142.7)	(2,196.5)

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)

The above floating rate corporate loans include the project financing at Esperanza, where the Group has used interest rate swaps to swap the floating rate interest for fixed rate interest. At 31 December 2010 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.

d) Maturity profile

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

At 31 December 2010	Within 1 year US$m	Between 1–2 years US$m	Between 2–5 years US$m	After 5 years US$m	2010 Total US$m
Corporate loans	(134.6)	(329.3)	(853.9)	(612.5)	(1,930.3)
Other loans	(0.2)	(1.5)	(4.6)	(212.4)	(218.7)
Finance leases	(2.8)	(3.7)	(6.5)	(31.4)	(44.4)
Preference shares	–	–	–	(3.1)	(3.1)
	(137.6)	(334.5)	(865.0)	(859.4)	(2,196.5)

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	(176.5)	(100.1)	(827.3)	(150.6)	(1,254.5)
Other loans (including short-term loans)	(250.0)	(1.6)	–	(66.1)	(317.7)
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)

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:

	2010 US$m	2009 US$m
Within 1 year	**(5.0)**	(7.4)
Between 1–2 years	**(5.7)**	(11.9)
Between 2–5 years	**(11.8)**	(10.5)
After 5 years	**(43.1)**	(42.0)
Total minimum lease payment	**(65.6)**	(71.8)
Less amounts representing finance charges	**21.2**	20.6
Present value of minimum lease payment	**(44.4)**	(51.2)

All leases are on a fixed payment basis and no arrangements have been entered into for contingent rental payments.

e) Borrowings facilities

The undrawn committed borrowing facilities available at the end of each year, in respect of which all conditions precedent had been met at those dates, were as follows:

	2010 US$m	2009 US$m
Expiring in 1 year or less	**989.1**	1,139.4
Expiring in more than 1 but not more than 2 years	**103.4**	2.0
Expiring in more than 2 years	**–**	–
	1,092.5	1,141.4

The available facilities comprise general working capital facilities at the Group's operating subsidiaries all of which were undrawn at the end of each year. Of these facilities, US$955.4 million (2009 – US$688.9 million) are denominated in US dollars, US$68.8 million (2009 – US$20.6 million) in Unidades de Fomento (i.e. inflation-linked Chilean pesos), nil (2009 – US$3.0 million) in Euro and US$68.3 million (2009 – US$93.0 million) in Chilean pesos.

In 2009 the balance of US$1,141.4 million included the undrawn element of Esperanza project finance facility.

24 Trade and Other Payables

	Due in one year		**Due after one year**		**Total**	
	2010 US$m	2009 US$m	**2010 US$m**	2009 US$m	**2010 US$m**	2009 US$m
Trade creditors	**(278.5)**	(254.4)	**–**	–	**(278.5)**	(254.4)
Other creditors and accruals	**(226.3)**	(183.2)	**(4.7)**	(12.3)	**(231.0)**	(195.5)
	(504.8)	(437.6)	**(4.7)**	(12.3)	**(509.5)**	(449.9)

Trade creditors and accruals principally comprise amounts outstanding for trade purchases and ongoing costs.

The average credit period taken for trade purchases is 32 days (2009 – 40 days).

Notes to the Financial Statements continued

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:

	2010 US$m	2009 US$m
Financial assets		
Derivatives in designated hedge accounting relationships	**1.8**	1.7
Available-for-sale investments	**21.8**	1.2
Loans and receivables (including cash and cash equivalents)	**3,751.3**	3,235.7
Fair value through profit and loss (restated)	**806.9**	631.8
Financial liabilities		
Derivatives in designated hedge accounting relationships	**(113.7)**	(85.7)
Financial liabilities measured at amortised cost	**(2,706.0)**	(2,076.5)
	1,762.1	1,708.2

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 2010 or 2009.

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$m	Total 2010 US$m	Total 2009 US$m
Financial assets					
Derivatives in designated hedge accounting relationships	–	1.8	–	**1.8**	1.7
Available-for-sale investments	21.8	–	–	**21.8**	1.2
Debtors mark-to-market	–	130.1	–	**130.1**	62.8
Fair value through profit and loss (restated)	806.9	–	–	**806.9**	631.8
Financial liabilities					
Derivatives in designated hedge accounting relationships	–	(113.7)	–	**(113.7)**	(85.7)
Creditors mark-to-market	–	(0.6)	–	**(0.6)**	–
	828.7	17.6	–	**846.3**	611.8

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 120 days after delivery to the customer, and it is therefore exposed to changes in market prices for copper and molybdenum both in respect of future sales and previous sales which remain open as to final pricing. In 2010, sales of copper and molybdenum concentrate and copper cathodes represented 93.0% 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$6.1 million (2009 – US$0.2 million) and hedging reserves in equity would have decreased by US$34.9 million (2009 – US$13.8 million).

– If the copper forward price as at the reporting date had decreased by 10 cents, net earnings would have decreased by US$5.4 million (2009 – US$0.4 million) and hedging reserves in equity would have increased by US$29.2 million (2009 – US$13.0 million).

In addition, a movement in the average copper price during the year would impact revenue and earnings. A 10 cents change in the average copper price during the year would affect net earnings by US$55.7 million (2009 – US$48.8 million) and earnings per share by 5.6 cents (2009 – 5.0 cents), based on production volumes in 2010, 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$8.9 million (2009 – US$8.2 million), and earnings per share by 0.9 cents (2009 – 0.8 cents), based on production volumes in 2010, and without taking into account the effects of provisional pricing.

(ii) Currency risk

The Group is exposed to a variety of currencies. The US dollar, however, is the currency in which the majority of the Group's sales are denominated. Operating costs are influenced by the countries in which the Group's operations are based (principally in Chile) as well as those currencies in which the costs of imported equipment and services are determined. After the US dollar, the Chilean peso is the most important currency influencing costs and to a lesser extent sales.

Given the significance of the US dollar to the Group's operations, this is the presentational currency of the Group for internal and external reporting. The US dollar is also the currency for borrowing and holding surplus cash, although a portion of this may be held in other currencies, notably Chilean pesos and sterling, to meet short-term operational and capital commitments and dividend payments.

When considered appropriate, the Group uses forward exchange contracts and currency swaps to limit the effects of movements in exchange rates in foreign currency denominated assets and liabilities. The Group may also use these instruments to reduce currency exposure on future transactions and cash flows. Details of any exchange rate derivatives entered by the Group in the year are given in Note 25(e).

The currency exposure of the Group's cash, cash equivalents and liquid investments is given in Note 22, and the currency exposure of the Group's borrowings is given in Note 23. The 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 89.

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$2.1 million (2009 – US$4.0 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$2.6 million (2009 – US$4.9 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).

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$19.9 million (2009 – US$12.3 million) and hedging reserves in equity would have increased by US$10.5 million (2009 – US$13.6 million). This does not include the effect on the income statement of changes in the fair value of the Group's liquid investments relating to the underlying investments in fixed income instruments.

(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$2.2 million (2009 – 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 Operational Review on pages 26 to 45.

(vi) Credit risk

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

The carrying value of financial assets recorded in the financial statements represents the maximum exposure to credit risk. The amounts presented in the balance sheet are net of allowances for any doubtful receivables.

(vii) Liquidity risk

The Group manages liquidity risk by maintaining adequate cash reserves and financing facilities, through the review of forecast and actual cash flows.

The Group typically holds surplus cash in demand or term deposits or highly liquid investments, which typically can be accessed or liquidated within 24 hours, and in all cases not more than five days, while the majority of borrowings comprise corporate loans at Los Pelambres, repayable over periods of up to five years, corporate loans at El Tesoro repayable over approximately four years, and corporate loans at Esperanza, repayable over approximately 12 years.

At the end of both 2010 and 2009, the Group was in a net cash position, as disclosed in Note 33. Details of cash, cash equivalents and liquid investments are given in Note 22, while details of borrowings including the maturity profile are given in Note 23. Details of undrawn committed borrowing facilities are also given in Note 23.

The following table analyses the maturity of the Group's contractual commitments in respect of its financial liabilities and derivative financial instruments. The table has been drawn up based on the undiscounted cash flows on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

Notes to the Financial Statements continued

25 Financial Instruments and Financial Risk Management continued

At 31 December 2010	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	2010 Total US$m
Corporate loans	(90.6)	(90.3)	(607.0)	(1,630.9)	(2,418.8)
Other loans (including short-term loans)	(0.2)	(0.2)	(3.5)	(3.3)	(7.2)
Finance leases	(2.3)	(2.3)	(9.0)	(50.2)	(63.8)
Preference shares	(0.1)	(0.1)	(0.2)	(*)	(0.4)
Trade and other payables	(490.5)	(14.3)	(1.6)	(3.1)	(509.5)
Derivative financial instruments	(20.4)	(34.2)	(60.0)	0.9	(113.7)
	(604.1)	(141.4)	(681.3)	(1,686.6)	(3,113.4)

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)
	(732.0)	(252.8)	(169.3)	(1,288.0)	(2,442.1)

* The preference shares pay an annual dividend of £100,000 (US$154,420) in perpetuity, and accordingly it is not possible to determine total amounts payable for periods without a fixed end date.

(viii) Capital risk management

The Group's objectives are to return capital to shareholders whilst leaving the Group with sufficient funds to progress its short, medium and long-term growth plans as well as preserving the financial flexibility to take advantage of opportunities as they may arise. This policy remains unchanged. The Group monitors capital on the basis of net cash (defined as cash, cash equivalents and liquid investments less borrowings) which was US$1,345.1 million at 31 December 2010 (2009: US$1,595.7 million), as well as gross cash (defined as cash, cash equivalents and liquid investments) which was US$3,541.6 million at 31 December 2010 (2009: US$3,222.3 million). The Group's total cash is held in a combination of demand and term deposits and managed funds investing in high quality, fixed income instruments. Some of the managed funds have been instructed to invest in instruments with average maturities greater than 90 days. These amounts are presented as liquid investments but are included in net cash for monitoring and decision-making purposes. The Group has a risk averse investment strategy. The Group's borrowings are detailed in Note 23. Additional project finance or shareholder loans are taken out by the operating subsidiaries to fund projects on a case-by-case basis.

d) Embedded derivatives – provisionally priced sales

Copper and molybdenum concentrate sale agreements and copper cathode sale agreements generally provide for provisional pricing of sales at the time or month of shipment, with final pricing being based on the monthly average London Metal Exchange copper price or monthly average molybdenum price for specified future periods. This normally ranges from 30 to 120 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 revenue in the income statement and to trade debtors in the balance sheet. The Group determines mark-to-market prices using forward prices at each period end for copper concentrate and cathode sales, and period-end monthly average prices for molybdenum concentrate sales due to the absence of a futures market for that commodity.

The mark-to-market adjustments to the balance sheet at the end of each period are as follows:

	Balance sheet net mark-to-market effect on debtors	
	2010 US$m	2009 US$m
Los Pelambres – copper concentrate	124.3	62.1
Los Pelambres – tolling charges for copper concentrates	(0.6)	(0.6)
Los Pelambres – molybdenum concentrate	0.3	(1.1)
El Tesoro – copper cathodes	4.1	2.0
Michilla – copper cathodes	1.4	0.4
	129.5	62.8

(i) Copper sales

	Los Pelambres Copper concentrate 2010 US$m	El Tesoro Copper cathodes 2010 US$m	Michilla Copper cathodes 2010 US$m	Los Pelambres Copper concentrate 2009 US$m	El Tesoro Copper cathodes 2009 US$m	Michilla Copper cathodes 2009 US$m
Provisionally invoiced gross sales	**2,826.0**	**722.2**	**317.5**	1,602.8	476.5	204.5
Effects of pricing adjustments to previous year invoices						
Reversal of mark-to-market adjustments at the end of the previous year	**(62.1)**	**(2.0)**	**(0.4)**	257.6	0.8	(0.2)
Settlement of copper sales invoiced in the previous year	**55.7**	**2.6**	**0.4**	(179.6)	0.6	1.3
Total effect of adjustments to previous year invoices in the current year	**(6.4)**	**0.6**	**–**	78.0	1.4	1.1
Effects of pricing adjustments to current year invoices						
Settlement of copper sales invoiced in the current year	**162.2**	**12.7**	**4.6**	240.2	27.7	10.3
Mark-to-market adjustments at the end of the current year	**124.3**	**4.1**	**1.4**	62.1	2.0	0.4
Total effects of adjustments to current year invoices	**286.5**	**16.8**	**6.0**	302.3	29.7	10.7
Total pricing adjustments	**280.1**	**17.4**	**6.0**	380.3	31.1	11.8
Realised gains/(losses) on commodity derivatives	**–**	**0.1**	**(81.5)**	–	(20.0)	(45.8)
Revenue before deducting tolling charges	**3,106.1**	**739.7**	**242.0**	1,983.1	487.6	170.5
Tolling charges	**(134.0)**	**–**	**–**	(125.1)	–	–
Revenue net of tolling charges	**2,972.1**	**739.7**	**242.0**	1,858.0	487.6	170.5

i) Copper concentrate

At 31 December 2010 and 31 December 2009 copper concentrate sales at Los Pelambres had an average settlement period of approximately three months after shipment date.

At 31 December 2010 sales totalling 101,900 tonnes remained open as to price, with an average mark-to-market price of 436.7 cents per pound compared with an average provisional invoice price of 381.3 cents per pound. At 31 December 2009 sales totalling 73,700 tonnes remained open as to price, with an average mark-to-market price of 334.0 cents per pound compared with an average provisional invoice price of 295.8 cents per pound.

Tolling charges include a mark-to-market gain for copper concentrate sales open as to price at 31 December 2010 of less than US$0.1 million (2009 – mark-to-market loss of US$5.1 million).

ii) Copper cathodes

At 31 December 2010 and 31 December 2009 copper cathode sales at El Tesoro and Michilla had an average settlement period of approximately one month after shipment date.

At 31 December 2010, sales totalling 12,700 tonnes remained open as to price, with an average mark-to-market price of 437.3 cents per pound compared with an average provisional invoice price of 417.9 cents per pound. At 31 December 2009, sales totalling 10,400 tonnes remained open as to price, with an average mark-to-market price of 333.5 cents per pound compared with an average provisional invoice price of 322.9 cents per pound.

(ii) Molybdenum sales

	Los Pelambres Molybdenum concentrate 2010 US$m	Los Pelambres Molybdenum concentrate 2009 US$m
Provisionally invoiced gross sales	**318.0**	189.2
Effects of pricing adjustments to previous year invoices		
Reversal of mark-to-market adjustments at the end of the previous year	**1.1**	13.3
Settlement of molybdenum sales invoiced in the previous year	**8.1**	(15.5)
Total effect of adjustments to previous year invoices in the current year	**9.2**	(2.2)
Effects of pricing adjustments to current year invoices		
Settlement of molybdenum sales invoiced in the current year	**(10.9)**	6.4
Mark-to-market adjustments at the end of the current year	**0.3**	(1.1)
Total effects of adjustments to current year invoices	**(10.6)**	5.3
Total pricing adjustments	**(1.4)**	3.1
Revenue before deducting tolling charges	**316.6**	192.3
Tolling charges	**(13.1)**	(12.2)
Revenue net of tolling charges	**303.5**	180.1

At 31 December 2010, molybdenum concentrate sales at Los Pelambres had an average settlement period of approximately two months after shipment date. Sales totalling 1,300 tonnes remained open as to price, with an average mark-to-market price of US$16.1 per pound compared with an average provisional invoice price of US$16.0 per pound.

At 31 December 2009, molybdenum concentrate 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.

Notes to the Financial Statements continued

25 Financial Instruments and Financial Risk Management continued

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 revenue. The time value element of changes in the fair value of derivative options is excluded from the designated hedging relationship, and is therefore recognised directly in the income statement within other finance items. Realised gains and losses and changes in the fair value of exchange and interest derivatives are recognised within other finance items for those derivatives where hedge accounting has not been applied. When hedge accounting has been applied the realised gains and losses on exchange and interest derivatives are recognised within other finance items and interest expense respectively.

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

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

For the year ended 31 December 2010

	Impact on income statement			Impact on reserves	Total balance sheet impact of mark-to-market adjustments
	Realised losses 2010 US$m	Gains/(losses) resulting from mark-to-market adjustments on hedging instruments 2010 US$m	Total net loss 2010 US$m	Gains/(losses) resulting from mark-to-market adjustments on hedging instruments 2010 US$m	Net financial asset/(liability) 2010 US$m
Commodity derivatives					
El Tesoro	0.1	–	0.1	(1.4)	(1.3)
Michilla	(81.5)	(16.1)	(97.6)	17.1	(76.9)
Exchange derivatives					
Los Pelambres	(0.2)	–	(0.2)	–	–
Michilla	1.5	–	1.5	–	–
Esperanza	–	–	–	1.8	1.8
Corporate and other items	–	0.2	0.2	–	–
Railway and other transport services	(4.7)	(1.6)	(6.3)	–	–
Water concession	(1.7)	1.9	0.2	–	–
Interest derivatives					
Esperanza	–	–	–	(29.8)	(35.5)
	(86.5)	(15.6)	(102.1)	(12.3)	(111.9)

US$1.5 million of the net realised losses on exchange derivatives relates to a net gain on hedging instruments at Michilla where hedge accounting has been applied and is recognised in "foreign exchange" within net finance expense (see Note 9). The remaining US$6.1 million net losses on exchange derivatives where hedge accounting has not been applied have been recognised in "foreign exchange derivatives" within net finance expense (see Note 9).

For the year ended 31 December 2009

	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)

The losses recognised in reserves are disclosed before non-controlling interests and tax.

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

	2010 US$m	2009 US$m
Analysed between:		
Current assets	**1.8**	1.7
Current liabilities	**(54.7)**	(81.2)
Non-current liabilities	**(59.0)**	(4.5)
	(111.9)	(84.0)

(ii) Outstanding derivative financial instruments

Commodity derivatives

The Group periodically uses commodity derivatives to reduce its exposure to fluctuation in the copper price.

(a) Min-max instruments

	At 31.12.10	**For instruments held at 31.12.10**			
	Copper production hedged '000 tonnes	**Weighted average remaining period from 1 January 2011 Months**	**Covering a period up to:**	**Weighted average floor US cents**	**Weighted average cap US cents**
Michilla	58,575	12.7	31.12.12	311.1	392.2

Between 1 January 2011 and 31 January 2011 nil tonnes of additional min-max instruments were entered into, and min-max instruments for 2,900 tonnes of copper production matured. As a result up to 31 January 2011:

(i) 32,775 tonnes of 2011 Group copper production had been hedged with min-max options of which 2,900 tonnes matured by 31 January 2011 and 29,875 tonnes remain outstanding and will mature by the end of the year.

(ii) 25,800 tonnes of 2012 Group copper production has been hedged with min-max options.

(b) Futures – arbitrage

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

	At 31.12.10	**For instruments held at 31.12.10**		
	Copper production hedged '000 tonnes	**Weighted average remaining period from 1 January 2011 Months**	**Covering a period up to:**	**Weighted average price US cents**
El Tesoro	8,500	4.9	31.01.12	350.3

Notes to the Financial Statements continued

25 Financial Instruments and Financial Risk Management continued

Exchange derivatives

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

Cross-currency swaps

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

	At 31.12.10	For instruments held at 31.12.10		
	Principal value of cross currency swaps held US$m	Weighted average remaining period from 1 January 2011 Months	Covering a period up to:	Weighted average rate Ch$/US$
Esperanza	10.0	1.0	06.01.11	550.3

Between 1 January 2011 and 31 January 2011 US$10.0 million of cross-currency swaps relating to Esperanza matured and US$56.6 million new cross-currency swaps relating to Railway and other transport services were entered into.

Interest derivatives

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

Interest rate swaps

The Group has used interest rate swaps to swap the floating rate interest relating to the Esperanza financing for fixed rate interest. At 31 December 2010 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	15.2.2010	15.2.2011	787.8	1.353
	2	15.2.2011	15.2.2018	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 2010 was US$0.1 million (2009 – 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 2010 by Ernst & Young, a qualified actuary in Santiago-Chile who is not connected with the Group (2009 – Raúl Benavente, a qualified actuary in Santiago-Chile who was not connected with the Group).

The main assumptions used to determine the actuarial present value of benefit obligations were as follows:

	2010	2009
Average nominal discount rate	**6.6%**	5.5%
Average rate of increase in salaries	**2.8%**	1.5%
Average staff turnover	**3.5%**	3.5%

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

	2010 US$m	2009 US$m
Current service cost (charge to operating profit)	**(11.1)**	(3.8)
Actuarial losses (charge to operating costs)	**(5.0)**	(9.5)
Interest cost (charge to interest expenses)	**(1.6)**	(1.3)
Foreign exchange charge to other finance items	**(4.3)**	(8.4)
Total charge to income statement	**(22.0)**	(23.0)

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

	2010 US$m	2009 US$m
Balance at the beginning of the year	**(48.2)**	(29.0)
Current service cost	**(11.1)**	(3.8)
Actuarial gains and losses	**(5.0)**	(9.5)
Charge capitalised	**(3.7)**	(0.4)
Reclassification	**–**	(0.4)
Interest cost	**(1.6)**	(1.3)
Paid in the year	**5.9**	4.6
Foreign currency exchange difference	**(4.3)**	(8.4)
Balance at the end of the year	**(68.0)**	(48.2)

27 Deferred Tax

The following are the major deferred tax liabilities and assets recognised by the Group and movements thereon during 2010 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 2009	(314.3)	59.0	(107.2)	(3.9)	4.0	7.0	(355.4)
(Charge)/credit to income	(37.3)	(37.2)	(27.7)	(22.5)	(12.9)	(0.1)	(137.7)
Charge capitalised	(8.4)	–	–	–	–	–	(8.4)
Charge deferred in equity	–		–	22.8	–	–	22.8
At 1 January 2010	(360.0)	21.8	(134.9)	(3.6)	(8.9)	6.9	(478.7)
(Charge)/credit to income	(44.2)	19.5	(113.5)	(18.1)	(12.8)	46.0	(123.1)
Charge capitalised	11.5	–	–	–	–	–	11.5
Credit deferred in equity	–	–	–	4.0	–	–	4.0
At 31 December 2010	**(392.7)**	**41.3**	**(248.4)**	**(17.7)**	**(21.7)**	**52.9**	**(586.3)**

The charge to the income statement of US$123.1 million (2009 – US$137.7 million charge) includes a charge for foreign exchange differences of US$2.1 million (2009 – includes a charge of US$5.1 million).

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

	2010 US$m	2009 US$m
Deferred tax assets	**110.0**	31.1
Deferred tax liabilities	**(696.3)**	(509.8)
Net deferred tax balances	**(586.3)**	(478.7)

At 31 December 2010, the Group had unused tax losses of US$311.1 million (2009 – US$40.8 million) available for offset against future profits. A deferred tax asset has been recognised in respect of the full US$311.1 million in 2010 (2009 – US$40.8 million). These losses may be carried forward indefinitely.

At 31 December 2010 and 31 December 2009, there were no other deductible temporary differences, for which no deferred tax assets were recognised in the balance sheet.

At 31 December 2010, the aggregate amount of temporary differences associated with undistributed earnings of subsidiaries for which deferred tax liabilities have not been recognised was US$3,649.9 million (2009 – US$4,047.3 million). No liability has been recognised in respect of these differences because the Group is in a position to control the timing of the reversal of the temporary differences and it is likely that such differences will not reverse in the foreseeable future.

Temporary differences arising in connection with interests in associates are insignificant.

Notes to the Financial Statements continued

28 Long-term Provisions

	2010 US$m	2009 US$m
Balance at the beginning of the year	**(127.9)**	(18.0)
Charge to operating profit in the year	**(69.6)**	(2.2)
Release of discount to net interest in the year	**(2.7)**	(1.5)
Charge capitalised	**(1.4)**	(1.3)
Capitalised adjustment to provision	**(44.4)**	(105.1)
Reclassification	**–**	0.4
Utilised in year	**1.7**	–
Foreign currency exchange difference	**(0.1)**	(0.2)
Balance at the end of the year	**(244.4)**	(127.9)
Analysed as follows:		
Decommissioning and restoration	**(243.4)**	(127.1)
Termination of Water concession	**(1.0)**	(0.8)
Balance at the end of the year	**(244.4)**	(127.9)

a) Decommissioning and restoration

Decommissioning and restoration costs relate to the Group's mining operations. Costs are estimated on the basis of a formal closure plan and are subject to regular independent formal review. It is estimated that the provision will be utilised over a period of up to 26 years based on current mine plans.

During the year ended 31 December 2010 there has been a US$65.2 million charge to operating profit in relation to increases to the restoration provision and US$44.4 million capitalised in relation to increases in the decommissioning provision at Los Pelambres following an updated independent review which reflects changes to the timing, cost and other assumptions relating to the provision. The capitalised provision balances are depreciated over the life of the corresponding asset or mine life if shorter.

b) Termination of Water concession

The provision for the termination of the Water concession relates to the provision for items of plant, property and equipment and working capital items under Aguas de Antofagasta's ownership to be transferred to the previous state-owned operator ECONSSA (formerly known as ESSAN) at the end of the concession period, and is based on the net present value of the estimated value of those assets and liabilities in existence at the end of the concession.

29 Share Capital and Other Reserves

(i) Share capital

The ordinary share capital of the Company is as follows:

	2010 Number	2009 Number	2010 US$m	2009 US$m
Authorised				
Ordinary shares of 5p each	**1,300,000,000**	1,300,000,000	**118.9**	118.9

	2010 Number	2009 Number	2010 US$m	2009 US$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 2009 or 2010. Details of the Company's preference share capital, which is included within borrowings in accordance with IAS 32, are given in Note 23a(xii).

(ii) Other reserves

Details of the share premium account, hedging, fair value and translation reserves and retained earnings for both 2009 and 2010 are included within the Consolidated Statement of Changes in Equity on page 89.

30 Non-controlling Interests

The non-controlling interests of the Group are as follows:

	At 01.01.10 US$m	Share of profit for the financial year US$m	Acquisition of non-controlling interests US$m	Capital increase US$m	Share of dividends US$m	Hedging reserves US$m	**At 31.12.10 US$m**
Los Pelambres	862.9	675.0	–	–	(648.0)	–	**889.9**
El Tesoro	232.9	94.9	–	–	(45.0)	(0.3)	**282.5**
Michilla	–	6.4	–	–	(9.7)	4.0	**0.7**
Esperanza	168.3	(3.9)	–	–	–	(6.8)	**157.6**
Twin Metals	–	(4.1)	0.8	12.5	–	–	**9.2**
Railway and other transport services	14.7	0.6	–	–	–	–	**15.3**
Total	**1,278.8**	**768.9**	**0.8**	**12.5**	**(702.7)**	**(3.1)**	**1,355.2**

31 Business Combinations

a) Twin Metals Minnesota LLC

On 21 July 2010 the Group signed a definitive Participation and Limited Liability Company Agreement pursuant to the legally binding Heads of Agreement ("HoA") signed on 14 January 2010 with Duluth Metals Limited ("Duluth"), a company listed on the Toronto Stock Exchange ("TSX"), to acquire a 40% controlling interest in the project company Twin Metals Minnesota LLC ("Twin Metals") which holds the Nokomis copper-nickel-platinum group metal ("PGM") deposit ("Nokomis"), located in the highly prospective Duluth Complex in north-eastern Minnesota, USA.

The agreement includes no transfer of consideration from Antofagasta to Duluth for the participation in Twin Metals LLC. No goodwill was generated in this transaction. The US$0.8 million attributable to the non-controlling interest is 60% of the identifiable net assets. In order to maintain its interest, Antofagasta will fund US$130 million of exploration and feasibility study expenditure over a three-year period and has the option to acquire an additional 25% of the project company (to own in aggregate 65%) upon completion of a bankable feasibility study. Although the Group only has a 40% shareholding in Twin Metals, the nature of the agreement is such that the Group has management control over the entity.

	US$m
Property, plant and equipment	4.1
Cash and cash equivalents	0.4
Trade and other payables	(3.1)
Total identifiable net assets	**1.4**

Antofagasta incurred acquisition-related costs of US$4.1 million, which is included in exploration and evaluation cost in the year to 31 December 2010 in line with the exploration and evaluation expense being incurred by this company.

Since the acquisition date Twin Metals has incurred exploration and evaluation expenditure of US$6.8 million. Had Twin Metals been consolidated from 1 January 2010 the impact on the consolidated statement of comprehensive income for the year to 31 December 2010 would have been an additional net loss of US$8.1 million.

32 Other Transactions

a) Full Metal Minerals Limited

On 10 August 2010, the Group entered into an agreement with Full Metal Minerals Limited ("Full Metal") of Canada in respect of its Pyramid copper-gold-molybdenum porphyry project in south-west Alaska. The Group has the right to earn up to a 51% interest in the project over a four-year period by funding up to US$6.0 million of exploration activities and making cash payments totalling US$0.2 million. Antofagasta will have the right to further increase its interest in the project to 65% by funding a scoping study and can then earn an additional 15% interest by funding a feasibility study.

b) Minera Picacho (Codelco)

On 20 August 2010, the Group entered into an agreement with Minera Picacho, a wholly-owned subsidiary of Corporacion Nacional del Cobre (Chile) ("Codelco"), in respect of the Cumbres prospect in Chile's Antofagasta Region. The Group has the right to earn a 60% interest over a four-year period by funding US$2.5 million in exploration (with a minimum commitment of US$0.3 million in the first year) and delivering a feasibility study within a further two years.

c) Monax Mining Limited

In September 2010 the Group entered into an agreement with Monax Mining Limited ("Monax") in respect of its Punt Hill copper-gold project in South Australia. The Group has the right to earn a 51% interest in the deposit over a four-year period by funding US$4.0 million of exploration activities, with a minimum commitment of US$1.5 million. Antofagasta will have the right to increase further its interest in the Punt Hill project to 70% by funding a further US$5.0 million of exploration and development activities.

d) TEAL Exploration & Mining Incorporated

During 2008 the Group entered into an agreement with TEAL Exploration & Mining Incorporated ("TEAL") to acquire an initial 30% interest in two of TEAL's exploration licences on the Zambian Copperbelt for a consideration of US$5.0 million. After evaluation of the results of the exploration activities to date the Group has decided not to proceed further with the partnership with TEAL, and accordingly has withdrawn from the agreement. The Group received US$3.5 million from TEAL for assigning its interests in the mining licences relating to the project.

e) International Base Metals Limited

After evaluation of the results of the exploration activities to date, the Group decided in October 2010 not to proceed further with its agreement with International Base Metals Limited of Australia in respect of its Kopermyn mining property in northern Namibia.

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

	2010 US$m	2009 US$m
Profit before tax	**2,573.2**	1,437.6
Depreciation and amortisation	**277.0**	217.5
Loss on disposal of property, plant and equipment	**9.8**	4.2
Asset impairments – reversal	**(109.4)**	–
Net finance expense	**18.7**	25.9
Share of profit of associate	**2.6**	(4.5)
Increase in inventories	**(108.8)**	(59.8)
Increase in debtors	**(336.7)**	(266.2)
Increase/(decrease) in creditors and provisions	**107.5**	(186.9)
Cash flows from operations	**2,433.9**	1,167.8

b) Analysis of changes in net cash (restated)

	At 1.1.10 US$m	Cash flows US$m	Other US$m	Exchange US$m	At 31.12.10 US$m
Cash and cash equivalents	**2,590.5**	**127.0**	**–**	**17.2**	**2,734.7**
Liquid investments	**631.8**	**175.1**	**–**	**–**	**806.9**
Total cash, cash equivalents and liquid investments	**3,222.3**	**302.1**	**–**	**17.2**	**3,541.6**
Bank borrowings due within one year	**(426.5)**	**446.5**	**(154.8)**	**–**	**(134.8)**
Bank borrowings due after one year	**(1,145.7)**	**(1,021.5)**	**153.1**	**(0.1)**	**(2,014.2)**
Finance leases due within one year	**(5.3)**	**12.8**	**(10.1)**	**(0.2)**	**(2.8)**
Finance leases due after one year	**(45.9)**	**–**	**7.9**	**(3.6)**	**(41.6)**
Preference shares	**(3.2)**	**–**	**–**	**0.1**	**(3.1)**
Total borrowings	**(1,626.6)**	**(562.2)**	**(3.9)**	**(3.8)**	**(2,196.5)**
Net cash	**1,595.7**	**(260.1)**	**(3.9)**	**13.4**	**1,345.1**

	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 (restated)	2,813.1	(275.4)	–	52.8	2,590.5
Liquid investments (restated)	544.9	86.9	–	–	631.8
Total cash, cash equivalents and liquid investments	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

c) Net cash

	2010 US$m	2009 US$m
Cash, cash equivalents and liquid investments	**3,541.6**	3,222.3
Total borrowings	**(2,196.5)**	(1,626.6)
	1,345.1	1,595.7

34 Operating Lease Arrangements

	2010 US$m	2009 US$m
Minimum lease payments under operating leases recognised in income for the year	**12.4**	14.8

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:

	2010 US$m	2009 US$m
Within one year	**10.2**	10.8
In the second to fifth years inclusive	**30.9**	18.1
After five years	**10.5**	5.4
	51.6	34.3

Operating lease payments relate mainly to rental of plant and equipment by operating subsidiaries of the Group.

35 Concession Arrangements

In 2003, the Group was awarded a 30-year concession to operate the water rights and facilities in the Antofagasta Region of Chile previously controlled by the state-owned operator ECONSSA (formerly known as ESSAN). The concession consists of two businesses, one an unregulated business supplying mines and other industrial users and the other a regulated Water business supplying domestic customers. The concession contract was signed and control of the assets and operation assumed on 29 December 2003 by Aguas de Antofagasta S.A., a wholly-owned subsidiary of the Group.

Under the concession contract, certain assets and liabilities (mainly certain specific tangible fixed assets and working capital items) were transferred to Aguas de Antofagasta by way of sale. Other assets (mainly water rights and infrastructure) were transferred by way of concession and will devolve to ESSAN at the end of the 30-year period.

Aguas de Antofagasta will also be required to transfer to ESSAN 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 ESSAN 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 2010 financial statements are as follows:

	2010	2009
Year end rates	**US$1.5406 = £1; US$1 = Ch$468**	US$1.6062 = £1; US$1 = Ch$507
Average rates	**US$1.5442 = £1; US$1 = Ch$510**	US$1.5591 = £1; US$1 = Ch$559

37 Related Party Transactions

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note. Transactions between the Group and its associates are disclosed below.

The transactions which Group companies entered into with related parties who are not members of the Group are set out below.

a) Quiñenco S.A.

Quiñenco S.A. ("Quiñenco") is a Chilean financial and industrial conglomerate, the shares of which are traded on the Santiago Stock Exchange. The Group and Quiñenco are both under the control of the Luksic family, and three Directors of the Company, Mr. J-P Luksic, Mr. G A Luksic and Mr. G S 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$5.0 million (2009 – US$2.3 million) to Madeco S.A., a subsidiary of Quiñenco. The balance due from Madeco at the end of the year was nil (2009 – was nil);
- the Group bought copper wire from Madeco for less than US$0.1 million (2009 – less than US$0.1 million);
- the Group earned interest income of US$0.5 million (2009 – US$0.1 million) during the year on deposits with Banco de Chile S.A., a subsidiary of Quiñenco. Deposit balances at the end of the year were US$1.9 million (2009 – US$31.7 million).

b) Compañía de Inversiones Adriático S.A.

In 2010, 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$0.6 million (2009 – US$0.7 million).

c) Compañía Antofagasta Terminal Internacional S.A.

As explained in Note 17, the Group acquired a 30% interest in Antofagasta Terminal Internacional S.A. ("ATI") on 16 December 2004, which has been treated in these financial statements as an associate. During 2010, the Group received a dividend of US$0.8 million from ATI (2009 – US$0.7 million).

d) Antomin Limited, Antomin 2 Limited and Antomin Investors Limited

The Group holds a 51% interest in Antomin 2 Limited ("Antomin 2") and Antomin Investors Limited ("Antomin Investors"), which own a number of copper exploration properties. The Group originally acquired its 51% interest in these properties for a nominal consideration from Mineralinvest Establishment, a company controlled by the Luksic family, which continues to hold the remaining 49% of Antomin 2 and Antomin Investors. Antofagasta has the exclusive right to acquire at fair value under certain conditions the shareholding of Mineralinvest in Antomin 2 and Antomin Investors, or the underlying properties, for a period of five years from August 2008. The Group has also committed to meet in full any exploration costs relating to the properties held by these entities.

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$12.1 million (2009 – US$31.1 million) to Tethyan, to provide funds for Tethyan's ongoing exploration and evaluation programme. The balance due from Tethyan to Group companies at the end of the year was US$0.3 million (2009 – US$0.5 million). Details of amounts relating to Tethyan included in the consolidated financial statements of the Group under the proportionate consolidation method are set out in Note 18(a).

f) Energía Andina S.A.

In October 2008 Energía Andina S.A. was formed as a vehicle for the exploration and exploitation of potential sources of geothermal energy. The company is 60% owned by the Group and 40% owned by Empresa Nacional del Petróleo ("ENAP") of Chile. The balance due from Energía Andina S.A. to the Group at 31 December 2010 was US$0.3 million (31 December 2009 – US$0.2 million).

Notes to the Financial Statements continued

37 Related Party Transactions continued

g) Minera Cerro Centinela S.A.

Minera Cerro Centinela S.A. ("Centinela"), an entity ultimately controlled by the Luksic family, has an interest of 7.973% in Minera Michilla S.A. ("Michilla"), a shareholding it has held since Michilla was created through the merger of two predecessor companies on 31 December 1993. During 2010 Michilla paid dividends of US$3.0 million to Centinela.

h) Directors and other key management personnel

Information relating to Directors' remuneration and interests are given in the Remuneration Report on pages 81 to 83. Information relating to the remuneration of key management personnel including the Directors is given in Note 8.

i) Inversiones Hornitos S.A.

In July 2009, the Group acquired a 40% interest in Inversiones Hornitos S.A. 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 2010 a capital restructuring of Inversiones Hornitos took place, with the FCAB's previous capital contributions being reduced by US$57.2 million and replaced with loan financing from the FCAB, with the FCAB contributing US$78.6 million of further loan financing to Inversiones Hornitos during the year. The balance due from Inversiones Hornitos to the Group at 31 December 2010 was US$101.1 million (year ended 31 December 2009 – US$22.5 million).

j) Sunridge Gold Corp

In October 2009 the Group acquired 17.8% of the issued share capital of Sunridge under a private placement. On 23 December 2010 the Group sold its 17.8% shareholding in Sunridge for US$17.5 million. Prior to this sale the interest was accounted for as an associate. Further details are provided in Note 17.

k) Franconia Minerals Corporation

On 20 December 2010 the Group entered into arrangements with Duluth Metals Limited in connection with Duluth's proposed acquisition of 100% of Franconia Minerals Corporation ("Franconia"). Duluth and Antofagasta have agreed that following the proposed acquisition Franconia's assets will be transferred to Twin Metals and that Antofagasta will contribute approximately C$30.0 million in cash to Duluth's acquisition of Franconia in order to, in part, maintain the 40% and 60% interests of Antofagasta and Duluth, respectively, in Twin Metals. The Group has also subscribed for an aggregate of 7,604,563 subscription receipts of Duluth, by way of private placement, for a price of C$2.63 per subscription to become an approximately 12.8% shareholder in Duluth. Further details of the acquisition are given in Note 39. Duluth is a related party of the Group for the purpose of the Listing Rules of the United Kingdom Listing Authority as it holds a substantial interest in Twin Metals.

38 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 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 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.

b) Tethyan Copper Company Limited – Chagai Hills Exploration Joint Venture

On 26 June 2007 the High Court of Balochistan at Quetta dismissed a petition which had sought to declare that the Chagai Hills Exploration Joint Venture of 1993 and the exploration licences granted to Tethyan were null and void 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 Balochistan.

The petitioners have filed a Civil Petition for Leave to Appeal ("CPLA") against the judgment. The CPLA has now been allowed by the Supreme Court, converting it into an Appeal and is hearing it on its merits together with new constitutional petitions filed before the Supreme Court. The new petitions primarily relate to whether it is in the public interest for Tethyan to receive a mining lease. On 3 February 2011, the Supreme Court issued an interim order providing, among other things, that the Government of Balochistan may not take any decision in respect of the grant or otherwise of a mining lease to Tethyan until matters before the Supreme Court are decided. Further progress on this project will be dependent on the grant of the mining lease for which an application has been made and successful conclusion of litigation which is currently in progress before the Supreme Court of Pakistan.

39 Events After the Balance Sheet Date

a) Eurasian Minerals Inc

On 18 February 2011, the Group has entered into an agreement in principle for a strategic alliance and earn-in agreement with Eurasian Minerals Inc. focused primarily on copper exploration in Sweden including the Kiruan South copper project. The Group will contribute funding of at least US$250,000 million annually for a two-year period.

The Group may earn a 51% interest in any designated property (other than the Kiruna South designated property) by spending an aggregate of US$5.0 million over five years and making a one-time cash payment on or before the fifth anniversary equal to the product obtained by multiplying 225,000lbs of copper times the average of the price of copper for the previous 30 trading days. In the case of the Kiruna South designated project, the above conditions also apply except that the earn-in commitment is US$10.0 million over five years.

The Group will also purchase 1,540,000 units from Eurasian Minerals Inc. at a price of C$3.25 per unit. Each unit will consist of one common share and one half of one common share purchase warrant. Each full warrant will entitle AMSA to purchase one additional common share of Eurasian Minerals Inc. stock for a period of two years at a purchase price of C$4.00 per unit. The placement will be subject to TSX Venture exchange approval.

b) Franconia Minerals Corporation

On 20 December 2010 the Group entered into arrangements with Duluth Metals Limited ("Duluth") in connection with Duluth's proposed acquisition of 100% of Franconia Minerals Corporation ("Franconia"). Following approval of the acquisition by Franconia's shareholders and by the Court of Queen's Bench of Alberta, Duluth completed the acquisition on 7 March 2011. Franconia's principal assets are a 70% interest in the Birch Lake Joint Venture ("BLJV") which holds the Birch Lake, Maturi and Spruce Road copper-nickel-platinum and palladium deposits that are contiguous to the Nokomis deposit held through Twin Metals. Franconia announced in November 2010 its intention to increase its ownership at the Birch Lake Project to 82% under the terms of the BLJV Agreement. The offer valued Franconia at approximately C$77 million (approximately US$77 million). Duluth and Antofagasta agreed that following the proposed acquisition, Franconia's assets will be transferred to Twin Metals. Subsequent to the year end, Antofagasta has contributed approximately C$30 million (approximately US$30 million) in cash to Duluth's acquisition of Franconia in order to, in part, maintain the 40% and 60% interests of Antofagasta and Duluth, respectively, in Twin Metals. Following the completion of Duluth's acquisition it is expected that Franconia's assets will be transferred to Twin Metals during the first half of 2011.

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 Report of the Directors on page 72.

Parent Company Financial Statements

41 Antofagasta plc – Balance Sheet of the Parent Company and Related Notes

Parent Company Balance Sheet

At 31 December 2010

	Notes	2010 US$m	2009 US$m
Fixed assets			
Investment in subsidiaries	41D	**666.3**	666.2
Current assets			
Debtors – Amounts falling due within one year			
– Other debtors		**0.5**	0.5
– Amounts owed by subsidiaries	41D	**1,203.9**	760.1
Current asset investments (term deposits)		**7.1**	9.6
Cash at bank and in hand		**1.0**	1.6
		1,212.5	771.8
Creditors – amounts falling due within one year			
Other creditors		**(1.9)**	(1.2)
Amounts owed to subsidiaries		**(299.5)**	(299.5)
		(301.4)	(300.7)
Net current assets		**911.1**	471.1
Total assets less current liabilities		**1,577.4**	1,137.3
Creditors – amounts falling due after more than one year			
Preference shares	41E	**(3.1)**	(3.2)
Total assets less total liabilities		**1,574.3**	1,134.1
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	**1,285.3**	845.1
Shareholders' funds (including non-equity interests)		**1,574.3**	1,134.1

Approved by the Board and signed on its behalf on 7 March 2011.

J-P Luksic
Chairman

C H 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 2010.

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$676.8 million (2009 – US$330.3 million).

41B Principal Accounting Policies of the Parent Company

a) Currency translation

The Company's functional currency is the US dollar. Transactions denominated in other currencies, including the issue of shares, are translated at the rate of exchange ruling on the date of the transaction. Monetary assets and liabilities, including amounts due from or to subsidiaries, are translated at the rate of exchange ruling at the end of the financial year. Exchange differences are charged or credited to the profit and loss account in the year in which they arise.

b) Revenue recognition

Interest is accounted for on an accruals basis. Dividends proposed by subsidiaries are recognised as income by the Company when they represent a present obligation of the subsidiaries, i.e. in the period in which they are formally approved for payment.

c) Dividends payable

Dividends proposed are recognised when they represent a present obligation, i.e. in the period in which they are formally approved for payment. Accordingly, an interim dividend is recognised when paid and a final dividend is recognised when approved by shareholders.

d) Investments in subsidiaries

Investments in subsidiaries represent equity holdings in subsidiaries and long-term amounts owed by subsidiaries. Such investments are valued at cost less any impairment provisions. Investments are reviewed for impairment if events or changes in circumstances indicate that the carrying amount may not be recoverable. When a review for impairment is conducted, the recoverable amount is assessed by reference to the net present value of expected future cash flows of the relevant income generating unit or disposal value if higher.

As explained in Note 41D, amounts owed by subsidiaries due in foreign currencies are translated at year end rates of exchange with any exchange differences taken to the profit and loss account.

e) Current asset investments and cash at bank and in hand

Current asset investments comprise highly liquid investments that are readily convertible into known amounts of cash and which are subject to insignificant risk of changes in value, typically maturing within 12 months.

Cash at bank and in hand comprise cash in hand and deposits repayable on demand.

f) Borrowings – preference shares

The sterling-denominated preference shares issued by the Company carry a fixed rate of return without the right to participate in any surplus. They are accordingly classified as borrowings and translated into US dollars at period end rates of exchange. Preference share dividends are included within finance costs.

g) Equity instruments – ordinary share capital and share premium

Equity instruments issued are recorded at the proceeds received, net of direct issue costs. Equity instruments of the Company comprise its sterling-denominated issued ordinary share capital and related share premium.

As explained above, the presentational and the functional currency of the Company is US dollars, and ordinary share capital and share premium are translated into US dollars at historical rates of exchange based on dates of issue.

h) Cash flow statement

The Company's individual financial statements are outside the scope of FRS 1 "Cash Flow Statements" because the Company prepares publicly available consolidated financial statements which include a consolidated cash flow statement. Accordingly, the Company does not present an individual company cash flow statement.

i) Related party disclosures

The Company's individual financial statements are exempt from the requirements of FRS 8 "Related Party Disclosures" because its individual financial statements are presented together with its consolidated financial statements. Accordingly, the individual financial statements do not include related party disclosures.

41C Employee Benefit Expense

a) Average number of employees

The average number of employees was 8 (2009 – 8)

b) Aggregate remuneration

The aggregate remuneration of the employees mentioned above was as follows:

	2010 US$m	2009 US$m
Wages and salaries	**1.6**	1.6
Social security costs	**0.2**	0.2
Post-employment benefits – severance charge in the year	**0.1**	0.1
	1.9	1.9

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

	2010 US$m	2009 US$m
Shares in subsidiaries at cost	**57.6**	57.6
Amounts owed by subsidiaries due after more than one year	**608.7**	608.6
	666.3	666.2

	Shares US$m	Loans US$m	Total US$m
1 January 2010	57.6	608.6	666.2
Loans made	–	0.1	0.1
31 December 2010	**57.6**	**608.7**	**666.3**

b) Amounts owed by subsidiaries due within one year

At 31 December 2010, amounts owed by subsidiaries due within one year were US$1,203.9 million. (2009 – US$760.1 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 2010 and 31 December 2009. As explained in Note 41B(f), the preference shares are measured in the balance sheet in US dollars at period end rates of exchange.

The preference shares are non-redeemable and are entitled to a fixed 5% cumulative dividend, payable in equal instalments in June and December of each year. On a winding-up, the preference shares are entitled to repayment and any arrears of dividend in priority to ordinary shareholders, but are not entitled to participate further in any surplus. Each preference share carries 100 votes (see Note 23a(xii)) 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 2009 (equity)	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)
At 31 December 2009 and 1 January 2010	89.8	199.2	845.1	1134.1
Profit for the financial year	–	–	676.8	676.8
Dividends paid	–	–	(236.6)	(236.6)
31 December 2010 (equity)	**89.8**	**199.2**	**1,285.3**	**1,574.3**

The ordinary shares rank after the preference shares in entitlement to dividend and on a winding-up. Each ordinary share carries one vote at any general meeting.

Other Information

Five Year Summary

	2010 US$m	2009 US$m	2008 US$m	2007 US$m	2006 US$m
Consolidated Balance Sheet					
Intangible asset[1]	**311.5**	311.2	233.6	263.6	205.3
Property plant and equipment[1]	**6,093.4**	4,873.2	3,679.7	2,623.9	2,373.7
Investment property	**3.7**	3.4	2.7	3.5	3.2
Investment in associate	**58.0**	121.3	3.0	2.5	3.5
Trade and other receivables	**42.9**	36.6	34.1	32.0	39.3
Derivative financial instruments	**–**	–	–	1.4	–
Available-for-sale investments	**21.8**	1.2	0.7	3.3	6.2
Deferred tax assets	**110.0**	31.1	12.7	14.7	3.1
Non-current assets	**6,641.3**	5,378.0	3,966.5	2,944.9	2,634.3
Current assets	**4,946.5**	4,132.5	3,988.4	2,910.6	2,450.7
Current liabilities	**(930.7)**	(995.6)	(974.7)	(366.6)	(513.9)
Non-current liabilities	**(3,131.3)**	(1,897.5)	(547.6)	(582.4)	(623.0)
	7,525.8	6,617.4	6,432.6	4,906.5	3,948.1
Share capital	**89.8**	89.8	89.8	89.8	89.8
Share premium	**199.2**	199.2	199.2	199.2	199.2
Reserves (retained earnings and hedging, translation and fair value reserves)	**5,881.6**	5,049.6	4,977.8	3,776.0	2,866.1
Equity attributable to equity holders of the Company	**6,170.6**	5,338.6	5,266.8	4,065.0	3,155.1
Non-controlling interests	**1,355.2**	1,278.8	1,165.8	841.5	793.0
	7,525.8	6,617.4	6,432.6	4,906.5	3,948.1

	2010 US$m	2009 US$m	2008 US$m	2007 US$m	2006 US$m
Consolidated Income Statement					
Group revenue	**4,577.1**	2,962.6	3,372.6	3,826.7	3,870.0
Total profit from operations and associates	**2,591.9**	1,463.5	2,553.2	2,654.8	2,805.2
Profit before tax[2]	**2,573.2**	1,437.6	2,609.5	2,750.2	2,859.0
Income tax expense	**(752.5)**	(317.7)	(519.7)	(638.4)	(664.9)
Non-controlling interests	**(768.9)**	(452.2)	(383.3)	(729.7)	(839.8)
Net earnings (profit attributable to equity holders of the Company)	**1,051.8**	667.7	1,706.5	1,382.1	1,354.3
EBITDA[3]	**2,771.9**	1,680.7	1,899.8	2,824.0	2,957.3

See footnotes on page 133.

	2010 cents	2009 cents	2008 cents	2007 cents	2006 cents
Earnings per share[4]					
Basic earnings per share	**106.7**	67.7	173.1	140.2	137.4

Dividends to Ordinary Shareholders of the Company[5]

	2010 cents	2009 cents	2008 cents	2007 cents	2006 cents
Dividends per Share Proposed in relation to the Year					
Ordinary dividends (interim and final)	**16.0**	9.4	9.0	8.6	8.2
Special dividends	**100.0**	14.0	51.0	41.0	40.0
	116.0	23.4	60.0	49.6	48.2
Dividends per share paid in the year and deducted from equity	**24.0**	57.0	49.8	49.2	24.0

	2010 US$m	2009 US$m	2008 US$m	2007 US$m	2006 US$m
Consolidated Cash Flow Statement					
Cash flow from operations	**2,433.9**	1,167.8	2,454.3	2,817.7	2,810.1
Interest paid	**(42.4)**	(27.0)	(12.5)	(20.2)	(24.6)
Dividends from associates	**0.8**	0.7	1.8	2.4	0.4
Income tax paid	**(427.9)**	(135.2)	(561.4)	(806.0)	(498.2)
Net cash from operating activities	**1,964.4**	1,006.3	1,882.2	1,993.9	2,287.7
Investing activities					
Acquisition and disposal of subsidiaries, joint venture, associates, available-for-sale investments, investing activities and recovery of VAT (restated)	**(188.0)**	(226.4)	618.5	36.3	(394.5)
Purchases and disposals of intangible assets, property, plant, and equipment	**(1,298.3)**	(1,376.1)	(1,145.7)	(481.7)	(506.6)
Interest received	**26.2**	15.8	78.8	111.3	77.6
Net cash used in investing activities	**(1,460.1)**	(1,586.7)	(448.4)	(334.1)	(823.5)
Financing activities					
Dividends paid to equity holders of the Company	**(236.6)**	(561.9)	(491.0)	(485.0)	(236.6)
Dividends paid to preference holders and non-controlling interests	**(702.9)**	(310.2)	(495.8)	(681.4)	(630.8)
New borrowings less repayment of borrowings and finance leases	**562.2**	1,177.1	177.7	(93.2)	(107.6)
Net cash used in financing activities	**(377.3)**	305.0	(809.1)	(1,259.6)	(975.0)
Net increase/(decrease) in cash and cash equivalents (restated)(6)	**127.0**	(275.4)	624.7	400.2	489.2

	2010 US$m	2009 US$m	2008 US$m	2007 US$m	2006 US$m
Consolidated Net Cash					
Cash, cash equivalents and liquid investments(6)	**3,541.6**	3,222.3	3,358.0	2,212.5	1,805.5
Short-term borrowings(4)	**(137.6)**	(431.8)	(319.0)	(101.8)	(97.6)
Medium and long-term borrowings(4)	**(2,058.9)**	(1,194.8)	(119.9)	(164.2)	(261.1)
	(2,196.5)	(1,626.6)	(438.9)	(266.0)	(358.7)
Net cash at the year end	**1,345.1**	1,595.7	2,919.1	1,946.5	1,446.8

(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 2006 have not been restated.

(2) In 2010 the consolidated income statement included a US$109.4 million reversal of an impairment charge relating to property, plant and equipment at El Tesoro which has been recorded as an exceptional item within "Total operating costs". Excluding this exceptional item, profit before tax was US$2,463.8 million. 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. 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 2010 and 2009 is reconciled to operating profit in the Financial Review on page 62.

(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.

(6) Certain 2008 and 2009 cash, cash equivalents and liquid investment balances have been reclassified as detailed in Note 1 to the financial statements.

Ore Reserves and Mineral Resources Estimates At 31 December 2010

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 Orlando Rojas (MAusIMM), Assistant Manager of Mineral Resource Evaluation 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, with the Group's attributable share for each mine shown in the 'Attributable Tonnage' column. The Group's economic interest in each mine is disclosed in the notes following the estimates on pages 138 to 140. The totals in the table may include some small apparent differences as the specific individual figures have not been rounded.

Definitions and Categories of Ore Reserves and Mineral Resources

A 'Mineral Resource' is a concentration or occurrence of material of intrinsic economic interest in or on the Earth's crust in such form, quality and quantity that there are reasonable prospects for eventual economic extraction. The location, quantity, grade, geological characteristics and continuity of a Mineral Resource are known, estimated or interpreted from specific geological evidence and knowledge. Mineral Resources are sub-divided, in order of increasing geological confidence, into Inferred, Indicated and Measured categories.

An 'Inferred Mineral Resource' is that part of a Mineral Resource for which tonnage, grade and mineral content can be estimated with a low level of confidence. It is inferred from geological evidence and assumed but not verified geological and/or grade continuity. It is based on information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes which may be limited or of uncertain quality and reliability.

An 'Indicated Mineral Resource' is that part of a Mineral Resource for which tonnage, densities, shape, physical characteristics, grade and mineral content can be estimated with a reasonable level of confidence. It is based on exploration, sampling and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes. The locations are too widely or inappropriately spaced to confirm geological and/or grade continuity but are spaced closely enough for continuity to be assumed.

A 'Measured Mineral Resource' is that part of a Mineral Resource for which tonnage, densities, shape, physical characteristics, grade and mineral content can be estimated with a high level of confidence. It is based on detailed and reliable exploration, sampling and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes. The locations are spaced closely enough to confirm geological and grade continuity.

An 'Ore Reserve' is the economically mineable part of a Measured and/or Indicated Mineral Resource. It includes diluting materials and allowances for losses, which may occur when the material is mined. Appropriate assessments and studies have been carried out, and include consideration of and modification by realistically assumed mining, metallurgical, economic, marketing, legal, environmental, social and governmental factors. These assessments demonstrate at the time of reporting that extraction could reasonably be justified.
Ore Reserves are sub-divided in order of increasing confidence into Probable Ore Reserves and Proved Ore Reserves.

A 'Probable Ore Reserve' is the economically mineable part of an Indicated, and in some circumstances, a Measured Mineral Resource. It includes diluting materials and allowances for losses which may occur when the material is mined. Appropriate assessments and studies have been carried out, and include consideration of and modification by realistically assumed mining, metallurgical, economic, marketing, legal, environmental, social and governmental factors. These assessments demonstrate at the time of reporting that extraction could reasonably be justified.

A 'Proved Ore Reserve' is the economically mineable part of a Measured Mineral Resource. It includes diluting materials and allowances for losses which may occur when the material is mined. Appropriate assessments and studies have been carried out, and include consideration of and modification by realistically assumed mining, metallurgical, economic, marketing, legal, environmental, social and governmental factors. These assessments demonstrate at the time of reporting that extraction could reasonably be justified.

Ore reserves	**Tonnage** (millions of tonnes)		**Copper** (%)		**Molybdenum** (%)		**Gold** (g/tonne)		**Attributable Tonnage** (millions of tonnes)	
	2010	2009	**2010**	2009	**2010**	2009	**2010**	2009	**2010**	2009
Group Subsidiaries										
Los Pelambres (see note (a))										
Proved	**548.4**	613.6	**0.67**	0.66	**0.021**	0.022	**0.03**	0.03	**329.1**	368.2
Probable	**884.6**	889.0	**0.63**	0.63	**0.015**	0.016	**0.03**	0.03	**530.8**	533.4
Total	**1,433.0**	1,502.6	**0.64**	0.64	**0.018**	0.018	**0.03**	0.03	**859.8**	901.6
Esperanza Sulphides (see note (b))										
Proved	**207.6**	207.2	**0.52**	0.52	**0.010**	0.010	**0.21**	0.21	**145.4**	145.0
Probable	**379.4**	376.1	**0.56**	0.56	**0.010**	0.010	**0.23**	0.23	**265.6**	263.3
Total	**587.0**	583.3	**0.55**	0.54	**0.010**	0.010	**0.22**	0.22	**410.9**	408.3
El Tesoro (see note (c))										
Open Pit, Tesoro North-East and Mirador										
Proved	**76.4**	99.0	**0.94**	0.76	**–**	–	**–**	–	**53.5**	69.3
Probable	**53.8**	6.5	**0.67**	0.94	**–**	–	**–**	–	**37.7**	4.6
Sub-total	**130.2**	105.5	**0.83**	0.77	**–**	–	**–**	–	**91.2**	73.9
El Tesoro ROM (Esperanza Oxides)										
Proved	**5.1**	49.6	**0.38**	0.37	**–**	–	**–**	–	**3.6**	34.7
Probable	**97.3**	56.4	**0.35**	0.36	**–**	–	**–**	–	**68.1**	39.5
Sub-total	**102.4**	106.0	**0.35**	0.36	**–**	–	**–**	–	**71.7**	74.2
Total	**232.7**	211.6	**0.62**	0.57	**–**	–	**–**	–	**162.9**	148.1
Michilla (see note (d))										
Proved	**1.8**	3.4	**1.56**	1.27	**–**	–	**–**	–	**1.3**	2.5
Probable	**4.0**	6.1	**1.52**	1.40	**–**	–	**–**	–	**3.0**	4.5
Total	**5.8**	9.5	**1.53**	1.35	**–**	–	**–**	–	**4.3**	7.0
Group total	**2,258.5**	2,307.0	**0.62**	0.61					**1,437.9**	1,465.0

Ore Reserves and Mineral Resources Estimates continued At 31 December 2010

Mineral Resources (including ore reserves)	**Tonnage** (millions of tonnes)		**Copper** (%)		**Molybdenum** (%)		**Gold** (g/tonne)		**Attributable Tonnage** (millions of tonnes)	
	2010	2009	**2010**	2009	**2010**	2009	**2010**	2009	**2010**	2009
Group Subsidiaries										
Los Pelambres (see note (a))										
Measured	**613.4**	687.0	**0.66**	0.65	**0.021**	0.021	**0.03**	0.03	**368.0**	412.2
Indicated	**1,247.0**	1,225.0	**0.61**	0.60	**0.014**	0.015	**0.03**	0.03	**748.2**	735.0
Measured + Indicated	**1,860.4**	1,912.0	**0.63**	0.62	**0.016**	0.017	**0.03**	0.03	**1,116.3**	1,147.2
Inferred	**3,957.9**	4,252.9	**0.48**	0.48	**0.006**	0.008	**0.04**	0.04	**2,374.8**	2,551.7
Total	**5,818.4**	6,164.9	**0.53**	0.52	**0.010**	0.011	**0.04**	0.04	**3,491.0**	3,698.9
Esperanza Sulphides (see note (b))										
Measured	**256.7**	233.8	**0.48**	0.51	**0.010**	0.011	**0.18**	0.20	**179.7**	163.7
Indicated	**634.0**	565.8	**0.47**	0.50	**0.011**	0.012	**0.17**	0.18	**443.8**	396.1
Measured + Indicated	**890.7**	799.6	**0.47**	0.50	**0.011**	0.012	**0.17**	0.19	**623.5**	559.7
Inferred	**1,031.9**	404.8	**0.31**	0.35	**0.008**	0.012	**0.06**	0.07	**722.3**	283.4
Total	**1,922.6**	1,204.4	**0.39**	0.45	**0.010**	0.012	**0.11**	0.15	**1,345.8**	843.1
El Tesoro (see note (c))										
Open Pit, Tesoro North-East and Mirador										
Measured	**86.5**	110.0	**0.91**	0.89	**–**	–	**–**	–	**60.5**	78.7
Indicated	**62.5**	53.1	**0.66**	0.69	**–**	–	**–**	–	**43.8**	44.7
Measured + Indicated	**149.0**	163.1	**0.81**	0.82	**–**	–	**–**	–	**104.3**	123.4
Inferred	**6.0**	7.0	**0.62**	0.48	**–**	–	**–**	–	**4.2**	5.3
Sub-total	**155.0**	170.1	**0.80**	0.81	**–**	–	**–**	–	**108.5**	128.7
El Tesoro ROM (Esperanza Oxides)										
Measured	**5.3**	49.6	**0.43**	0.37	**–**	–	**–**	–	**3.7**	34.7
Indicated	**97.9**	56.4	**0.32**	0.36	**–**	–	**–**	–	**68.5**	39.5
Measured + Indicated	**103.1**	106.0	**0.33**	0.36	**–**	–	**–**	–	**72.2**	74.2
Inferred	**18.1**	26.0	**0.30**	0.30	**–**	–	**–**	–	**12.7**	18.2
Sub-total	**121.3**	132.0	**0.33**	0.35	**–**	–	**–**	–	**84.9**	92.4
Total	**276.3**	302.1	**0.59**	0.61	**–**	–	**–**	–	**193.4**	221.1
Michilla (see note (d))										
Measured	**22.7**	11.3	**1.86**	2.30	**–**	–	**–**	–	**16.8**	8.4
Indicated	**20.0**	21.4	**1.69**	2.43	**–**	–	**–**	–	**14.8**	15.9
Measured + Indicated	**42.7**	32.7	**1.78**	2.39	**–**	–	**–**	–	**31.7**	24.3
Inferred	**13.6**	10.1	**1.76**	1.87	**–**	–	**–**	–	**10.1**	7.5
Total	**56.2**	42.8	**1.78**	2.27	**–**	–	**–**	–	**41.7**	31.8
Antucoya (see note (e))										
Measured	**497.3**	497.3	**0.31**	0.31	**–**	–	**–**	–	**497.3**	497.3
Indicated	**656.0**	656.0	**0.26**	0.26	**–**	–	**–**	–	**656.0**	656.0
Measured + Indicated	**1,153.4**	1,153.4	**0.28**	0.28	**–**	–	**–**	–	**1,153.4**	1,153.4
Inferred	**355.7**	355.7	**0.24**	0.24	**–**	–	**–**	–	**355.7**	355.7
Total	**1,509.1**	1,509.1	**0.27**	0.27	**–**	–	**–**	–	**1,509.1**	1,509.1

Mineral Resources (including ore reserves) continued	Tonnage (millions of tonnes)		Copper (%)		Molybdenum (%)		Gold (g/tonne)		Attributable Tonnage (millions of tonnes)	
	2010	2009	**2010**	2009	**2010**	2009	**2010**	2009	**2010**	2009
Group Subsidiaries										
Telégrafo (see note (f))										
Oxides										
Measured	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–
Indicated	**14.3**	–	**0.19**	–	**–**	–	**–**	–	**10.0**	–
Measured + Indicated	**14.3**	–	**0.19**	–	**–**	–	**–**	–	**10.0**	–
Inferred	**36.6**	–	**0.22**	–	**–**	–	**–**	–	**25.6**	–
Sub-total	**50.8**	–	**0.21**	–	**–**	–	**–**	–	**35.6**	–
Sulphides										
Measured	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–
Indicated	**1,137.7**	–	**0.40**	–	**0.015**	–	**0.13**	–	**796.4**	–
Measured + Indicated	**1,137.7**	–	**0.40**	–	**0.015**	–	**0.13**	–	**796.4**	–
Inferred	**1,539.3**	–	**0.32**	–	**0.007**	–	**0.08**	–	**1,077.5**	–
Sub-total	**2,677.0**	–	**0.36**	–	**0.010**	–	**0.10**	–	**1,873.9**	–
Total	**2,727.9**	–	**0.35**	–	**–**	–	**–**	–	**1,909.5**	–
Caracoles (see note (g))										
Oxides										
Measured	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–
Indicated	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–
Measured + Indicated	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–
Inferred	**132.4**	–	**0.50**	–	**–**	–	**–**	–	**132.4**	–
Sub-total	**132.4**	–	**0.50**	–	**–**	–	**–**	–	**132.4**	–
Sulphides										
Measured	**7.8**	–	**0.68**	–	**0.017**	–	**0.35**	–	**7.8**	–
Indicated	**676.0**	–	**0.47**	–	**0.016**	–	**0.18**	–	**676.0**	–
Measured + Indicated	**683.8**	–	**0.48**	–	**0.016**	–	**0.18**	–	**683.8**	–
Inferred	**312.7**	–	**0.38**	–	**0.014**	–	**0.18**	–	**312.7**	–
Sub-total	**996.5**	–	**0.45**	–	**0.015**	–	**0.18**	–	**996.5**	–
Total	**1,128.9**	–	**0.45**	–	**–**	–	**–**	–	**1,128.9**	–
Measured + Indicated	**6,035.1**	4,166.8	**0.48**	0.52	**–**	–	**–**	–	**4,591.4**	3,082.1
Inferred	**7,404.2**	5,056.5	**0.41**	0.45	**–**	–	**–**	–	**5,028.0**	3,221.8
Group Subsidiaries total	**13,439.3**	9,223.3	**0.44**	0.48	**–**	–	**–**	–	**9,619.4**	6,304.0
Group Joint Ventures										
Reko Diq (see note (h))										
Measured	**1,738.2**	1,738.2	**0.54**	0.54	**–**	–	**0.31**	0.31	**651.8**	651.8
Indicated	**1,244.6**	1,244.6	**0.39**	0.39	**–**	–	**0.20**	0.20	**466.7**	466.7
Measured + Indicated	**2,982.8**	2,982.8	**0.48**	0.48	**–**	–	**0.26**	0.26	**1,118.6**	1,118.6
Inferred	**2,885.0**	2,885.0	**0.35**	0.35	**–**	–	**0.18**	0.18	**1,081.9**	1,081.9
Group Joint Ventures total	**5,867.8**	5,867.8	**0.41**	0.41	**–**	–	**0.22**	0.22	**2,200.4**	2,200.4
Group total										
Measured + Indicated	**9,017.9**	7,149.7	**0.48**	0.50					**5,710.0**	4,200.7
Inferred	**10,289.2**	7,941.6	**0.39**	0.42					**6,109.8**	4,303.7
Total	**19,307.1**	15,091.3	**0.43**	0.46					**11,819.8**	8,504.4

Ore Reserves and Mineral Resources Estimates continued At 31 December 2010

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 220 cents per pound (170 cents per pound in 2009), US$12.00 per pound molybdenum (US$8.00 per pound in 2009) and US$850 per gold ounce (US$650 per gold ounce in 2009), unless otherwise noted. These same values have been used for copper equivalent (CuEq) estimates, where appropriate.

In order to ensure that the stated resources represent mineralisation that has "reasonable prospects for eventual economic extraction" (JORC code) the resources are enclosed within pit shells that were optimised based on measured, indicated and inferred resources and considering a copper price of 250 cents per pound. Mineralisation estimated outside these pit shells is not included in the resource figures unless they can expect to be exploited by underground methods.

a) Los Pelambres

Los Pelambres is 60% owned by the Group. The cut-off grade applied to the determination of ore reserves and mineral resources is 0.35% copper. For 2010 the mineral resource model has been updated with 79 in-fill drill holes for a total of 14,439 metres. In this model, more restrictive criteria for estimation have been used, incorporating recommendations included in a pre-audit report conducted by AMEC (October 2009). Density and metallurgical models have also been updated.

The decrease in ore reserves is mainly related to depletion corresponding to mine production in 2010. Other factors are related to the updated resource model that considered more restrictive estimation criteria. The final pit design has not been modified for the 2010 ore reserve estimate.

The decrease in mineral resources is related to ore depletion, refinement of the resource block model, with more restrictive estimation criteria, and the methodology applied in 2010 to limit the resource estimation to those resources contained within an unsmoothed, optimised pit shell (using all resource categories and a copper price of 250 cents per pound). Additionally, there is a decrease resulting from the elimination of the resources falling within the Las Tigresas concessions (which are 100% owned by the Group, not directly by Los Pelambres), which are adjacent to the concessions owned by Los Pelambres.

b) Esperanza Sulphides

Esperanza is 70% owned by the Group. The cut-off grade applied to the determination of ore reserves is 0.20% equivalent copper, with 0.15% copper used as a cut-off grade for mineral resources (which is a change from 0.20% copper used in 2009).

During 2010 a small part of ore reserves were depleted to feed the concentrator plant. The small increase in ore reserves is related to mixed (oxide and sulphide) material that was considered as a ROM oxide resource in the original block model but has now been redefined as mill feed for the Esperanza concentrator plant. The final pit design has not been modified for the 2010 ore reserve estimate.

During 2010 the Esperanza block model was updated with the incorporation of 15 in-fill drill holes for a total of 2,914 metres. The focus of this programme was to better identify the oxide/sulphide interface. Included in the updated block model is a reinterpretation of the estimation parameters to define inferred resources. This resulted in a significant increase in this category of resources in the estimate.

Mineral resources have been limited to those contained within an unsmoothed, optimised pit shell using a copper price of 250 cents per pound. The optimised pit shell used to limit mineral resources is based on an integrated block model that joins the Esperanza and Telégrafo orebodies into one model.

c) El Tesoro

El Tesoro is 70% owned by the Group. The ore reserves and mineral resources are made up of the El Tesoro, Tesoro North-East and Mirador deposits, which are processed by heap leaching, and the Run-of-Mine (ROM) Oxide ore reserves and mineral resources from the Esperanza Mine, located five kilometres south-east of El Tesoro. An agreement was entered into in 2008 whereby the Esperanza Oxide mineral resources were purchased by El Tesoro for a one-time payment.

Esperanza delivers the ROM ore released during the pre-stripping and operating phases of the Esperanza operation to a permanent leach pad constructed and operated by the El Tesoro mine. At the request of El Tesoro, some of the higher grade Esperanza oxide ore is sent directly to the El Tesoro heap leach pads.

The cut-off grade used for estimation of ore reserves and mineral resources for the El Tesoro and Tesoro North-East deposits is 0.41% copper. The cut-off grade used for estimation of ore reserves and mineral resources for the Mirador deposit is 0.30% copper, reflecting higher projected recoveries and lower acid consumption for the Mirador deposit (in the 2010 Mid-year Update, the cut-off grade used for the Mirador deposit was 0.35% copper). Ore reserves for Mirador increased from 22.2 million tonnes, as reported in the 2010 Mid-year Update, to 25.1 million tonnes in this report.

Proved and probable ore reserves for the El Tesoro open pits were depleted by 5.6 million tonnes as plant feed (the remainder of plant feed came from higher grade Esperanza oxides). For 2010, the significant increase in ore reserves is related to the incorporation of the Mirador deposit into ore reserve figures.

Two principal factors are responsible for the decrease in mineral resources compared to 2009 (the 2009 figures have been modified to incorporate the Mirador deposit mineral resources into the El Tesoro portion of the table, with the Attributable Tonnage values for 2009 reflecting the 100% ownership interest in Mirador at that time). An increase in mineral resources, related to the inclusion of stockpiled ore which was omitted from the 2009 report, has been more than offset by a reduction in mineral resources as a result of the methodology applied in 2010 to limit the resource estimation to those resources contained within an unsmoothed, optimised pit shell (using all resource categories and a copper price of 250 cents per pound).

The cut-off grade used for estimation of both ore reserves and mineral resources for the El Tesoro ROM (Esperanza Oxides) is 0.20% copper. During the year, 28.4 million tonnes of oxide ore reserves were extracted from the Esperanza pit, of which 4.1 million tonnes of higher grade oxide ore were delivered directly to the El Tesoro heap leach pads and subsequently depleted. A total of 37.1 million tonnes are in the ROM leach pads and have been partially leached, and another 25.4 million tonnes have been delivered to the ROM leach pads or stockpiles and have not yet been put under leach.

This year the Esperanza resource model has been updated (see note "b") which results in a small portion of the original ROM oxide resource (higher grade mixed oxides and sulphides) being redefined as mill feed for the Esperanza concentrator plant.

d) 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% copper for open pits, 1.2% copper for the Estefanía underground mine and 1.0% copper for other workings.

During 2010 ore reserves were depleted by a net 3.7 million tonnes. Plant feed was 5.2 million tonnes, with the difference coming from additional ore not considered in the mine plan. The ore reserve estimate for 2010 is still based on a mine plan developed in 2009 that extends to 2012. Mine staff have been working on in-fill drilling and evaluation studies to extend the mine plan to 2015 and potentially beyond. During 2010 in-fill and exploration drilling was carried out on the Estefanía/Lince deposits and on several other satellite deposits for a total of 86,650 metres in 493 drill holes.

The 2010 mineral resources estimate includes several changes from 2009. The most substantive change is the incorporation of the Aurora deposit into the Michilla mineral resources. The Aurora deposit was previously accounted for in the 'Other Mineral Inventory' section of the notes. Another relevant change is a reversion of the 2009 decision to include the Lince mineral resources, not included in the existing open pit mine plan, as underground resources with a cut-off grade of 1.0% copper. Upon further review, there is a potential for one or two more push-backs in the Lince open pit.

As a result, as in other projects, the open pit mineral resource estimate includes those resources contained within an unsmoothed, optimised pit shell (using all resource categories and a copper price of 250 cents per pound) and applying a cut-off grade of 0.40% copper within the pit shell. This same methodology was applied to two other areas that have potential for open pit exploitation: the Aurora and Nucleo deposits. The mineral resources estimate for Michilla includes several resource block models, incorporating the multiple deposits on the property. A portion of the extensive drilling programme carried out in 2009 and continuing in 2010 has been included in resource block model updates for the 2010 mineral resources estimates. The ore reserve estimate has not yet fully incorporated these changes in the resource block models.

Not included in the mineral resources estimate is the spent ore deposited on site. This is material that is removed from the dynamic heap leach pads after the primary leach cycle is completed. Since the beginning of the Lince project in 1994 between 65 and 70 million tonnes of spent ore has been deposited in a spent ore dump, adjacent to the dynamic leach pads. The grade of this material is expected to be in the range of 0.20 to 0.30% copper. During 2010 testwork was done on an industrial scale to determine the potential viability of re-leaching this material by removing it from the spent ore dump and placing it under leach on the dynamic pads. Testwork will continue in 2011 and it is expected that spent ore will contribute an increasing amount to copper production through this re-leaching process.

e) Antucoya

Antucoya is 100% owned by the Group. A feasibility study on the project, which started in 2009, will be complete in 2011. The concept for processing is a combination of heap leaching on dynamic pads and Run-of-Mine (ROM) leaching on permanent pads.

There have been no changes to mineral resources estimated for Antucoya. The cut-off grade applied to the mineral resources estimate is 0.10% copper and include those mineral resources contained within an unsmoothed, optimised pit shell using a copper price of 250 cents per pound.

f) Telégrafo

Telégrafo is owned 70% by the Group and is adjacent to the Esperanza deposit. This is a project which was reported in 'Other Mineral Inventory' in 2009 and was included into resource figures in the "2010 Mid-year Update to Ore Reserves and Mineral Resources Estimates".

During the second half of 2010 an upgrade of the resource block model was carried out incorporating the results from 98 in-fill drill holes for a total of 44,389 metres, and also an update to the geological and grade models. The cut-off grade applied to the mineral resources estimate is 0.15% copper for both oxides and sulphides and include those mineral resources contained within an unsmoothed, optimised pit shell using a copper price of 250 cents per pound. This is a change from the cut-off grade used in the Mid-year Update, which was 0.20% copper. The optimised pit shell used to limit mineral resources is based on an integrated block model that joins the Esperanza and Telégrafo orebodies into one model.

g) Caracoles

Caracoles is owned 100% by the Group. This is a project which was reported in "Other Mineral Inventory" in 2009 and was included into resource figures in the "2010 Mid-year Update to Ore Reserves and Mineral Resources Estimates". There have been no changes to the mineral resources estimate during the second half of 2010. The cut-off grade is 0.20% copper for both oxides and sulphides and include those mineral resources contained within an unsmoothed, optimised pit shell using a copper price of 250 cents per pound.

h) 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.

There have been no changes to the mineral resources estimate for Reko Diq. 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 725 dollars per ounce. The mineral resources are those contained within unsmoothed optimised pit shell using the same prices.

i) Other Mineral Inventory

In addition to the Mineral Resources noted above, the Group has interests in other deposits located in the Antofagasta Region of Chile, some of them containing gold and/or molybdenum. At the moment they are in exploration or in the process of resource estimation. The potential quantity and grade of each of the deposits is conceptual in nature, there has been insufficient exploration to define these deposits as mineral resources, and it is uncertain if further exploration will result in the determination of a mineral resource. These include:

(i) In the Sierra Gorda District

In the Sierra Gorda District the Group has two operations (El Tesoro and Esperanza) and others in exploration or under study, such as: Llano-Paleocanal (70% owned by the Group); Centinela (51% owned by the Group); and Polo Sur (100% owned by the Group). The Mineral Inventory of these deposits (incorporating both oxide and sulphide mineralisation) is estimated to be in the range of 450 to 690 million tonnes with grades in the range of 0.54% to 0.44% copper. The table below lists each of the mineral deposits with its associated tonnage and grade ranges, the number of drill holes and associated metres drilled, as well as the Group's ownership interest:

Mineral deposit	Tonnes range (million tonnes)		Grade range (% Cu)		Number drill holes	Total metres	Ownership interest (%)
Llano – Paleocanal	90	140	0.51	0.41	79	17,100	70.0
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
Total	**450**	**690**	**0.54**	**0.44**	**315**	**77,500**	

Ore Reserves and Mineral Resources Estimates continued At 31 December 2010

Notes to Ore Reserves and Mineral Resources Estimates continued

(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 is at least one other deposit within a potentially economic radius of the Michilla mine: Rencoret, owned 100% by the Group.

Mineral deposit	Tonnes range (million tonnes)		Grade range (% Cu)		Number drill holes	Total metres	Ownership interest (%)
Rencoret	15	25	1.22	1.00	31	8,300	100.0
Total	**15**	**25**	**1.22**	**1.00**	**31**	**8,300**	

(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 (with oxide and sulphide mineralisation), while Brujulina is an exotic-style mineral deposit (oxide mineralisation only). The Mineral Inventory of these deposits is estimated to be in the range of 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**	

j) Antomin 2 and Antomin Investors

The Group has an approximately 51% interest in two indirect subsidiaries, Antomin 2 Limited ("Antomin 2") and Antomin Investors Limited ("Antomin Investors Limited"), which own a number of copper exploration properties in Chile's Antofagasta Region and Coquimbo Region. These include (but are not limited to) Centinela (see Note i(i) above) and Conchi and Brujulina (see Note i(iii) above). The remaining approximately 49% of Antomin 2 and Antomin Investors is owned by Mineralinvest Establishment ("Mineralinvest"), a company controlled by the Luksic family.

The Group has the exclusive right to acquire, at fair value under certain conditions, the shareholding of Mineralinvest in Antomin 2 Limited and Antomin Investors, or the underlying properties, for a period of five years from August 2008. The Group also has committed to meet in full any exploration costs relating to the properties held by these two entities.

Further details are set out in Note 37(d) to the financial statements.

k) Twin Metals Minnesota LLC (Nokomis project) and Franconia Minerals Corporation (Birch Lake project)

In January 2010 the Group announced an agreement to acquire 40% of the Nokomis project, owned 100% by Duluth Metals Limited ("Duluth"). The deal closed in July 2010 and the joint venture Twin Metals Minnesota LLC ("Twin Metals") was created as the operating company for the Nokomis project, a copper-nickel-platinum group metal ("PGM") deposit located in north-east Minnesota, USA. See press releases of 14 January and 21 July, 2010 for more information.

In December 2010 the Group announced an agreement to indirectly acquire the Franconia Minerals Corporation ("Franconia") 70% participation in the Birch Lake project, located adjacent to the Nokomis project in Minnesota, through the Twin Metals joint venture (owned 40% by the Group). Franconia announced in November 2010 its intention to increase its participation in the Birch Lake project to 82%. See press release of 20 December, 2010 for more information. As explained in Note 39, following approval of the acquisition by Franconia's shareholders and by the Court of Queen's Bench of Alberta, Duluth completed the acquisition on 7 March, 2011.

Nokomis project

Duluth, the Group's partner, published an NI 43-101 compliant resource estimate consisting of 550 and 274 million tonnes of indicated and inferred resource, respectively, with a combined copper grade of approximately 0.6% and a combined copper equivalent grade of approximately 1.5% taking into account the nickel, platinum, palladium and gold content. At the time of reporting, the Group is in the process of reviewing the existing mineral resource estimate with a view to incorporating information from the significant drilling campaign and testwork that was undertaken during 2010 into an updated resource model to support further studies.

Birch Lake project

Franconia has published NI 43-101 compliant resource estimates for the Birch Lake deposit, the Maturi deposit and the Spruce Road deposit. The Birch Lake deposit is reported to consist of 177 and 40 million tonnes of indicated and inferred resource respectively, with a combined copper grade of approximately 0.5% and a combined copper equivalent grade of approximately 1.2%. The Maturi deposit is reported to consist of 120 million tonnes of inferred resource with a copper grade of 0.67% and with additional values for nickel, cobalt and PGMs. The Spruce Road deposit is reported to consist of inferred resources of 124 million tonnes with a copper grade of 0.59%, and a nickel grade of 0.21%.

Mining Production and Sales, Transport and Water Statistics

Production and sales volumes, realised prices and cash cost by mine	Production		Sales		Cash costs		Realised prices	
	2010 '000 tonnes	2009 '000 tonnes	**2010 '000 tonnes**	2009 '000 tonnes	**2010 US cents**	2009 US cents	**2010 US cents**	2009 US cents
Copper								
Los Pelambres	**384.6**	311.6	**379.1**	313.6	**79.3**	80.4	**371.7**	286.8
El Tesoro	**95.3**	90.2	**95.3**	89.8	**169.2**	123.4	**351.9**	246.3
Michilla	**41.2**	40.6	**41.6**	39.5	**183.8**	157.6	**263.8**	195.7
Group total	**521.1**	442.5	**516.0**	442.9				
Group weighted average (net of by-products)					**104.0**	96.3	**359.3**	270.6
Cash cost at Los Pelambres comprise								
On-site and shipping costs					**106.8**	95.3		
Tolling charges for concentrates					**17.6**	19.2		
Cash cost before deducting by-product credits					**124.4**	114.5		
By-product credits (principally molybdenum)					**(45.1)**	(34.1)		
Cash cost (net of by-product credits)					**79.3**	80.4		
LME average							**342.0**	234.2
Molybdenum								
Los Pelambres	**8.8**	7.8	**8.9**	7.7			**16.2**	11.3
Market average price							**15.7**	11.1

Quarterly information	Q1	Q2	Q3	Q4	**2010 Year**	2009 Year
Group total						
Total copper production volume ('000 tonnes)	117.7	135.2	140.7	127.5	**521.1**	442.5
Total copper sales volume ('000 tonnes)	117.0	112.3	159.1	127.6	**516.0**	442.9
Total molybdenum production volume ('000 tonnes)	1.8	2.7	2.2	2.1	**8.8**	7.8
Total molybdenum sales volume ('000 tonnes)	1.6	2.5	2.2	2.6	**8.9**	7.7
Weighted average realised copper price (cents per pound)	338.1	264.3	370.2	449.0	**359.3**	270.6
Realised molybdenum price (dollars per pound)	19.9	14.8	15.4	15.9	**16.2**	11.3
Weighted average cash costs (cents per pound)						
– excluding by-product credits and tolling charges	115.9	111.8	124.2	145.4	**124.3**	106.8
– excluding by-product credits	128.8	124.5	138.3	157.7	**137.3**	120.3
– net of by-product credits	94.7	88.7	109.0	123.4	**104.0**	96.3

Mining Production and Sales, Transport and Water Statistics continued

Quarterly information	Q1	Q2	Q3	Q4	**2010 Year**	2009 Year
Los Pelambres (60% owned)						
Daily average ore treated ('000 tonnes)	137.9	174.3	169.9	155.4	**159.4**	129.2
Average ore grade (%)	0.78	0.76	0.77	0.74	**0.76**	0.74
Average recovery (%)	89.5	90.2	89.8	90.4	**90.0**	92.1
Concentrate produced ('000 tonnes)	244.6	322.0	317.1	277.0	**1,160.7**	951.1
Average concentrate grade (%)	35.3	33.8	34.1	34.4	**34.4**	33.9
Fine copper in concentrate ('000 tonnes)	86.4	106.1	110.0	95.5	**398.0**	322.6
Payable copper in concentrate – production volume ('000 tonnes)	83.5	102.5	106.2	92.3	**384.6**	311.6
Payable copper in concentrate – sales volume ('000 tonnes)	83.9	78.5	123.8	92.9	**379.1**	313.6
Average moly ore grade (%)	0.019	0.021	0.017	0.019	**0.019**	0.020
Average moly recovery (%)	76.7	84.3	81.2	81.5	**81.3**	81.1
Payable moly in concentrate – production volume ('000 tonnes)	1.8	2.7	2.2	2.1	**8.8**	7.8
Payable moly in concentrate – sales volume ('000 tonnes)	1.6	2.5	2.2	2.6	**8.9**	7.7
Copper realised price (cents per pound)	348.6	256.5	383.1	474.9	**371.7**	286.8
On-site and shipment costs (cents per pound)	103.9	93.8	102.9	128.3	**106.8**	95.3
Tolling charges for concentrates (cents per pound)	18.2	16.7	18.6	17.0	**17.6**	19.2
Cash costs (before by-product) (cents per pound)	122.1	110.5	121.5	145.3	**124.4**	114.5
By-product credits (cents per pound)	(48.1)	(47.2)	(38.8)	(47.3)	**(45.1)**	(34.1)
Cash costs (cents per pound)	74.1	63.3	82.7	98.0	**79.3**	80.4
El Tesoro (70% owned)						
Daily average ore treated ('000 tonnes)	24.2	25.9	26.9	28.7	**26.4**	26.2
Average ore grade (%)	1.24	1.15	1.04	0.98	**1.10**	1.25
Average recovery (%)	78.8	69.7	66.7	71.5	**71.7**	73.0
Copper cathodes – production volume ('000 tonnes)	24.4	22.9	24.1	23.8	**95.3**	90.2
Copper cathodes – sales volume ('000 tonnes)	22.5	24.1	24.8	23.9	**95.3**	89.8
Copper realised price (cents per pound)	336.5	304.0	347.7	419.9	**351.9**	246.3
Cash costs (cents per pound)	134.3	159.8	190.2	192.8	**169.2**	123.4

Quarterly information	Q1	Q2	Q3	Q4	**2010 Year**	2009 Year
Michilla (74.2% owned)						
Daily average ore treated ('000 tonnes)	13.3	15.0	14.0	14.0	**14.1**	15.1
Average ore grade (%)	1.04	0.94	1.06	1.09	**1.03**	0.96
Average recovery (%)	77.9	75.6	78.9	77.9	**77.6**	77.5
Copper cathodes – production volume ('000 tonnes)	9.8	9.7	10.4	11.3	**41.2**	40.6
Copper cathodes – sales volume ('000 tonnes)	10.6	9.7	10.5	10.8	**41.6**	39.5
Copper realised price (cents per pound)	258.5	228.7	272.2	292.6	**263.8**	195.7
Cash costs (cents per pound)	172.3	188.6	189.4	184.3	**183.8**	157.6
Transport (100% owned)						
Rail tonnage transported ('000 tons)	1,502	1,537	1,526	1,619	**6,184**	6,335
Road tonnage transported ('000 tons)	492	490	431	506	**1,919**	1,505
Water (100% owned)						
Water volume sold – potable and untreated ('000m^3)	11,349	11,397	11,164	12,392	**46,302**	43,736

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 185,000 m^3 in Q1; 253,000 m^3 in Q2; 318,000 m^3 in Q3, 299,000 m^3 in Q4 and total for 2010 of 1,055,000 m^3 (343,000 m^3 in Q1 2009; 302,000 m^3 in Q2 2009; 242,000 m^3 in Q3 2009; 240,000 m^3 in Q4 and total for 2009 of 1,128,000 m^3).

e) The totals in the table may include some small apparent differences as the specific individual figures have not been rounded.

Other Information

Glossary and Definitions

Business, Financial and Accounting

ADASA	Aguas de Antofagasta S.A., a wholly-owned subsidiary of the Group incorporated in Chile and operating the Water concession in Chile's Antofagasta Region acquired from ECONSSA.
ADR	American Depositary Receipt.
AIFR	All Injury Frequency Rate.
AMSA	Antofagasta Minerals S.A., a wholly-owned subsidiary of the Group incorporated in Chile which acts as the corporate centre for the mining division.
Annual Report	The Annual Report and Financial Statements 2010 of Antofagasta plc.
Antomin	Antomin Limited, a wholly-owned subsidiary of the Group incorporated in Jersey (a 51%-owned subsidiary until 25 August 2008).
Antucoya	Copper project located approximately 45 kilometres east of Michilla.
ATI	Antofagasta Terminal Internacional S.A., a 30%-owned associate of the Group incorporated in Chile and operating the port in the city of Antofagasta.
Australian dollars	Australian currency.
Banco de Chile	Banco de Chile, a subsidiary of Quiñenco.
Barrick Gold	Barrick Gold Corporation, the joint venture partner of the Group in Tethyan.
Board	The Directors of Antofagasta plc who collectively have responsibility for the conduct of the Group's business.
Capex	Capital expenditure(s).
Caracoles	Compañía Contractual Minera Caracoles, a wholly-owned subsidiary of the Group incorporated in Chile (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.
Compañía Minera Milpo	Compañía Minera Milpo S.A.A. of Peru is a former owner of a 18.5% interest in Caracoles, acquired by the Group in February 2009.
Companies Act 2006	Principal legislation for United Kingdom company law.
Company	Antofagasta plc.
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.
Franconia	Franconia Minerals Corporation, incorporated in the United States which has a 70% interest in the Birch Lake Joint Venture.
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.
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.
Twin Metals	Twin Metals Minnnesota LLC, a 40%-owned subsidiary of the Group incorporated in the United States.
UK	United Kingdom.
UKLA	United Kingdom Listing Authority.
US	United States.
US dollars	United States currency.

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Glossary and Definitions continued

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.
Concentrate	The product of a physical concentration process, such as flotation or gravity concentration, which involves separating ore minerals from unwanted wasted rock. Concentrates require subsequent processing (such as smelting or leaching) to break down or dissolve the ore minerals and obtain the desired elements, usually metals.
Contained Copper	The proportion or quantity of copper contained in a given quantity of ore or concentrate.
Copper Cathode	Refined copper produced by electrolytic refining of impure copper by electro-winning.
Cut-off Grade	The lowest grade of mineralised material considered economic to process and used in the calculation of ore reserves and mineral resources.
Flotation	A process by which chemicals are added to materials in a solution which are attracted to bubbles and float, whilst other materials sink, resulting in the production of concentrate.
Grade A Copper Cathode	Highest quality copper cathode (LME registered and certificated in the case of Michilla and El Tesoro).
Greenfield Project	The development or exploration of a new project not previously examined.
Heap Leaching	A process for the recovery of copper from ore. The crushed material is laid on a slightly sloping, impermeable pad and leached by uniformly trickling (gravity fed) chemical solution through the beds to ponds. The metal is then recovered from the solution through the SX-EW process.
JORC	Joint Ore Reserves Committee of Australia.
Leaching	The process by which a soluble mineral can be economically recovered by dissolution.
LOM or Life Of Mine	The remaining life of a mine expressed in years, calculated by reference to scheduled production rates (i.e. comparing the rate at which ore is expected to be extracted from the mine to current defined reserves).
Mineral Resources	Material of intrinsic economic interest occurring in such form and quantity that there are reasonable prospects for eventual economic extraction. Mineral resources are stated inclusive of ore reserves, as defined by JORC.
MW	Megawatts (one million watts).
Open Pit	Mine working or excavation which is open to the surface.
Ore	Rock from which metal(s) or mineral(s) can be economically and legally extracted.
Ore Grade	The relative quantity, or the percentage, of metal content in an ore body or quantity of processed ore.
Ore Reserves	Part of Mineral Resources for which appropriate assessments have been carried out to demonstrate at a given date extraction could be reasonably justified and which include consideration of and modification by realistically assumed mining, metallurgical, economic, marketing, legal, environmental, social and governmental factors.
Oxide and Sulphide Ores	Different kinds of ore containing copper. Oxide ore occurs on the weathered surface of ore-rich lodes and normally results in the production of cathode copper through a heap-leaching process. Sulphide ore comes from an unweathered parent ores process and normally results in the production of concentrate through a flotation process which then requires smelting and refining to produce cathode copper.
Payable Copper	The proportion or quantity of contained copper for which payment is received after metallurgical deduction.
Porphyry	A large body of rock which contains disseminated chalcopyrite and other sulphide minerals. Such a deposit is mined in bulk on a large scale, generally in open pits, for copper and its by-product molybdenum.
Price Participation	Part of the tolling charges for copper concentrate under a sales agreement, usually in addition to TC/RCs and calculated as a percentage of the difference between the copper price at final pricing and an agreed reference copper price, and which may result in an increase or decrease to TC/RCs.
Price Sharing	Tolling charges calculated under a sales agreement as an agreed percentage of the price for the metal contained in copper concentrate, as an alternative to TC/RCs and/or price participation.
Run-of-Mine (ROM)	A process for the recovery of copper from ore, typically used for low-grade ores. The mined, uncrushed ore is leached with a chemical solution. The metal is then recovered from the solution through the SX-EW process.
Stockpile	Material extracted and piled for future use.
SX-EW	Solvent-Extraction and Electro-Winning. A process for extracting metal from an ore and producing pure metal. First the metal is leached into solution; the resulting solution is then purified in the solvent-extraction process; the solution is then treated in an electro chemical process (electro-winning) to recover cathode copper.
Tailings Dam	Construction used to deposit the rock waste which remains as a result of the concentrating process after the recoverable minerals have been extracted in concentrate form.
TC/RCs	Treatment and refining charges, being terms used to set the smelting and refining charge or margin for processing copper concentrate and normally set either on an annual basis or on a spot basis.
Tolling Charges	Charges or margins for converting concentrate into finished metal. These include TC/RCs, price participation and price sharing for copper concentrate and roasting charges for molybdenum concentrate.
Tpd	Tonnes per day, normally with reference to the quantity of ore processed over a given period of time expressed as a daily average.
Underground Mine	Natural or man-made excavation under the surface of the Earth.

Currency Abbreviations

US cents – Cents of US dollars.

US$ – US dollar.

US$'000 – Thousand US dollars.

US$m – Million US dollars.

£ – Pounds sterling.

£'000 – Thousand pounds sterling.

£m – Million pounds sterling.

p – pence.

C$m – Million Canadian dollars.

Ch$ – Chilean peso.

CH$'000 – Thousand Chilean pesos.

Ch$m – Million Chilean pesos.

A$ – Australian dollars.

A$'000 – Thousand Australian dollars.

A$m – Million Australian dollars.

Definitions and Conversion of Weights and Measures

g/t – grammes per tonne.

lb – pound.

Ounce or oz – a troy ounce.

'000 m^3 – thousand cubic metres.

'000 tonnes – thousand tonnes.

1 kilogramme = 2.2046 pounds.

1 metric tonne = 1,000 kilogrammes.

1 kilometre = 0.6214 miles.

1 troy ounce = 31.1 grammes.

Chemical Symbols

Cu – Copper.

Mo – Molybdenum.

Au – Gold.

Ag – Silver.

Other Information

Shareholder Information

Annual General Meeting and Class Meetings

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, 8 June 2011.

Shareholder calendar 2011

4 May 2011	Quarterly Production Report – Q1 2011
4 May 2011	Ex-Dividend Date for 2010 Final Dividend
6 May 2011	Record Date for 2010 Final Dividend
11 May 2011	Sterling Rate for 2010 Final Dividend
26 May 2011	Quarterly Financial Report – Q1 2011
8 June 2011	Annual General Meeting
9 June 2011	Payment Date for 2010 Final Dividend
3 August 2011	Quarterly Production Report – Q2 2011
23 August 2011	Interim Results Announcement – Half Year 2011
14 September 2011	Ex-Dividend Date for 2011 Interim Dividend
16 September 2011	Record Date for 2011 Interim Dividend
21 September 2011	Sterling Rate for 2011 Interim Dividend
6 October 2011	Payment Date for 2011 Interim Dividend
2 November 2011	Quarterly Production Report – Q3 2011
24 November 2011	Quarterly Financial Report – Q3 2011

These dates are provisional and subject to change.

Dividends

Details of dividends proposed in relation to the year are given in the Directors' Report on page 72, 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 6 May 2011.

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 112.0 cents per ordinary share will be paid on 9 June 2011 to shareholders on the register at the close of business on 6 May 2011.

The conversion rate for final dividends to be paid in sterling will be set on 11 May 2011.

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.

Directors and Advisors

Directors

J-P Luksic	Chairman
C H Bailey	Non-Executive
G S Menéndez	Non-Executive
R F Jara	Non-Executive
D E Yarur	Non-Executive (resigned 1.3.2011)
G A Luksic	Non-Executive
J G Claro	Non-Executive
W M Hayes	Non-Executive
H Dryland	Non-Executive (appointed 20.1.2011)
T C Baker	Non-Executive (appointed 1.3.2011)

Company Secretary
Petershill Secretaries Ltd
Plumtree Court, London EC4A 4HT

Auditors
Deloitte LLP

Solicitors
Clifford Chance LLP

Financial Advisors
N M Rothschild & Sons

HSBC Investment Bank

Stockbrokers
Merrill Lynch International

J.P. Morgan Cazenove

Banker
The Royal Bank of Scotland plc

Design and Production
Radley Yeldar www.ry.com

Printing
Royle Print

FSC www.fsc.org MIX Paper from responsible sources FSC® C002617

Royle Print is FSC and ISO 14001 certified with strict procedures in place to safeguard the environment through all processes.

This Report has been printed on Satimat which is a wood free coated paper and FSC certified.

FSC – Forest Stewardship Council. This ensures that there is an audited chain of custody from the tree in the well-managed forest through to the finished document in the printing factory.

ISO 14001 – A pattern of control for an environmental management system against which an organisation can be credited by a third party.

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ANTOFAGASTA PLC

Visit www.antofagasta.co.uk
for up-to-date investor information including our past financial results.