Antofagasta

Annual Report and
Financial Statements 2011

Antofagasta is a Chilean-based copper mining group with interests in transport and water distribution. The Group creates value for its shareholders through the discovery, development and operation of copper mining operations. It is committed to sustainable development, embedding safety and sustainability throughout its operations.

Antofagasta plc

Listed on the London Stock Exchange	Level One ADR in United States (ANFGY)
Constituent of the FTSE 100 since 2004	Market capitalisation at 31 December 2011 of US$18.5 billion
Incorporated in the United Kingdom	65% of ordinary share capital controlled by Luksic family of Chile with 35% free float

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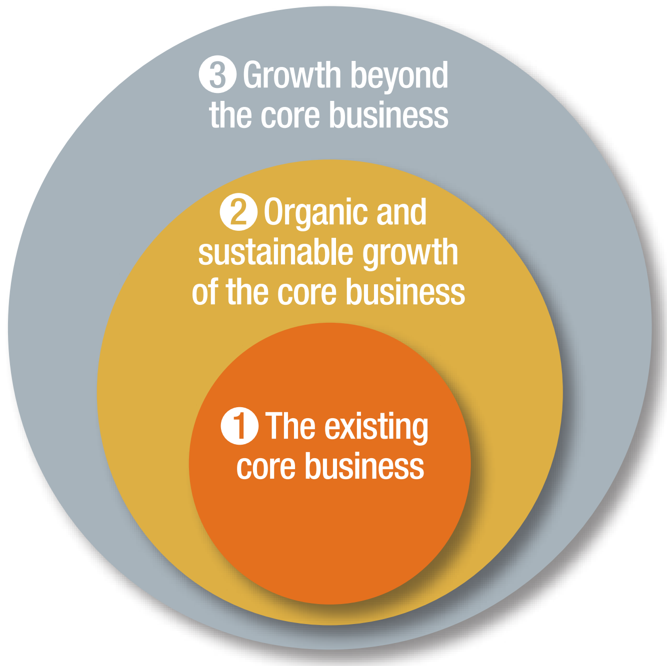
The strategy for growing our mining business is based around three pillars:

Strategic enablers

- Quality of existing assets
- Strong financial position
- Extensive mineral resource base
- Talent
- Commitment to health and safety
- Efficient environmental management
- Community relations

> More information on page 12



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Antofagasta at a glance

Mining

Antofagasta Minerals S.A. is the corporate centre for the mining division, based in Santiago, Chile. During 2011 its operations produced 640,500 tonnes of copper in concentrate and copper cathode, 196,800 ounces of gold and 9,900 tonnes of molybdenum in concentrate. Copper production is expected to increase to approximately 700,000 tonnes in 2012. > Page 28

1: The existing core business

Los Pelambres

A sulphide deposit located in Chile's Coquimbo Region, 240 km north of Santiago. It produces copper and molybdenum concentrates through a milling and flotation process.

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Esperanza

A sulphide deposit located in Chile's Antofagasta Region, 1,350 km north of Santiago. It produces copper and gold concentrates through a milling and flotation process.

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El Tesoro

El Tesoro is an oxide deposit located in Chile's Antofagasta Region, 1,350 km north of Santiago. It produces copper cathodes using a solvent-extraction electro-winning process.

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Michilla

Michilla is a leachable sulphide and oxide deposit located in Chile's Antofagasta Region. It produces copper cathode using a solvent-extraction electro-winning process.

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Production

	Copper (tonnes)		Molybdenum (tonnes)		Gold (ounces)	
	2011	2012 forecast	2011	2012 forecast	2011	2012 forecast
Los Pelambres	**411,800**	390,000	**9,900**	11,000	**39,800**	28,000
Esperanza	**90,100**	160-175,000			**157,100**	240-260,000
El Tesoro	**97,100**	100,000				
Michilla	**41,600**	40,000				
Total	**640,500**	700,000	**9,900**	11,000	**196,800**	280,000

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 km in Chile and a controlling interest in the Ferrocarril Andino network in Bolivia. > Page 44

Volume transported

	Rail ('000 tonnes)	Road ('000 tonnes)
	2011	2011
Transport	**6,419**	**1,896**

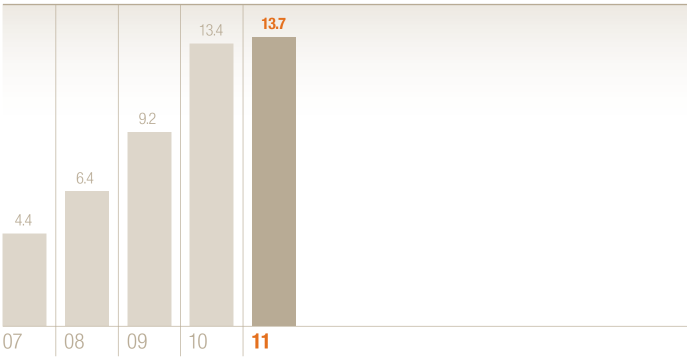
Water

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

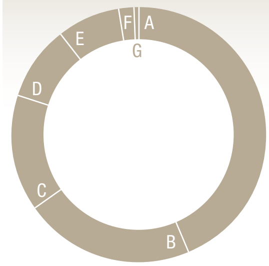
Volume sold

	('000 m^3)
	2011
Water	**48,296**

Mineral resources (including ore reserves) of the Group's subsidiaries **13.7bn tonnes**



Breakdown by subsidiaries



A	Los Pelambres	6,006 mt @ 0.51% Cu
B	Telégrafo	2,965 mt @ 0.34% Cu
C	Esperanza sulphides	2,019 mt @ 0.36% Cu
D	Caracoles	1,301 mt @ 0.41% Cu
E	Antucoya	1,106 mt @ 0.31% Cu
F	El Tesoro	260 mt @ 0.58% Cu
G	Michilla	67 mt @ 1.57% Cu
Total	**13.7bn tonnes @ 0.43% Cu**	

2: Organic and sustainable growth of the core business

Telégrafo

Located in the Group's Centinela Mining District close to Esperanza and El Tesoro, a feasibility study is under way in respect of this project.

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Caracoles

Located in the Centinela Mining District south of Telégrafo, a feasibility study is under way for this project.

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Los Pelambres

A pre-feasibility study is under way examining potential for long-term expansion of Los Pelambres. The resource base could potentially support a more than doubling of existing plant capacity.

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Resources (billions of tonnes)

	2011
Los Pelambres	**6.0**
Telégrafo	**3.0**
Caracoles	**1.3**

3: Growth beyond the core business

Antucoya

Antucoya is an oxide deposit located in Chile's Antofagasta region. The project is expected to enter into production from mid-2014.

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Twin Metals

A copper-nickel-PGM deposit located in Minnesota, USA, which the Group is seeking to develop with Duluth Metals Limited. A pre-feasibility study is under way for the project.

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Reko Diq

The Group is seeking to develop the Reko Diq deposit in Pakistan via the Tethyan joint venture company. International arbitration has been initiated to protect Tethyan's legal rights in relation to the project.

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Energy

The Group has exploration and development projects relating to geothermal and coal gasification prospects, as well as investing in relevant power generation capacity in Chile.

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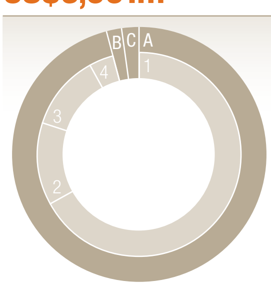
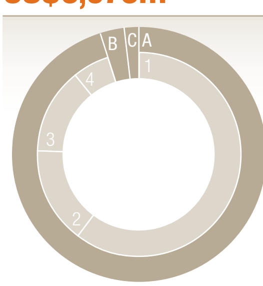
Group

EBITDA by division
US$3,661m



A	**Mining**	**3,511**
1	Los Pelambres	2,642
2	Esperanza	519
3	El Tesoro	463
4	Michilla	157
5	Exploration	(215)
6	Corporate and other items	(55)
B	**Transport**	**76**
C	**Water**	**74**

Revenue by division
US$6,076m



A	**Mining**	**5,782**
1	Los Pelambres	3,677
2	Esperanza	923
3	El Tesoro	827
4	Michilla	355
B	**Transport**	**179**
C	**Water**	**115**

2011 highlights

Record production, with copper production up 22.9% to 640,500 tonnes and gold production up more than fivefold to 196,800 ounces compared with 2010.

Record revenues and profitability with turnover of US$6.1 billion (up 32.7% over 2010) and EBITDA of US$3.7 billion (up 32.1% over 2010).

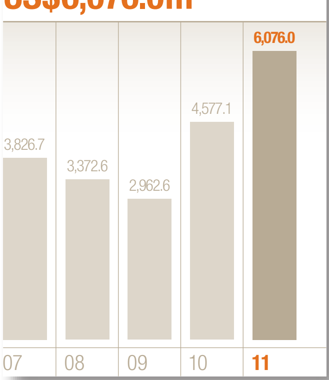
Total dividend for the year of 44 cents per share, representing a total distribution to shareholders of US$433.8 million, and an overall payout ratio of 35% of net earnings.

Challenges in the ramp-up at Esperanza largely addressed in 2011, with remaining remedial measures relating to performance and reliability of the plant under review.

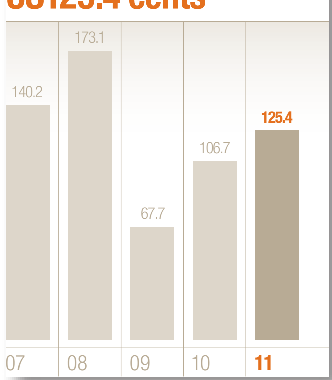
Antucoya project approved, and Memorandum of Understanding signed with Marubeni Corporation whereby they will become a 30% partner in the project.

Significant progress in growth pipeline with a feasibility study initiated in the Centinela Mining District and pre-feasibility studies at Los Pelambres and Twin Metals.

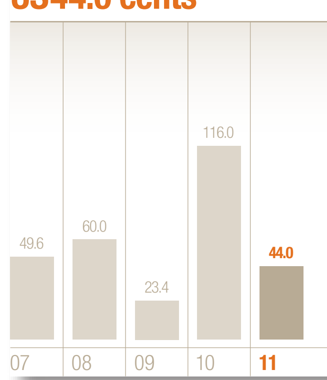
Group revenue
US$6,076.0m



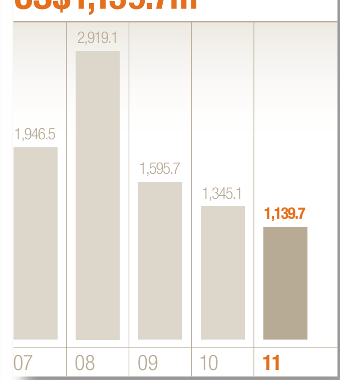
Earnings per share[1]
US125.4 cents



Dividends per share[2]
US44.0 cents



Net cash
US$1,139.7m



[1] Earnings per share are stated after exceptional items as set out in Note 5 to the financial statements.

[2] Dividends include both ordinary and special dividends as explained on pages 64 and 65.

Chairman's statement

2011 was a solid year for the Group, in terms of both production and profitability, reflecting mainly the impact of the start-up of Esperanza. Copper production of 640,500 tonnes increased by 22.9% and gold production of 196,800 ounces increased more than fivefold compared with 2010. EBITDA was 32.1% higher than the previous year at US$3,660.5 million. The ramp-up of Esperanza was the key milestone for the Group in 2011. We have made significant progress during 2011 in addressing the challenges we have faced at Esperanza during the ramp-up, with remaining remedial measures relating to the performance and reliability of the plant under review.

We are forecasting further production growth for 2012, with expected production of approximately 700,000 tonnes of copper, 280,000 ounces of gold and 11,000 tonnes of molybdenum. The increase in the copper and gold production reflects the first full year of operation at Esperanza following the completion of the main ramp-up activities.

We have also made excellent progress with our growth projects during 2011 – with the approval of the Antucoya project, and significant advances in respect of our core areas of the Centinela Mining District and Los Pelambres in Chile as well as the Twin Metals project in the United States.

Jean-Paul Luksic
Chairman

Group copper production was 640,500 tonnes, compared with 521,100 tonnes in 2010. This increase reflected mainly the 90,100 tonnes produced by Esperanza in its first year of operation, as well as an increase in Los Pelambres' production to 411,800 tonnes (2010 – 384,600 tonnes), reflecting the full-year impact of its plant expansion which had been completed during 2010. The start-up of Esperanza is also having a transformational change in the Group's gold production with a total of 196,800 ounces produced in 2011, a more than fivefold increase compared with the 35,100 ounces produced in the prior year. Nevertheless, production was lower than originally anticipated as a result of which Group production was below the original forecast of 715,000 tonnes of copper and 324,000 ounces of gold. We have made significant progress during 2011 in addressing the challenges we have faced at Esperanza during ramp-up with remaining remedial measures under evaluation. Molybdenum production at Los Pelambres increased by 12.5% to reach 9,900 tonnes.

The Group also has a stable net cost position, despite continuing industry cost pressures, with forecast 2012 weighted average cash costs (net of by-product credits) of approximately 105 cents per pound, compared with 101.9 cents in 2011 and 104.0 cents in 2010. This largely reflects the increased production from Esperanza with its low net cost position given its significant gold credits. Net cash costs nevertheless remain sensitive to market prices for by-products.

At the end of 2011 the Group had a net cash position of US$1,139.7 million and total gross cash, cash equivalents and liquid investments of US$3,280.0 million.

We have continued with our consistent and significant capital returns to our shareholders, with total dividends in respect of 2011 amounting to US$433.8 million, which represents an overall payout ratio of 35% of net earnings.

Strategy

The strategy for the Group's mining business is based around three key pillars. Firstly, the existing 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 districts around our existing asset base – in the Centinela Mining District (formerly known as the Sierra Gorda District) and at Los Pelambres; and finally, continuing to develop and search for additional opportunities including early-stage growth in copper both in Chile and abroad.

The ramp-up of Esperanza during the year, while slower than originally anticipated, was a key milestone in the development of the first pillar in our strategy. We have also made significant advances with our growth projects during 2011.

The key focus here is on the Centinela Mining District and Los Pelambres. In the Centinela Mining District a pre-feasibility study was completed during 2011, and a feasibility study in respect of the Telégrafo and Caracoles projects was initiated at the end of the third quarter, which is expected to conclude in early 2013.

Chairman's statement

Current estimates are that each of these projects could support a plant of a similar scale to the existing Esperanza operation, which could result in annual production of somewhere in excess of 150,000 tonnes of copper for each project, along with gold by-products. At Los Pelambres, a conceptual study was completed early in the year, and a pre-feasibility study was initiated in May 2011. The very large resource base could support a large-scale expansion of the operation, potentially more than doubling the current plant capacity.

We have also made very significant progress in terms of the third pillar of our strategy. In December 2011 the Antucoya project was approved. Construction is expected to take approximately two and a half years, with first production expected during the second half of 2014. We expect to produce an average of 80,000 tonnes of copper a year, over a mine life of just over 20 years. The Group is also progressing with its other international growth opportunities. At the Twin Metals project in Minnesota, the acquisition of the assets of Franconia Minerals Corporation was completed during 2011, which has effectively doubled Twin Metals' mineral and land assets. A pre-feasibility study was initiated during 2011 following the completion of a conceptual study. In Pakistan, Tethyan – the Group's joint venture with Barrick Gold Corporation – is seeking to develop the Reko Diq deposit. Disappointingly, in November 2011 the Government of Balochistan rejected Tethyan's application for a mining lease. Tethyan has commenced two international arbitrations in order to protect its legal rights.

Sustainable development

Sustainable development forms an integral part of the Group's decision making process and supports achievement of its 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.

Mining projects both in Chile and worldwide are likely to face a number of challenges over the next few years. A very significant investment from the mining industry is anticipated, and that is likely to put pressure on three areas in particular – energy, labour and water.

In terms of energy, the primary response will continue to come from private generators, investing in capacity to ensure the Chilean grid is able to meet demands. The Chilean government will also need to ensure there remains a supportive framework to encourage the necessary investment. However, we have been taking focused action to support our own projects and operations – encouraging the development of new power plants dedicated to supplying our operations. At Los Pelambres we have signed a long-term supply agreement which supports the construction of Chile's largest wind farm, and also taken a 30% stake in that project.

We have also started to invest ourselves in a number of innovative energy projects – in geothermal, and underground coal gasification – reflecting the key role which energy supply, and in particular cleaner energy sources, will play in Chile's development.

The shortage of skilled workers in Chile is a critical issue for the mining sector. The Group's initiatives in respect of this issue include an apprenticeship programme for training school leavers from local communities, developing a graduate trainee programme, started in 2010, to attract young professionals to the Company, and working alongside our mining peers in Chile to identify and address the shortage of mining professionals. The partnership aims to raise awareness of mining as a career choice and in future it will develop fast track training programmes to increase the number of skilled workers in the sector.

In terms of water, we believe that use of sea water will start to become the norm for new mining projects. Our work at Esperanza, with the first use of untreated sea water in a large-scale Chilean mining project, means we are well placed to build on that experience.

Health and safety

The Board deeply regrets the death of one worker at the Antofagasta Railway Company in 2011. The worker was run over by a train in the city of Calama. The Board has a clear target of zero fatalities and considers any fatality to be unacceptable. The company investigated the cause of the accident and found that proper safety procedures had not been followed. After the accident, the company circulated information to further raise employees' awareness of health and safety procedures. There were no fatalities at any of the Group's mines in 2011.

Dividends

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

The Board has recommended a final dividend for 2011 of 36 cents per ordinary share, which amounts to US$354.9 million and if approved at the Annual General Meeting, will be paid on 14 June 2012 to shareholders on the Register at the close of business on 11 May 2012. This final dividend comprises an ordinary dividend of 12 cents and a special dividend of 24 cents. This gives total dividends for the year of 44 cents, including the interim dividend of 8 cents which was paid in October, amounting to US$433.8 million and representing a distribution of 35% of 2011 net earnings.

In 2010 total dividends were 116 cents, representing a payout ratio of 109. As previously stated, the special dividend of 100 cents in that year reflected the successful completion of the two key growth projects – the Los Pelambres expansion and the Esperanza mine development – in that year.

Corporate governance

Charles Bailey and Daniel Yarur retired from the Board during the year, and I am very grateful for their contribution to the Group and would like to wish them both every future success. Charles had been a Director since 1987, and played a significant role in the complete transformation of the Group which we have seen over that period.

I was very pleased to be able to welcome Hugo Dryland, Tim Baker and Ollie Oliveira to the Antofagasta plc Board during 2011. Between them they bring a considerable range of experience and expertise in the international mining sector, with many years of operational, financial, strategic and corporate finance experience across a wide range of countries.

On 7 March 2012 Marcelo Awad, the Chief Executive Officer of Antofagasta Minerals S.A. ("Antofagasta Minerals"), advised the Board of his resignation with immediate effect. Until a successor is appointed, the Board has requested that I assume his responsibilities on an interim basis. Marcelo had been Chief Executive Officer of Antofagasta Minerals since 2004, and during that time he oversaw the significant growth of the Group's mining operations and development of its projects. I would like to thank him for his leadership of Antofagasta Minerals – his commitment and contribution to the Group over the years has been widely appreciated and we wish him every success in the future.

During the year, we updated our Ethics Code to take into account recent best practice and I was pleased to launch the new version at our headquarters in Santiago Chile. The Code, which has since been rolled out across the Group, sets out our commitment to undertaking business in a responsible and transparent manner.

Outlook

Copper has performed well in the first two months of 2012, increasing from 343 cents per pound at the start of the year to around 390 cents by the end of February. Despite the improvement in the copper price since the year end, macro-economic uncertainty means that prices in the short term are likely to remain volatile. Nevertheless, long-term market fundamentals remain positive for copper, with inventories remaining at low levels by historic standards.

The ramp-up of Esperanza was a key milestone in the year.

Our continued production growth from our portfolio of low-cost assets, and our strong financial position, mean that we are well placed to make the most of these conditions.

The Group's 2012 production is forecast to be approximately 700,000 tonnes of copper, 280,000 ounces of gold and 11,000 tonnes of molybdenum. The increase in the copper and gold production compared with 2011 reflects the impact of Esperanza operating in a steady-state of production for a full year, following the completion of the main ramp-up process during 2011.

The forecast for 2012 weighted average cash costs (net of by-product credits) is for approximately 105 cents per pound, only marginally above the 2011 net costs of 101.9 cents. The relatively stable costs, despite ongoing industry cost pressures, again reflects the increased production from Esperanza, with its low net cost position given its significant gold credits. Net cash costs nevertheless remain sensitive to market prices for by-products.

Excluding by-product credits, weighted average gross cash costs are expected to be approximately 165 cents in 2012, compared with 155.2 cents in 2011. Approximately half of this increase is due to the greater proportion of the Group's production that is expected from Esperanza in 2012 when compared with 2011. On a net cash cost basis, Esperanza is expected to be the lowest cost of the Group's four mines in 2012; however on a pre-credit basis its costs are expected to be higher than the weighted average of the remainder of the Group and hence its higher production volumes increase overall weighted average pre-credit costs. The remainder of the increase is mainly due to the impact of lower grades in 2012 at Los Pelambres and general inflationary pressures.

We expect to continue making considerable progress with our growth projects in 2012 – with the start of construction of the Antucoya project, and further progress with our evaluation studies on our other key growth projects. Work on the feasibility study in respect of the Telégrafo and Caracoles projects and the pre-feasibility studies in respect of Los Pelambres and Twin Metals will continue through 2012, with the completion of these studies expected during 2013. The Group also expects to advance with its substantial exploration programme, both in the prospective Centinela Mining District as well as across Chile and internationally.

Our continued production growth from our portfolio of low-cost assets, and our strong financial position, mean that we are well placed to take advantage of these many opportunities.

Jean-Paul Luksic
Chairman

12 March 2012

Exploration

Over the past five years we have more than quadrupled the resource base of the Group's subsidiaries, as a result of our own in-house exploration success.

Strategic review

Strategic review: Our business model

The Group creates value for its shareholders through the discovery, development and operation of copper mining operations.

We have achieved significant organic growth, reflecting the success of our in-house exploration activities. This has allowed us to exercise full control over the development of our projects from the earliest stage, maximising the opportunities to add value to those projects, as we consider that a significant part of the potential value of a mining project is realised (or lost) during the evaluation stage when the optimal nature of the project is determined. We have a proven track record in successful project delivery, designing and constructing operations which maximise the value of our mineral deposits.

Our operations are focused on up-stream mining activities, where we consider most of the value in the production chain is realised. The majority of our production is from low-cost, long-life assets, providing increased assurance of a satisfactory return on the significant up-front capital investment, and allowing us to generate value even during low points in the commodity price cycle.

Investment versus income

Investment **Income**

The development of mining operations is a long-term, capital intensive process. The period from initial exploration, through detailed evaluation studies, construction, and to the start of production will often be in excess of 10 years. Construction of a new mining operation will typically involve major capital investment. Depending upon the nature of the project and market conditions, it can take in excess of five years of operation to recoup the initial investment.

Revenues can vary significantly over time, reflecting the cyclical nature of commodity prices. Long-life operations increase the likelihood of benefiting from several high points in the commodity price cycle.

Mine plans will usually be designed to mine higher grade areas towards the start of the mine life, in order to maximise the net present value of the operation. This means that average ore grades will often decline over the mine life, with production volumes decreasing over time, along with revenues (depending on commodity price levels).

The mining lifecycle

Exploration

3-5 years

The Group's significant growth pipeline principally relates to resources identified by our own in-house exploration activities. Over the past five years we have more than quadrupled the resource base of the Group's subsidiaries, as a result of our own in-house exploration success. Generally the Group uses its own in-house team to conduct exploration 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.

Evaluation

3-5 years

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

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

Sustainability considerations are integral to our evaluation process, with the Group seeking to maximise social and environmental value through the design of its projects.

Construction

3-5 years

Given the high level of up-front capital investment required to construct a significant mining operation, effective management of the costs, timing and efficiency of the construction can be key to a project's overall return on investment.

The Group typically uses a principal EPCM (Engineering, procurement and construction management) contractor to manage the construction process, again under the close control of an owners' team from the Group's projects team.

Governance

The Business Development Committee focuses on the mining division's growth opportunities. The committee reviews potential growth opportunities – both internal projects and potential transactions, approves transactions and project expenditures within designated authority levels, recommends transactions in excess of those levels to the Board for approval, and monitors ongoing projects. (See page 74 for more information.)

Exploration projects

Major exploration programme throughout Chile

Earn-in agreements in North America, Latin America, Europe, Africa and Australia

More on page **42**

Twin Metals

Pre-feasibility study under way

Franconia assets acquired

More on page **41**

Telégrafo

Resources: **3.0 billion** tonnes at **0.34%** copper + by-products

More on page **38**

Caracoles

Resources: **1.3 billion** tonnes at **0.41%** copper + by-products

More on page **39**

Los Pelambres – Project

Resources: **6.0 billion** tonnes at **0.51%** copper + by-products

More on page **39**

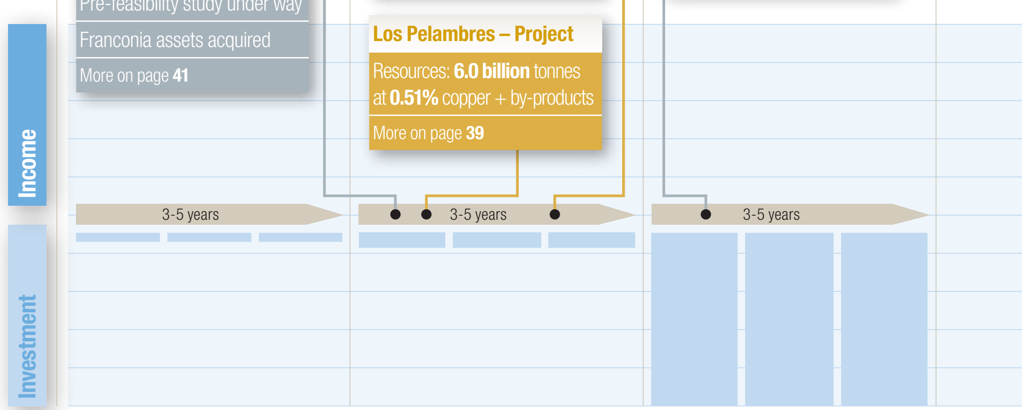
Antucoya

Expected mine life: **c. 20 years**

Expected average annual copper production: **80,000** tonnes

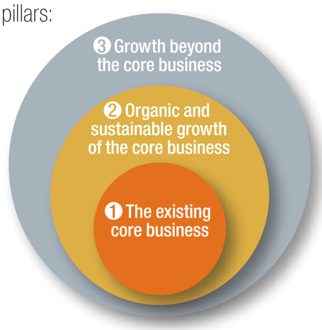
Current estimated capex: **US$1.3 billion**

More on page **40**



Our strategy

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



Operation

25+ years

The majority of our production is from low-cost, long-life operations, allowing us to generate value even during low points in the commodity price cycle. We produce copper concentrate and cathode, along with gold and molybdenum by-products.

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

The initial mine plan can often be improved over the course of the mine life through the optimisation of processes, brownfield expansions or incorporation of additional reserves into the mine plan. This can be a significant additional source of value through increasing production, reduced costs or extending the mine life.

Our products are generally sold at prevailing market prices. The marketing of the Group's production is undertaken by our in-house marketing team, allowing us to develop long-term relationships with key customers, and to gain a close understanding of the end market.

There is a key focus on operating in a safe, sustainable manner. Given the long-life, capital intensive nature of our individual mining operations, operating in a manner which is sustainable over the long term is key to delivering value. In particular, working closely with local communities to ensure that the operation is a beneficial contributor to the region is seen as key.

We have comprehensive plans in place for the eventual closure and decommissioning of our mines, with the aim of protecting the environment and the interests of local people.

Governance

An Executive Committee reviews significant matters in respect of the mining division. The committee approves capital expenditures by the mining operations and corporate centre within designated authority levels, leads the annual budgeting and planning processes, monitors the performance of the mining operations and promotes the sharing of best practices across the operations. (See page 74 for more information.)

Esperanza

Start of operation: **2011**
End of mine life: **2026**
Years of operation: **1/16**
2012E copper production: **160,000 – 175,000 tonnes**
More on page **30**

Los Pelambres

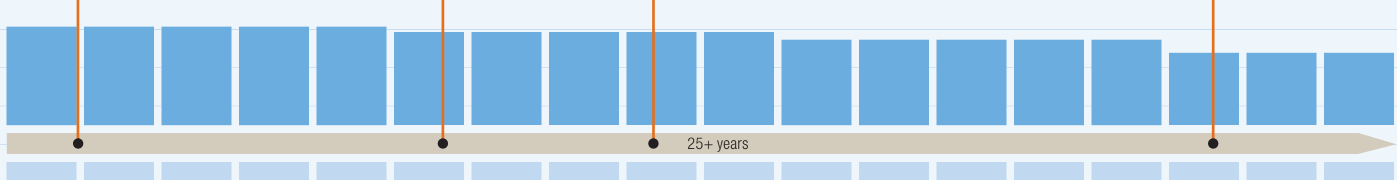
Start of operation: **2000**
End of mine life: **2037**
Years of operation: **12/38**
2012E copper production: **390,000 tonnes**
More on page **28**

El Tesoro

Start of operation: **2001**
End of mine life: **2022**
Years of operation: **11/22**
2012E copper production: **100,000 tonnes**
More on page **32**

Michilla

Start of operation: **1959**
End of mine life: **2015**
Years of operation: **53/57**
2012E copper production: **40,000 tonnes**
More on page **34**



Strategic review: Strategy for the mining business

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

1: The existing core business

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

Los Pelambres had a record year of production, reflecting the first full year of operation at the expanded 175,000 tonnes per day plant capacity.

Main ramp-up process at Esperanza was completed with production of 90,100 tonnes of copper and 157,100 ounces of gold.

Production commenced from the Mirador deposit during the second half of 2011, contributing 28,600 tonnes to El Tesoro's total production of 97,100 tonnes.

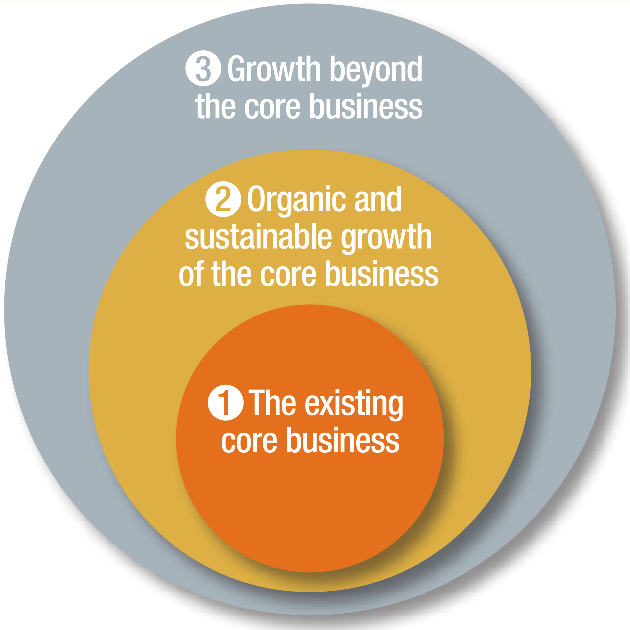
Michilla's board approved an extension to its mine life from 2012 to 2015 and studies are continuing in respect of a further possible extension to 2018.

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 Centinela Mining District (formerly referred to as the Sierra Gorda District), a pre-feasibility study was completed during 2011, and a feasibility study in respect of the Telégrafo and Caracoles projects was initiated at the end of the third quarter.

At Los Pelambres, a conceptual study was completed early in the year, and a pre-feasibility study was initiated in May 2011.



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.

Antucoya project approved in December 2011, and Memorandum of Understanding signed with Marubeni Corporation whereby they will become a 30% partner in the project.

At the Twin Metals project in Minnesota, the acquisition of the assets of Franconia Minerals Corporation was completed during 2011, which has effectively doubled Twin Metals' mineral and land assets. Following completion of a conceptual study, a pre-feasibility study for an eventual underground operation of this copper-nickel-PGM project was initiated during 2011.

Continued early-stage exploration across Chile and 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 101.9 cents/lb in 2011. This means it is well positioned to perform strongly throughout the commodity price cycle. > Pages 28 to 35

Strong financial position

The Group continues to generate consistent cash flows from its operations which has enabled the Group to make consistently strong capital returns to our shareholders. > Page 67

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. The total resource tonnage of the Group's subsidiaries at the end of 2011 was 13.7 billion tonnes.
> Pages 36 to 43 and pages 146 to 152

Talent

The Group's management team has a strong track record of delivering strong operational performance and developing major growth projects.

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 2011 the Group successfully completed new long-term labour agreements with unions at Esperanza, El Tesoro and Los Pelambres.
> Page 52

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 50 and 51

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

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. > Page 53

The key risks which could impact on these strategic enablers are set out on pages 22 and 23.

Strategic review: Our marketplace

Our products

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

Copper

The principal end markets for refined copper are construction and electrical and electronic products, which account for more than 60% of global copper demand, followed by industrial machinery, transport and consumer products. The price of copper is typically determined by the major metals exchanges – the London Metal Exchange ("LME"), Commodity Exchange ("COMEX"), and the Shanghai Futures Exchange ("SHFE"). The price of copper is affected by the supply-demand fundamentals as well as being influenced by financial investors which can lead to volatile and cyclical movements.

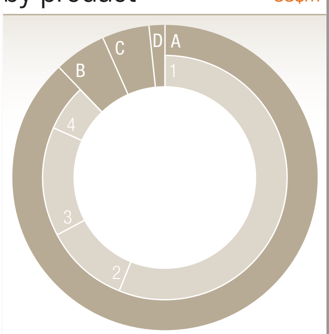
Gold

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

Molybdenum

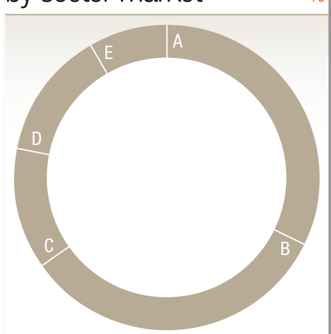
The main use of molybdenum is as a key alloying element in steel although it is also used in other products such as catalysts. Contract prices are typically based on the monthly average Platts price.

Mining division revenue by product US$m



A	**Copper**	**5,085.1**
1	Los Pelambres	3,255.9
2	Esperanza	646.4
3	El Tesoro	827.8
4	Michilla	355.0
B	**Gold** – Los Pelambres/Esperanza	315.2
C	**Molybdenum** – Los Pelambres	293.8
D	**Silver** – Los Pelambres/Esperanza	88.2

Global copper consumption by sector market %



A	Construction	**32.4**
B	Electronic products	**33.1**
C	Industrial machinery	**12.8**
D	Transport	**13.4**
E	Consumer products	**8.3**

Source: Brook Hunt's Long Term Copper Outlook – December 2011

Our customers

The most significant end market for the Group's products is Asia with just over 70% of the Group's revenue generated from sales to the region.

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

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

The Group's molybdenum contracts are also made under long-term framework agreements with the pricing usually being based on Platts average monthly prices.

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

The prices realised by the Group during a specific period will differ from the average market price for that period because, in line with industry practice, sales agreements generally provide for provisional pricing at the time of shipment with final pricing based on the average market price for the month in which settlement takes place. The period for which sales remain open until settlement occurs for copper concentrate sales is, on average, three to four months from shipment date, for copper cathode sales on average one month from shipment, for molybdenum sales on average two months from shipment and for the gold content of copper concentrate sales approximately one month from shipment.

Market environment

Refined copper

2011 market performance

The average LME price over the course of 2011 reached an all-time annual high of 400 cents per pound. The copper price performed strongly during the first half of the year, reaching a record high of 460c/lb reflecting market tightness, supply shortfalls, weakness in the US dollar and renewed investment interest in copper. As a result of concerns regarding Europe's sovereign debt crisis and the outlook for the global world economy, the copper price dropped sharply in September and then subsequently recovered in the latter part of the year. The Group's average realised price was 373c/lb which reflected negative provisional pricing adjustments of US$286 million.

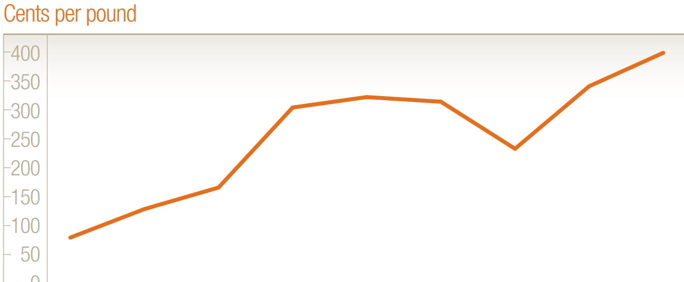
The lower apparent demand in China in the early part of 2011 compared with 2010 reflected continued destocking. Underlying Chinese demand performed well, and overall analyst consensus is that global copper demand growth was approximately 3.2%.

Market outlook

The strong market fundamentals, including continued strong demand from China and slower than expected supply growth support a positive medium-term outlook, with global inventories still at low levels. With the global macro-economic uncertainty still affecting sentiment, continued volatility in the copper price in the near term is expected. However, with the current low global stock levels, even with the current market uncertainty, it is expected that there will be relatively strong market conditions in the year with current market consensus of an average price of approximately 380 cents for 2012. From 2014 onwards, significant new production capacity is expected to come on-stream which could push the market back into surplus. Investment demand remains a key driver in the copper price, therefore leaving prices vulnerable to increased volatility. Market consensus for global forecast demand growth and refined production growth is for approximately 2.8% and 3.0% respectively in 2012.

Average LME copper price

Cents per pound



2003	2004	2005	2006	2007	2008	2009	2010	2011
80.7	130.0	167.1	305.3	323.3	315.3	234.1	342.0	399.7

Copper concentrate

2011 market performance

The concentrate market continued 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. At the end of 2011 concentrate stocks in the production chain reached critical low levels taking TC/RCs to very low levels.

Market outlook

Current consensus estimates are for the concentrate market to remain in deficit during the coming years, although it will depend on the utilisation capacity by smelters. Typically, annual negotiations for TC/RCs for the next year are concluded in final months of the preceding year. Annual negotiations are continuing with respect to 2012 charges, with no definitive benchmark having been achieved. Settlements have been reported by market analysts in the range of US$60.0 per dry metric tonne of concentrate for smelting and 6.00 cents per pound of copper for refining to US$63.5 and 6.35 cents, compared with the 2011 benchmark terms of US$56.0 and 5.60 cents.

Gold

Gold prices have remained strong throughout 2011 averaging US$1,572 per ounce compared with US$1,226 per ounce in 2010. With the slower pace of economic recovery in Western economies, monetary easing by central banks, geopolitical concerns and sovereign debt issues and US dollar weakness, gold has continued to attract investment interest.

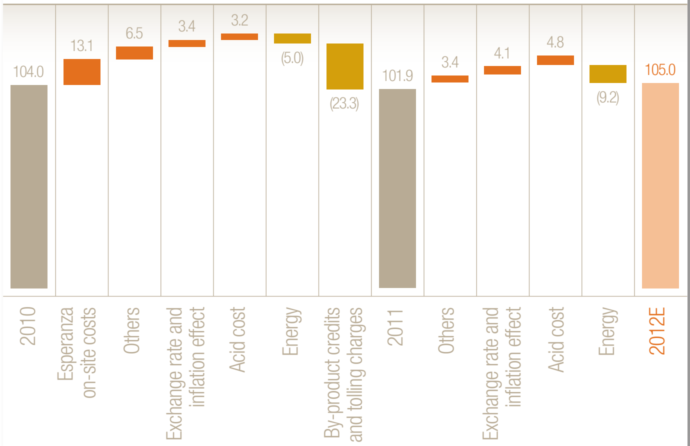
Molybdenum

The molybdenum price averaged US$15.5 per pound in 2011 compared with US$15.7 per pound in 2010. During 2011 the price decreased from a high of US$17.9 per pound in February to a low of US$12.7 per pound in October as a result of destocking from traders and producers together with an increase in the amount of material being exported by China. There was a net surplus in 2011 mainly as a result of significant production increases in North America. The fundamentals in the near term remain solid with the high marginal cost of production at primary mines limiting the supply growth and providing a support to prices. The 2012 market consensus is for an average price of US$15 per pound.

Strategic review: Our marketplace

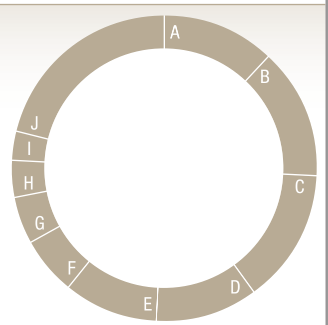
2010-2012E weighted average net cash cost (including by-product credits)

Cents per pound



2011 weighted average cash cost (excluding by-product credits)

		%
A	Energy	12
B	Shipping and tolling charges	14
C	Services	14
D	Labour	11
E	Maintenance	10
F	Fuel	6
G	Sulphuric acid	5
H	Steel milling balls	4
I	Explosives and reagents	3
J	Other	21
Total (155.2 cents per pound)		**100**



Key inputs and cost base

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

The Group's key operations of Los Pelambres and Esperanza are competitively positioned within the first quartile of the cost curve, reflecting their significant molybdenum and gold by-products. The Group's overall costs average around the 40th percentile of the cost curve. The low cost nature of these key operations, and in particular the increased low-cost production from Esperanza, has allowed the Group to keep the Group's average net cost position stable, despite strong industry cost pressures. The net cash cost position for 2012 is forecast to be approximately 105 cents per pound, which is in line with the 2011 weighted average net cash cost of 101.9 cents per pound. This stable cost position has allowed us to generate consistently strong margins even during more challenging market conditions, with an EBITDA margin at around 60% over the past four years.

Labour

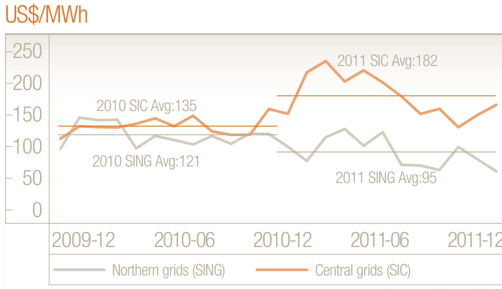
Labour agreements are in place at all of the Group's mining operations, generally covering periods of between three to four years. The next labour negotiations are expected to start in 2014. In 2011, new agreements were made with six of the total 13 labour unions across the Group. Contractors are a significant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

Electricity supply

There are two energy grids from which the Group takes its energy requirements – the northern grid (SING) which supplies the Esperanza, El Tesoro and Michilla mines and the central grid (SIC) which supplies Los Pelambres. In the SIC approximately 40% of the energy is provided by hydroelectric plants with the remainder being provided by coal, LNG and diesel fuelled plants whereas in the SING approximately 70% of the energy comes from coal fired power stations.

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. However, the main energy contract at Los Pelambres was fixed for a two-year period, with 2012 being the final year of the contract under its existing energy supply agreement. The energy price currently being paid by Los Pelambres is significantly below the current spot prices in the central grid. The current Los Pelambres energy contracts will terminate at the end of 2012 while at Michilla the current contract will terminate in mid-2012. Both these operations are currently in the process of negotiating new long-term energy contracts.

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



Source: SIC and SING.

Sulphuric acid

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

Water

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

Oil price

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

Exchange rate

The Group's costs are also impacted by the Chilean peso exchange rate, as on average across the Group's mining operations approximately 40% of costs are denominated in Chilean pesos. However, the economic exposure to fluctuations in the Chilean peso exchange rate is partly mitigated by a natural hedge, as the copper industry is a major component of the Chilean economy, and movements in the copper price and Chilean peso tend to be correlated. The Chilean peso strengthened from an average rate of Ch$510.4/US$ in 2010 to an average rate of Ch$483.4/US$ in 2011.

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

Exchange rate
CLP/USD

Source: Bloomberg.

Other purchasing and service contracts

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

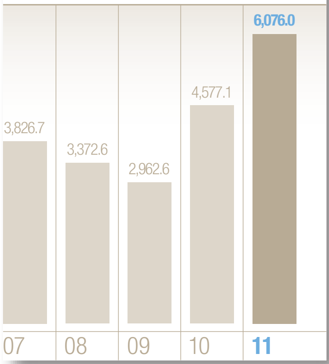
Strategic review: Key performance indicators

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.

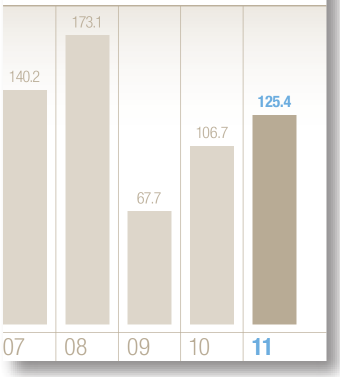
Revenue
US$6,076.0m



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 2011: Revenue increased by 32.7% as a result of increased copper and gold volumes.

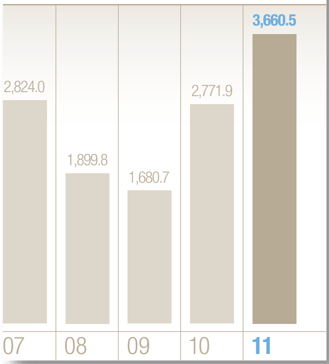
Earnings per share
US125.4 cents



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

Performance in 2011: The increased attributable profit was a result of the increased revenue partly offset by increased expenses and taxation.

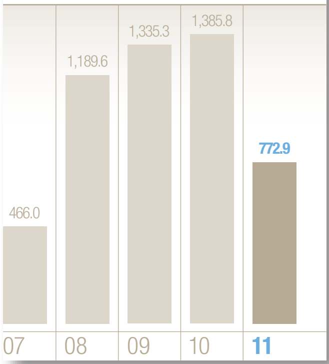
EBITDA
US$3,660.5m



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

Performance in 2011: The increase in turnover was partly offset by higher unit costs at the mining division and increased exploration and evaluation spend to give an increase of 32.1% in EBITDA.

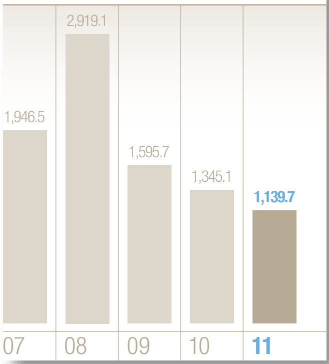
Capital expenditure
US$772.9m



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

Performance in 2011: Capital expenditure in 2011 decreased by 44.2% reflecting the completion of the majority of construction of Esperanza by early 2011.

Net cash
US$1,139.7m

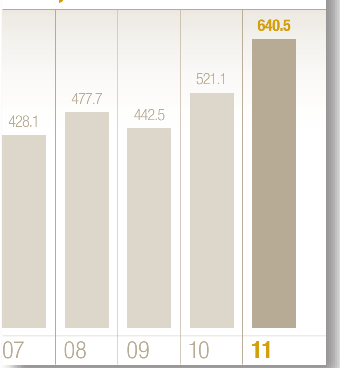


Why it is important to us: An indication of the funds generated by the business and available for future growth and return for shareholders.

Performance in 2011: Strong operating cash flows offset by capital expenditure, tax and dividends paid.

Operational KPIs

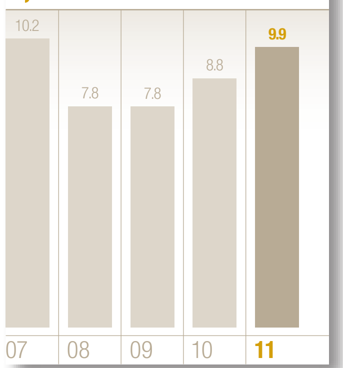
Copper production
640,500 tonnes



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

Performance in 2011: Increased copper production of 22.9% mainly as a result of the start-up of Esperanza.

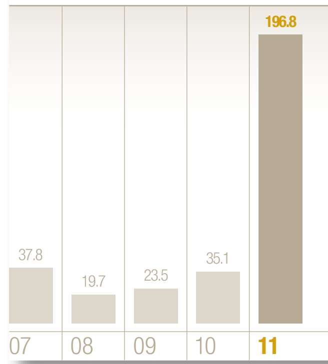
Molybdenum production
9,900 tonnes



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

Performance in 2011: Increased molybdenum production of 12.5% due to higher plant throughput at Los Pelambres.

Gold production
196,800 ounces

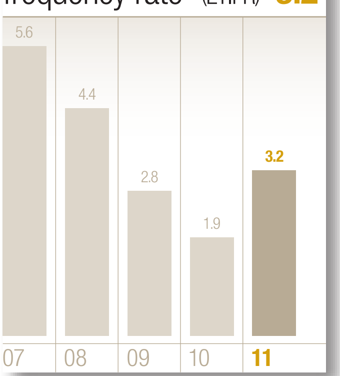


Why it is important to us: A significant by-product for the Group.

Performance in 2011: Gold increased to 196,800 ounces due to the start-up of Esperanza.

An analysis of the Group's copper, molybdenum and gold production is included within the review of each operation in the Operational review on pages 28 to 35 and within the Financial review on pages 60 and 61.

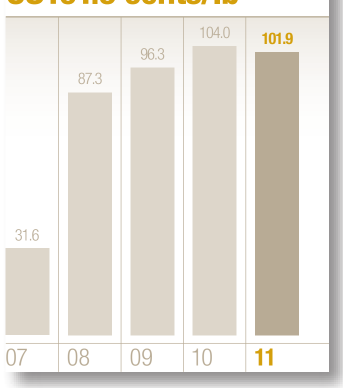
Lost time injury frequency rate[1] (LTIFR) 3.2



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 2011: The LTIFR in 2011 was 3.2 accidents with lost time per million hours worked.

Cash costs[2]
US101.9 cents/lb



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

Performance in 2011: Cash costs benefited from by-product credits at Esperanza which partly offset higher costs at the other three mining operations.

Further information on health and safety is provided in the Corporate sustainability section on pages 50 and 51.

An analysis of the Group's cash costs is included within the review of each operation in the Operational review on pages 28 to 35 and within the Financial review on page 62.

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

[2] Cash costs are an industry measure of the cost of production and are further explained in Note (iii) on page 155.

Strategic review: 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

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.

Board

Audit and Risk Committee

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

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

The Group's Ethics Code sets out our commitment to undertaking business in a responsible and transparent manner. The Code demands honesty, integrity and responsibility from all employees and contractors, and includes guidelines to identify and manage potential conflicts of interest. An Ethics Committee, comprising members of senior executive management, is responsible for implementing, developing and updating the Ethics Code and monitoring compliance with the Code. During 2011 an updated version of the Ethics Code was launched by the Group's Chairman and the Antofagasta Minerals CEO, and was rolled out across the Group's operations. 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 maintains the Group's risk register, which includes the strategic risks that cover the most significant threats to the Group's performance and the achievement of its strategy. The risk register is updated on a continuous basis, and strategic risk workshops are held at least once a year, in which senior management from across the business perform a comprehensive review of the Group's key strategic risks and related mitigation activities. The risk management function presents to the Executive Committee (which comprises the Antofagasta Minerals CEO and senior management – see page 74 for further details) at least twice a year, reporting on the development of the Group's key risks and mitigations and the risk management process.

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

During 2011 the reporting line for the risk management function was to the Antofagasta Minerals CEO, and from 2012 the reporting line is now to the Audit and Risk Committee.

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, in which the business unit's risks and corresponding mitigation activities are reviewed in detail to allow a thorough updating of the business risks. There is a monthly Operational Performance Review ("OPR") process whereby the individual mining operations report to the Antofagasta Minerals corporate centre. Risk is typically reviewed in detail as part of this process on a quarterly basis, with the operations reporting on the development of their key risks and mitigations.

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

Areas of focus during 2011 and development of key risks

Particular areas of focus in risk management during 2011 included:

- a roll-out of the updated Ethics Code across the Group;
- further implementing and embedding processes in respect of the UK Bribery Act 2010 and the Chilean anti-corruption law; and
- developing a Group-wide risk compliance programme.

Particular key risks which are considered to be increasing in significance include competition for talent and other key resources, particularly in respect of identifying, acquiring and developing new projects, both within Chile and internationally.

Further information

Further information about the Group's risk management systems are given in the Corporate governance report on pages 72 and 81 and in the Sustainability report on page 46. Further detailed disclosure in respect of financial risks relevant to the Group are set out in Note 25 to the financial statements.

Strategic review: Risk management

Principal risks and uncertainties

Set out below are the Group's principal risks and related mitigations. The table shows the trend of whether the risk is considered to have been increasing or decreasing in significance over time.

Risk	Trend	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 provide a variance analysis of operational and financial performance, allowing potential key issues to be identified on a timely basis, and any necessary actions, monitoring or control activities to be established. The Group has appropriate insurance to provide protection from some, but not all, of the costs that may arise from such events. Details of the operational performance of each of the Group's operations are included within the Operational review on pages 26 to 45.
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. The Group utilises appropriate internal and external legal expertise to ensure its rights are protected. Details of any significant political, legal or regulatory developments impacting the Group's operations are included within the Operational review on pages 26 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 on key strategic resources such as water and electricity could impact opportunities for the growth of the Group. A significant portion of the Group's input costs are influenced by external market factors and are not entirely within the control of the Group.	–	Contingency plans are in place to address potential short-term disruptions to strategic resources such as electricity. The Group enters into medium and long-term supply contracts for a range of key inputs to help ensure continuity of supply. Technological solutions, such as increased use of sea water in the Group's mining processes, can help address long-term limitations on scarce resources such as fresh water. Information on the Group's arrangements for the supply of key inputs are included within the Marketplace section on pages 16 and 17, and details of significant operational or cost factors related to key inputs are included within the Operational review on pages 26 to 57.
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.
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 36 to 43.
Growth opportunities The Group may fail to identify attractive acquisition opportunities, or may select inappropriate targets. The long-term commodity price forecasts used when assessing potential projects and other investment opportunities are likely to have a significant influence on the forecast return on investment.	–	The Group assesses a wide range of potential growth opportunities, both from its internal portfolio and external opportunities, to maximise its growth profile. A rigorous assessment process is followed to evaluate all potential business acquisitions. Details of the Group's growth opportunities are set out in the Operational review on pages 36 to 43.

Risk	Trend	Mitigation
Identification of new mineral resources The Group needs to identify new mineral resources in order to ensure continued future growth. The Group seeks to identify new mineral resources through exploration and acquisition. There is a risk that exploration activities may not identify viable mineral resources.	–	The Group has teams conducting active exploration programmes both within Chile and elsewhere. The Group has entered into early-stage exploration agreements with third parties in a number of countries throughout the world, and has also acquired interests in companies with known geological potential. A review of the Group's exploration activities is set out in the Operational review on pages 42 and 43.
Ore reserves and mineral resources estimates The Group's ore reserves and mineral resources estimates are subject to a number of assumptions and estimations, including geological, metallurgical and technical factors, future commodity prices and production costs. Fluctuations in these variables may result in lower grade reserves or resources being deemed uneconomic, and could lead to a reduction in reserves or resources.	–	The Group's reserves and resources estimates are updated annually to reflect material extracted during the year, the results of drilling programmes and updated assumptions. The Group follows the JORC code in reporting its ore reserves and mineral resources which requires that the reports are based on work undertaken by a Competent Person. The Group's reserves and resources estimates are subject to a comprehensive programme of internal and external audits. The ore reserves and mineral resources estimates, along with supporting explanations, are set out on pages 146 to 152.
Talent The Group's highly skilled workforce and experienced management team is critical to maintaining its current operations, implementing its development projects, and achieving longer-term growth. The loss of key individuals and the failure to recruit appropriate staff may have a negative impact on the performance of the existing operations and the growth of the Group. Labour disputes could result in disruption to operations.	↑	The Group's performance management system is designed to provide reward and remuneration structures and personal development opportunities appropriate to attract and retain key employees. The Group has in place a talent management system to identify and develop internal candidates for critical management positions. There are long-term labour contracts in place at each of the Group's mining operations which help to ensure labour stability. The Group seeks to identify and address labour issues which may arise throughout the period covered by existing long-term labour agreements. Contractors' employees are an important part of the Group's workforce, and under Chilean law are subject to the same duties and responsibilities as the Group's own employees. The Group's approach is to treat contractors as strategic associates. Details of the Group's relations with its employees and contractors are set out within the Corporate sustainability section on pages 52 and 53 and within the Operational review on pages 26 to 57.
Commitment to health and safety Health and safety incidents could result in harm to the Group's employees, contractors or communities. Ensuring safety and wellbeing is first and foremost an ethical obligation for the Group. Poor safety records or serious accidents could have a serious impact on the Group's production and reputation.	–	The Group focuses on identifying, mitigating and managing the safety risks inherent in its different operations and development projects. The Group's goal is to create a safety culture through regular training and awareness campaigns for employees and contractors. It also aims to reach workers' families and local communities particularly on issues of road safety. The Group requires all contractors to comply with its Occupational Health and Safety Plan, and this is monitored through monthly audit processes. Further information in respect of the Group's activities in respect of health and safety is set out in the Corporate sustainability section on pages 50 and 51.
Efficient environmental management An operational incident which damages the environment could affect the Group's relationship with local stakeholders and the Group's reputation, and ultimately undermine its social licence to operate and to grow. The Group operates in challenging environments, including the Atacama desert where water scarcity is a key issue.	–	The Group has a comprehensive approach to incident prevention. Relevant risks have been mapped and are monitored. The Group's approach includes raising awareness among employees and providing training to promote operational excellence. Potential environmental impacts are key considerations when assessing projects, including the integration of innovative technology in the project design where it can help to mitigate those effects. The Group has pioneered the use of sea water for mining operations in Chile and strives to ensure maximum efficiency in water use, achieving high rates of reuse and recovery. Further information in respect of the Group's activities in respect of the environment is set out in the Corporate sustainability section on pages 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 page 53.

Evaluation

We consider that a significant part of the potential value of a mining project is realised (or lost) during the evaluation stage when the optimal nature of the project is determined.

Operational review

Operational review

Our existing operations are focused in Chile. 2011 saw the ramp-up of operations at Esperanza, a record year of production at Los Pelambres, the start of production from the Mirador deposit at El Tesoro, and an extension of Michilla's mine life.

We expect to continue making considerable progress with our growth projects in 2012 – with the start of construction of the Antucoya project, continuing with work on the feasibility study in respect of the Telégrafo and Caracoles projects and the pre-feasibility studies in respect of Los Pelambres and Twin Metals, as well as advancing with our substantial exploration programme.

The success of our existing assets and our growth projects is underpinned by our commitment to operating and growing in a sustainable manner.


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

Operational review: Mining

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

Los Pelambres (60% owned)

A record year of production, reflecting the first full year of operation at the expanded 175,000 tonnes per day plant capacity. The 2011 production of 411,800 tonnes of copper was the first time that Los Pelambres has exceeded the 400,000 tonne level for annual production.

2011 Production

Copper tonnes (2010 384,600)	Molybdenum tonnes (2010 8,800)	Gold ounces (2010 35,100)
+7.1%	+12.5%	+13.4%
411,800	**9,900**	**39,800**

2012 Forecast

Copper tonnes	Molybdenum tonnes	Gold ounces
390,000	**11,000**	**28,000**

2011 Financials

Cash costs US cents per pound (2010 US79.3 cents)	Operating profit (2010 US$2,215.9m)
-1.3%	+10.9%
US78.3 cents	**US$2,457.4m**

Position within mining lifecycle

Exploration | Evaluation | Construction | **Production**

Start of operation: **2000**
End of mine life: **2037**
Years of operation: **12/38**

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

2011 Performance

Operating profit

Operating profit at Los Pelambres was US$2,457.4 million compared with US$2,215.9 million in 2010, mainly reflecting the higher volumes partly offset by the marginal increase in on-site and shipping costs. The realised price was nearly unchanged at 371.1 cents per pound in 2011 (2010 – 371.7 cents per pound).

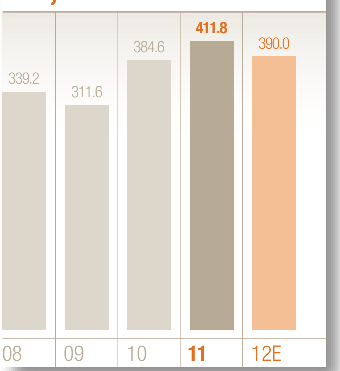
Production

In 2011 Los Pelambres produced 411,800 tonnes of payable copper, 7.1% above 2010 production of 384,600 tonnes, mainly due to the 10.8% higher plant throughput as a result of the full year effect of the plant expansion which was completed during 2010, partly offset by lower ore grades. Ore throughput averaged 176,600 tonnes per day during the year (2010 – 159,400 tonnes per day). The plant throughput is currently limited by environmental permits to an average of 175,000 tonnes per day, averaged over a 12-month period running from May to April.

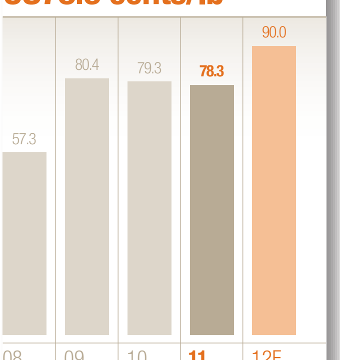
Molybdenum production was 9,900 tonnes in 2011, 12.5% above 2010. The increase mainly reflected the higher plant throughput as a result of the 2010 plant expansion, and to a lesser extent, higher recoveries. Gold production was 39,800 ounces (2010 – 35,100 ounces).

Los Pelambres' plant control room allows continuous monitoring and optimisation of the process.

Production
411,800 tonnes



Cash costs
US78.3 cents/lb



Costs

Cash costs for 2011, which are stated net of by-product credits and include tolling charges, were 78.3 cents per pound, marginally below the 79.3 cents for 2010. This reflected an increase in on-site and shipping costs, offset by marginal increases in molybdenum, silver and gold by-product credits. On-site and shipping costs increased from 106.8 cents per pound in 2010 to 110.0 cents, reflecting cost inflation across a range of input costs as well as the impact of the stronger Chilean peso, partly offset by lower energy costs. There was a marginal increase in tolling charges to 18.0 cents per pound (2010 – 17.6 cents), resulting in total cash costs before by-product credits of 128.0 cents per pound (2010 – 124.4 cents).

Total capital expenditure in 2011 was US$174.3 million, and is expected to remain at a similar level in 2012.

Sustainable development

Labour negotiations were satisfactorily concluded at Los Pelambres in May 2011 with the plant union, which covers approximately 20% of employees, for a new 44-month labour agreement running until January 2015. This was concluded in advance of the expiry of the existing agreement, which ran until November 2011. During 2010 Los Pelambres had concluded negotiations with the main union which covers more than 70% of employees, mainly at the mine and port, for a new 46-month labour agreement running until September 2014.

Outlook

Production

As previously announced, the initial forecast for 2012 production is for approximately 390,000 tonnes of payable copper, compared with production of 411,800 tonnes in 2011. This is due to an expected decrease in the average ore grade to 0.71% under the current phase of the mine plan compared with 0.74% in 2011. This production forecast is based on an average plant throughput of 175,000 tonnes per day. The plant will on average run at a lower throughput level during the first quarter of 2012 and will include a major maintenance of the plant during March. The initial forecast for 2012 molybdenum production is for approximately 11,000 tonnes, an increase of 1,100 tonnes on 2011 volumes, due to an increase in the molybdenum grade to approximately 0.021%. The initial gold production forecast is approximately 28,000 ounces.

On-site and shipping costs for 2012 are forecast to be approximately 122 cents per pound, compared to the 110.0 cents achieved in 2011. This increase is due to unit cost increases resulting from lower production levels and general inflationary effects. The current forecast is for tolling charges to remain at a similar level in 2012 as in 2011 at approximately 18 cents. Cash costs before by-product credits are expected, therefore, to increase to approximately 140 cents per pound compared with 128.0 cents per pound in 2011. Based on a molybdenum price of approximately US$13 per pound and a gold price of approximately US$1,850 per ounce, by-product credits are expected to be around 50 cents per pound, compared with 49.7 cents in 2011, which results in net forecast cash costs of approximately 90 cents in 2012, compared with 78.3 cents in 2011.

The main energy contract at Los Pelambres was fixed for a two-year period, with 2012 being the final year of the contract under its existing energy supply agreement. The energy price currently being paid by Los Pelambres is significantly below the current spot prices in the central grid. Los Pelambres is currently negotiating a new energy supply contract for 2013 onwards.

As previously disclosed, in November 2011 Los Pelambres signed a 20-year agreement with Pattern Energy Group LP ("Pattern") for the supply of up to 40MW of power. Pattern will develop and operate the El Arrayan wind power plant which is expected to begin construction in early 2012 and achieve commercial operation in the second half of 2013. In December 2011 the Group exercised an option to acquire a 30% interest in the El Arrayan project, for a consideration of US$4.5 million, and will be responsible for its share of development costs.

Los Pelambres is continuing to review opportunities for further expansion. In November 2011 an Environmental Impact Declaration was submitted to the authorities to increase the current annual average processing capacity limit of 175,000 tonnes per day allowed under existing environmental permits to allow more flexibility in the operation of the plant. A response to the submission is expected during the first half of 2012.

As explained in detail below, the Group has approved work on a pre-feasibility study to analyse the potential for long-term, large-scale expansion of the Los Pelambres operation.

Operational review: Mining
The existing core business

Esperanza (70% owned)

The ramp-up of Esperanza was the key milestone for the Group in 2011. The mine significantly increases the scale of the Group's production, with Esperanza expected to produce between 160,000 and 175,000 tonnes of copper in 2012, reflecting the first full year of operation following the completion of the main ramp-up activities.

2011 Production

Copper tonnes	Gold ounces
90,100	157,100

2012 Forecast

Copper production tonnes	Gold production ounces
160-175,000	240-260,000

2011 Financials

Cash costs US cents per pound	Operating profit
US83.2 cents	US$384.1m

Position within mining lifecycle

Exploration Evaluation Construction **Production**

Start of operation: **2011**
End of mine life: **2026**
Years of operation: **1/16**

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

Following the completion of a three-year construction period at a total capital cost of US$2.7 billion the commissioning of Esperanza commenced in November 2010. The ramp-up continued throughout 2011 and Esperanza contributed US$384.1 million towards the Group operating profit in 2011.

2011 Performance

Production

Esperanza produced 90,100 tonnes of payable copper and 157,100 ounces of payable gold in 2011. Plant throughput averaged 55,700 tonnes per day in the year, copper ore grades averaged 0.56% and gold ore grades averaged 0.36g/tonne.

Costs

Net cash costs, which are stated net of by-product credits and include tolling charges, were 83.2 cents per pound, with cash costs before by-product credits averaging 234.9 cents per pound in 2011. There was a decrease in the cash costs as the ramp-up progressed during the year, with cash costs before by-product credits reaching 201.0 cents per pound in the final quarter of 2011. The high level of on-site and shipping costs during the year reflected the expenses associated with the ramp-up process, and the impact on unit costs of the plant operating at significantly below capacity during this process.

A 3.5 km conveyor at Esperanza takes ore from the mine site to the main ore stockpile.

Ramp-up activities

The challenges in the ramp-up at Esperanza have been largely addressed, with remaining remedial measures relating to the performance and reliability of the plant under review. The main focus of the ramp-up activities during 2011 was on improving the efficiency of the milling process and building up the overall reliability of the plant. Work on optimising the milling process included fine-tuning of the control system, fitting new lifters with a modified configuration to the SAG mill, increasing the grate ports which filter the flow of material between the SAG mill and the pebble crusher and ball mills, in order to balance the grinding effort between the mills and crusher, adjusting the blasting pattern at the mine site to optimise the size distribution of the ore fed into the milling process, and increasing the power supply to the SAG mill. There was also a focus on removing bottlenecks downstream of the plant, in particular with the tailings thickeners. One of the areas of focus in improving the reliability was in relation to the pumps within the sea water pumping system which suffered mechanical issues during the first half of the year, thus causing temporary down-time and limitations to plant capacity as the necessary repair work was undertaken. The results of this work were reflected in the increase in average plant throughput over the course of the year, from 27,100 tonnes per day in Q1 to 76,500 tonnes per day in Q4, averaging 55,700 tonnes per day over the full year.

Sustainable development

Labour negotiations were satisfactorily concluded in May 2011 with the main union, for a new 42-month labour agreement running to November 2014.

Esperanza maximises its water efficiency through thickened tailings technology and the use of sea water.

Outlook

Production

It is expected that an average throughput level of between 80,000 to 86,000 tonnes per day will be achieved in 2012. There is an ongoing process to further optimise the reliability and performance of the operation, including the installation of temporary pre-crushing facilities during 2012, to consolidate the reliability of the milling process. Esperanza is also evaluating the potential to move beyond current processing levels over the next one to two years, with the aim of reaching the original design capacity of 97,000 tonnes per day. During the first half of 2012 there will be two main areas of focus. Firstly, to complete testing on the top layer of the ore body that will be mined and processed in the next two to three years. This will allow a more precise assessment of how the various processes within the plant will deal with the particular ore characteristics, including the hardness of the ore, and whether some permanent additional pre-crushing capacity is required. The other area of focus is the performance of the tailings thickeners, and in particular, an evaluation of whether additional capacity is required to move beyond current processing levels.

Production of payable copper in 2012 is expected to be in the range of 160,000 to 175,000 tonnes based on the average throughput of between 80,000 and 86,000 tonnes per day and an expected average ore grade of 0.66% compared with an average ore grade of 0.56% in 2011. Gold production is expected to be in the range of 240,000 ounces to 260,000 ounces based on an expected average ore grade of 0.35g/tonne compared to an average ore grade of 0.36g/tonne in 2011.

Costs

On-site and shipping costs for 2012 are expected to be in the range of 174 to 184 cents per pound, a similar level to the 185.4 cents achieved in Q4 2011. The marginal reduction in costs from the level achieved in the final quarter of 2011 is due to the impact of increased production on unit costs partially offset by inflationary pressures. The current forecast is for tolling charges to remain at a similar level in 2012 as in 2011 at approximately 16 cents. Cash costs before by-product credits are expected, therefore, to be in the range of 190 to 200 cents per pound. Based on a gold price of approximately US$1,850 per ounce, by-product credits are expected to be around 135 cents per pound, compared with 151.7 cents in 2011, which results in forecast net cash costs in the range of 55 to 65 cents in 2012, compared with 83.2 cents in 2011.

Esperanza is currently evaluating the potential for construction of a separate molybdenum plant for approximately 2,000 tonnes per year of molybdenum production over the remaining life of the mine with first potential production from 2015. During November 2011 the Environmental Impact Declaration for this project was submitted to the authorities.

Operational review: Mining
The existing core business

El Tesoro (70% owned)

Production commenced from the Mirador deposit during the second half of 2011, contributing 28,600 tonnes to El Tesoro's total production of 97,100 tonnes. Mirador is expected to result in reduced costs at El Tesoro while the deposit is mined during the three-year period to 2014, as well as extending El Tesoro's mine life to 2022.

2011 Production

Copper cathode
tonnes (2010 95,300)

+1.9%
97,100

2012 Forecast

Copper cathode
tonnes

100,000

2011 Financials

Cash costs
US cents per pound
(2010 US169.2 cents)

+1.4%
US171.6 cents

Operating profit
(2010 US$386.6m)

-1.9%
US$379.4m

Position within mining lifecycle

Exploration | Evaluation | Construction | **Production**

Start of operation: **2001**
End of mine life: **2022**
Years of operation: **11/22**

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 three open pits – Tesoro Central, Mirador and Tesoro North-East – which, along with oxide ore from Esperanza, feed a heap-leach operation and a Run-of-Mine ("ROM") leaching operation.

2011 Performance

Operating profit

Operating profit at El Tesoro was US$379.4 million, compared to the 2010 operating profit of $386.6 million. The 2010 result included 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. The 2011 operating profit of US$379.4 million represents a 36.9% increase on the underlying 2010 operating profit of US$277.2 million excluding this one-off credit. This mainly reflects the increase in the realised copper price from 351.9 cents per pound in 2010 to 391.2 cents per pound in 2011.

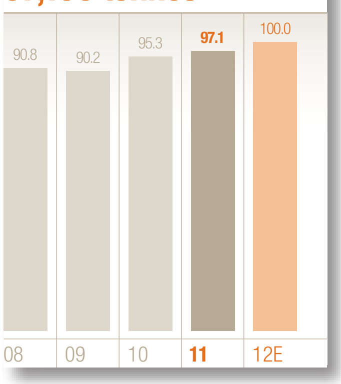
Production

Copper cathode production was 97,100 tonnes in 2011 compared with the 95,300 tonnes produced in 2010. This increase mainly reflects the commencement of operations in August 2011 from the higher grade Mirador deposit which contributed 28,600 tonnes towards the 2011 production. During 2011 the ROM operation contributed 21,100 tonnes of cathode production and the remainder of the production came from the Tesoro Central and Tesoro North-East pits as well as oxide ore from Esperanza which fed the heap-leach operation.

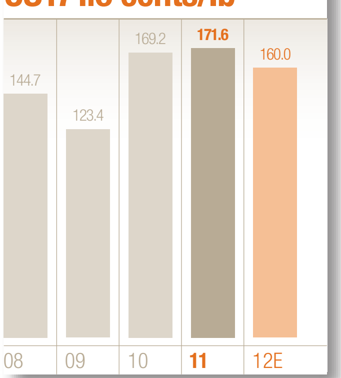
Mirador

The Mirador deposit, which is located approximately two and a half kilometres east of Tesoro North-East, contains reserves of 21.8 million tonnes of oxide ore at an average grade of 1.1%, and was included in the mine plan during 2010 when 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.

Production
97,100 tonnes



Cash costs
US171.6 cents/lb



The average ore grade increased to 1.26% in 2011, compared with 1.10% in 2010. The average ore grade increased to 1.51% in the second half of 2011 compared with 1.04% in the first half of the year, with the increase mainly due to ore being fed to the plant from the higher grade Mirador pit. This increase in ore grade has resulted in lower plant throughput as the current operation is limited by the processing capacity of the SX-EW plant. The plant throughput relating to the heap-leach operation averaged 23,800 tonnes per day during 2011, compared with the 2010 throughput of 26,400 tonnes per day. El Tesoro has completed work to de-bottleneck the SX-EW plant, which has increased the maximum capacity of the plant from just under 100,000 tonnes of cathode production per year, to an annual capacity of approximately 105,000 tonnes. Actual annual production levels will continue to also depend upon a number of factors which could limit capacity elsewhere in the operation including ore grade and hardness.

Costs

Cash costs were 171.6 cents per pound in 2011, compared with 169.2 cents in 2010. During 2011 costs increased as a result of higher sulphuric acid prices and the strengthening of the Chilean peso which was partially offset by the commencement of operations from Mirador. Cash costs decreased to 161.7 cents per pound in the second half of 2011 from an average of 183.0 cents per pound in the first half mainly due to the impact of ore from the higher grade Mirador pit.

Capital expenditure in the year was US$119.5 million, including US$34.3 million relating to stripping costs at the Mirador deposit, US$33.1 million relating to the purchase of new mine equipment and US$6.7 million relating to the construction of the solar thermal plant which will provide heat for the SX-EW plant. Capital expenditure is expected to increase to approximately US$150 million in 2012 mainly due to extensive work to update the SX-EW plant.

Sustainable development

Construction of the US$14 million solar thermal plant is progressing well, with the plant expected to come into operation in the second half of 2012. The operation of the thermal solar plant will reduce diesel requirements in the plant's electro-winning boilers by 55% and cut the carbon emissions of the operation.

As previously announced, labour negotiations were satisfactory concluded at El Tesoro in August 2011 with both its unions for a new 44-month labour agreement running until April 2015. These were concluded in advance of the expiry of the existing agreement, which was due to expire in early 2012.

Outlook

Production

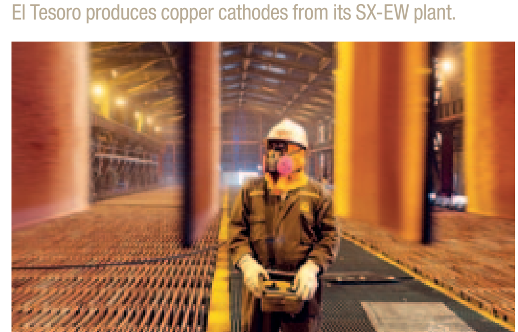
For 2012, the forecast for cathode production is approximately 100,000 tonnes. This marginal increase on the 2011 production level reflects a full year of production from the Mirador deposit. Production from the heap-leach operation is expected to be approximately 85,000 tonnes which will be mostly from the Mirador pit with approximately 6,000 tonnes from Tesoro Central. There will also be approximately 15,000 tonnes of production from the ROM operation. Ore grades for the heap-leach operation are expected to increase to an average grade of 1.57% in 2012 (2011 – 1.26%) reflecting the higher grade Mirador ore.

During the three-year period from 2012 to 2014 El Tesoro's production is expected to come primarily from the Mirador pit with the balance of the production coming from the Tesoro North-East and Tesoro Central pits. Once the ore from the Mirador deposit has been utilised by the end of 2014, production is currently forecast to reduce as lower grade material is processed once again from the Tesoro Central and North-East pits. As detailed in the Centinela District section below, further exploration and evaluation work is being conducted to identify additional oxide resources. The combination of the processing of the oxides from both the Telégrafo and Caracoles deposits could provide additional resource for the El Tesoro plant over the rest of this decade.

Costs

The forecast for cash costs at El Tesoro for 2012 is approximately 160 cents per pound, compared with the annual average of 171.6 cents per pound during 2011 reflecting the impact of a full year of production from Mirador.

El Tesoro produces copper cathodes from its SX-EW plant.



Operational review: Mining
The existing core business

Michilla (74.2% owned)

Michilla's board approved an extension to its mine life from 2012 to 2015 and studies are continuing in respect of a further possible extension to 2018.

2011 Production	2012 Forecast
Copper cathode tonnes (2010 41,200)	Copper cathode tonnes
+1.0% **41,600**	**40,000**

2011 Financials

Cash costs US cents per pound (2010 US183.8 cents)	Operating profit (2010 US$50.4m)
+161% **US213.3 cents**	+192.50% **US$147.4m**

Position within mining lifecycle

Exploration Evaluation Construction **Production**

Start of operation: **1959**
End of mine life: **2015**
Years of operation: **53/57**

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 ENAMI is in some cases linked to the market copper price.

2011 Performance

Operating profit

Operating profit at Michilla was US$147.4 million, compared to the 2010 operating profit of $50.4 million. This mainly reflects the increase in the realised copper price partly offset by the increase in cash costs. Michilla's revenue was net of US$15.6 million of realised losses on commodity hedging instruments. 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. Further details of the effects of commodity hedging instruments in place are given in the Financial review.

Michilla operates the Group's only underground mining operation.

Production

Total annual production in 2011 was 41,600 tonnes of copper cathodes, a marginal increase on the prior year production of 41,200 tonnes due to the higher average ore grades of 1.18% (2010 – 1.03%), which offset a reduction in the plant throughput. Average plant throughput decreased slightly to 12,500 tonnes per day, compared with 14,100 tonnes per day in the prior year. Of the total production of 41,600 tonnes approximately 16,000 tonnes came from the Lince open pit, approximately 13,000 tonnes came from the underground Estefanía mine and approximately 6,000 tonnes of production from ore provided by third parties. The remainder of the production came from ore purchased from ENAMI and from the Aurora deposit. Pre-stripping of the Aurora deposit commenced during the first quarter of 2011, with production from the Aurora pit ramping-up during the year. There is also a substantial amount of low-grade spent ore at Michilla. This is material removed from the dynamic heap-leach pads after the primary leach cycle is complete. Testing of this material has shown that this material is capable of being re-leached on the dynamic leach pads. This contributed approximately 1,000 tonnes of copper production in 2011, and will become an increasingly important source of material for processing through the Michilla plant.

Costs

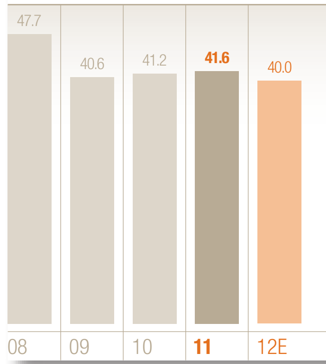
Cash costs averaged 213.3 cents per pound during 2011, compared with 183.8 cents per pound in 2010. The increase reflected the impact of mining of the Aurora pit, higher acid costs and the stronger Chilean peso.

Capital expenditure in the year was US$52.7 million in 2011 compared to US$21.5 million in the previous year. The significant increase was due to a US$25.9 million investment in the open pit mine fleet. Capital expenditure in 2012 is expected to be approximately US$65 million and mainly relates to the finalisation of investments in the open pit mine fleet, completing the infrastructure for the spent-ore secondary leaching and underground mine development, among other normal sustaining capital items.

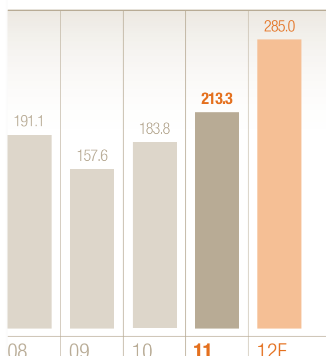
Mine life

In April 2011 Michilla's board approved an extension to its mine life from 2012 to 2015, following a combination of in-fill drilling studies to upgrade inferred resources as measured or indicated resources, engineering studies and mine planning to demonstrate viability. Studies are continuing in respect of a further possible extension to 2018.

Production
41,600 tonnes



Cash costs
US213.3 cents/lb



Outlook

Production

The initial forecast for cathode production in 2012 is approximately 40,000 tonnes. The majority of this production is expected to continue to come from Estefanía as well as third parties and Aurora. Pre-stripping of the Núcleo X deposit commenced during the final quarter of 2011 and production from the Núcleo X pit is expected to be approximately 1,400 tonnes of copper in 2012. The processing of the low grade spent ore is also expected to contribute approximately 7,300 tonnes of copper production in 2012.

Costs

The initial forecast for cash costs in 2012 is approximately 285 cents per pound, in line with the cash costs of 268.5 cents per pound in the final quarter of 2011. The increase compared with the 2011 costs of 213.3 cents per pound reflects increased costs relating to the ramp-up of production at the Núcleo X pit and the opening up of a new section of the Lince open pit as well as costs associated with processing ore from the spent ore piles. 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 2012 cash costs through processing higher cost, but profitable, materials. Approximately 60% of the Michilla's operating costs are denominated in Chilean pesos and approximately 70% of those Chilean peso denominated costs in 2012 have been hedged with cross currency swaps to swap US dollars for Chilean pesos to reduce its exposure to fluctuations in the Chilean peso/US dollar exchange rate. The average rate of these instruments is Ch$508/US$.

Workers en-route to Michilla, which is situated at the top of Chile's coastal mountain range.

Operational review: Mining

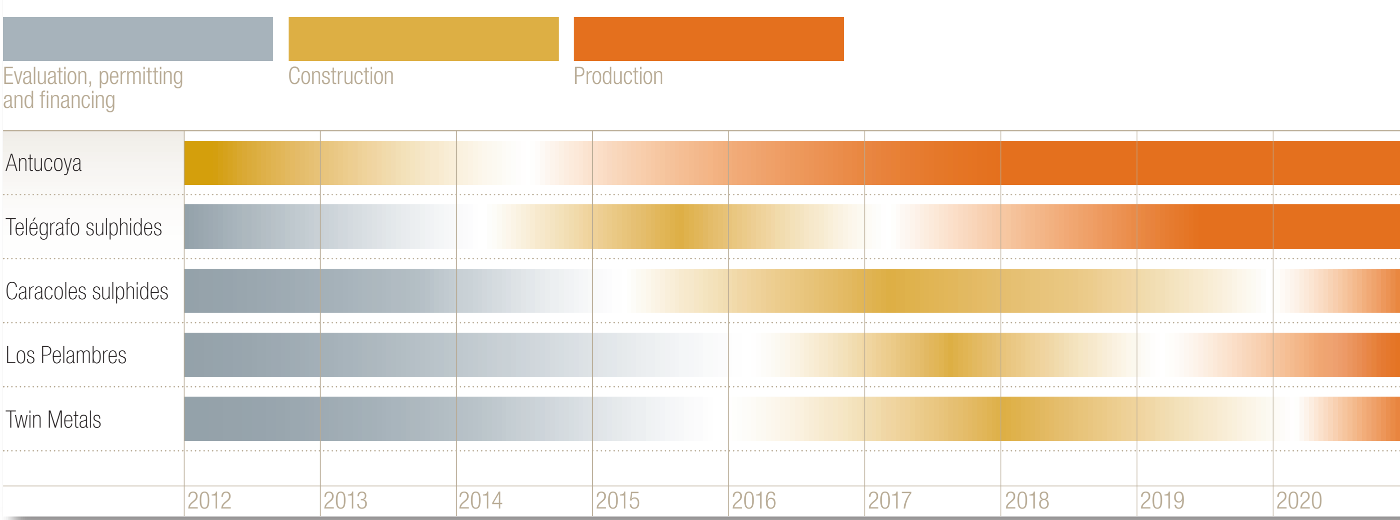
Growth projects and opportunities: The Group is focused on developing its projects and growth opportunities, both around its existing mining districts in Chile (the second pillar of its strategy), and also beyond those areas, in Chile and internationally (the third pillar of its strategy). The Group's primary focus is on opportunities with the potential for large-scale development.

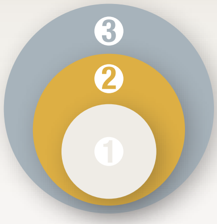
Current evaluation studies

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 Group's exploration and evaluation expenditure in 2011 on growth projects was US$215.4 million. In December 2011 the Antucoya project was approved by the Board and a Memorandum of Understanding was signed with Marubeni Corporation where they will become a 30% partner in the project for a consideration of US$350 million. Construction is expected to take place through 2012 and 2013, with first production expected in 2014.

The Group's primary focus in terms of its medium-term, large-scale growth potential is focused on its existing core districts of the Centinela Mining District (formerly known as the Sierra Gorda District) and the Los Pelambres District. Following the completion of the pre-feasibility study in the Centinela Mining District at the end of September 2011, the Group approved the initiation of a feasibility study in respect of the Telégrafo and Caracoles deposits. Following the completion of the scoping study at Los Pelambres during the first half of 2011, a pre-feasibility study commenced to analyse in detail the growth opportunities. A pre-feasibility study is under way at the Twin Metals' copper-nickel-platinum deposit located in north-eastern Minnesota. During the year Twin Metals acquired 100% of the assets of Franconia Minerals Corporation of Canada which holds copper-nickel-platinum deposits that are contiguous to the Twin Metals' deposits.

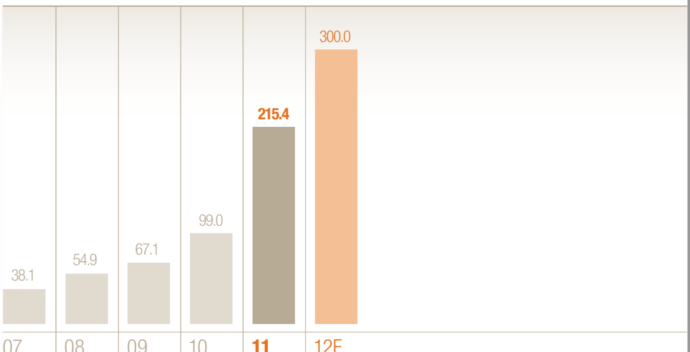
Indicative timelines for evaluation studies





The Group intends to continue to invest strongly in its growth opportunities. During 2012 the total forecast expenditure in relation to exploration and evaluation activities is approximately US$300.0 million.

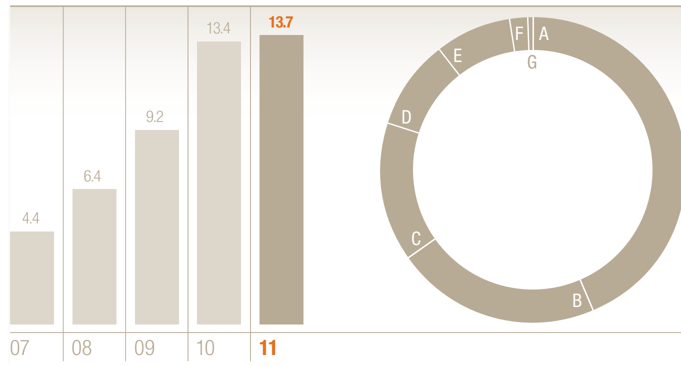
Exploration and evaluation expenditure
US$215.4m



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 fourfold over the past five years, from 3.2 billion tonnes in 2006 to 13.7 billion tonnes in 2011.

Mineral resources (including ore reserves) of the Group's subsidiaries
13.7bn tonnes



A	Los Pelambres	6,006 mt @ 0.51% Cu	**E**	Antucoya	1,106 mt @ 0.31% Cu
B	Telégrafo	2,965 mt @ 0.34% Cu	**F**	El Tesoro	260 mt @ 0.58% Cu
C	Esperanza	2,019 mt @ 0.36% Cu	**G**	Michilla	67 mt @ 1.57% Cu
D	Caracoles	1,301 mt @ 0.41% Cu	**Total**	**13.7bn tonnes @ 0.43% Cu**	

(The mineral resources relate only to the Group's subsidiaries and do not include amounts relating to the Group's joint venture at Reko Diq)

Operational review: Mining

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

Centinela Mining District

Introduction

The Group's primary focus for exploration in Chile remains the Centinela Mining District (formerly known as the Sierra Gorda District) which is located in the Atacama desert in northern Chile, and which stretches over a length of approximately 30 km. The Group owns or controls a number of properties in the district, containing both sulphide and oxide resources. The district encompasses the Group's Esperanza and El Tesoro operations, as well as the Telégrafo and Caracoles projects, stretching through to Centinela and Polo Sur where the Group have been undertaking extensive drilling work. A total of US$91.9 million of exploration and evaluation expenditure was incurred during 2011 (2010 – US$41.3 million) relating to the pre-feasibility study at the Telégrafo and Caracoles deposits as well as other work across the districts. The total mineral resource in respect of these two deposits is 4.3 billion tonnes with an average copper grade of 0.36% (along with additional gold and molybdenum credits). These deposits represent approximately 30% of the total mineral resources of the Group's subsidiaries.

Evaluation studies

Following the completion of the pre-feasibility study in the district during 2011 the Group is conducting a feasibility study for the district to study the options for processing sulphide ores from the Telégrafo and Caracoles deposits, as well as the potential to process oxide ores from those deposits in the existing El Tesoro plant. Based on the results of the pre-feasibility study the current estimates are that each of these projects could support a plant of a similar scale to the existing Esperanza operation, which could result in annual production of somewhere in excess of 150,000 tonnes of copper for each project, along with gold by-products. The current plan is for separate processing lines for the Telégrafo and Caracoles deposits, with some shared infrastructure including a single tailings processing system. The resources include a significant molybdenum content and therefore the current plan envisages the inclusion of a molybdenum plant. The metallurgical testing has shown that untreated sea water can be used to process the sulphide ores. The untreated sea water will be piped from the coast to the plant, as at Esperanza. Preliminary indications of the potential capital costs of these projects are that each could be in the region of US$3.5 billion at today's prices.

Telégrafo is likely to be the earlier of the two projects. Depending on the successful conclusion of the feasibility study and permitting, construction at Telégrafo could potentially take place between 2014 and 2016, with first production from 2017.

Telégrafo

Resources

Sulphides

2.9 billion tonnes at 0.34% copper, 0.010% molybdenum and 0.11g/tonne gold

Position within mining lifecycle

Exploration **Evaluation** Construction Production

The Telégrafo deposit is part of Esperanza's existing property, and is owned through Minera Esperanza and hence the Group's interest in the deposit is 70%. The mineral resource at the Telégrafo deposit is 2,965 million tonnes at an average copper grade of 0.34%, of which the sulphide deposit represents 2,901 million tonnes at 0.34% copper (plus 0.010% molybdenum and 0.11g/tonne gold) and the oxide deposit represents 64.1 million tonnes at 0.21% copper. As a result of new information from the in-fill drilling as well as adjustments to the geological and estimation models, mineral resources have increased by 238 million tonnes. The deposit has approximately 150 million tonnes of pre-stripping which includes approximately 50 million tonnes of oxide resource which could potentially be processed at the El Tesoro SX-EW plant from 2015. Current expectations are that initial works for the Telégrafo project could start in 2014 with first production potentially from 2017, with a mine life of up to 34 years.

The Centinela Mining District contains both the Telégrafo and Caracoles deposits as well as being a primary area of focus for early stage exploration.

3
2
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A feasibility study for the Centinela Mining District is under way.

Caracoles

Resources
Sulphides

1.1 billion tonnes at 0.41% copper, 0.014% molybdenum and 0.15g/tonne gold

Position within mining lifecycle

Exploration | **Evaluation** | Construction | Production

The Caracoles deposit is situated approximately 10 km south-east of Esperanza, and is 100% owned by the Group. The mineral resource at Caracoles is 1,302 million tonnes at an average copper grade of 0.41%, of which the sulphide deposit represents 1,089 million tonnes at 0.41% copper (plus 0.014% molybdenum and 0.15g/tonne gold) and the oxide deposit represents 212 million tonnes at 0.40% copper. During 2011 an extensive programme of in-fill drilling was performed which along with the change in the cut-off grade has resulted in an increase of 286 million tonnes of resources. The Caracoles deposit has approximately 600 million tonnes of pre-stripping which could potentially take up to four years to complete and includes approximately 150 million tonnes of oxide which could potentially be processed at the El Tesoro plant, again from 2015. First production from the sulphide deposit at Caracoles is likely to be somewhat later than Telégrafo, reflecting the process for mining the oxide deposit, the higher levels of pre-stripping, and also the desirability of phasing key engineering and construction phases of the two projects, in order to ensure the most efficient process and to minimise the duplication of resources between the projects. Current expectations are that construction in respect of the Caracoles project could start in 2015 with first production potentially from 2020 and a mine life of up to 22 years.

The combination of the processing of the oxides from both the Telégrafo and Caracoles deposits could provide additional resource for the El Tesoro plant over the rest of this decade.

Other exploration work in the district

In addition to the above properties a further US$50.6 million of exploration work was performed in other areas of the highly prospective Centinela Mining District during 2011 in relation to 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 mineral inventory of between 450 to 690 million tonnes, with a corresponding average grade of between 0.54% and 0.44%.

As discussed above in the El Tesoro section, production commenced from the Mirador deposit at El Tesoro during 2011. Exploration work is also continuing on the Mirador sulphide deposit.

Ongoing areas of focus

A feasibility study on the Telégrafo and Caracoles deposits, for which a budget of US$109 million has been approved, is currently under way. The environmental impact assessment is expected to be submitted to the authorities in the first half of 2012. Detailed work on the feasibility study will continue through into 2013 with possible approval of the project expected in 2014. The Group is also undertaking significant drilling at Centinela and Polo Sur to the south of the district, as well as in the area between Telégrafo and Caracoles during 2012. Based on the results of the intensive drilling campaign currently being performed it is anticipated that a scoping study could commence during 2013 in respect of these additional areas within the district.

Los Pelambres

Resources

6.0 billion tonnes at 0.51% copper, 0.011% molybdenum and 0.03g/tonne gold

Position within mining lifecycle

Exploration | **Evaluation** | Construction | Production

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 6.0 billion tonnes at 0.51% copper (plus 0.011% molybdenum and 0.03g/tonne gold) is more than four times the ore reserves of 1.45 billion tonnes. Given the size of the resource base it is possible that a more than doubling of existing plant capacity could be the optimal choice.

Following the completion of a scoping study looking at opportunities for the longer-term large-scale development at Los Pelambres in the first half of 2011, the Group approved just under US$100 million of expenditure on a pre-feasibility study, with a drilling campaign to recategorise mineral resources, in order to analyse in detail these growth opportunities. The pre-feasibility study commenced in July 2011 and is expected to be completed during 2013, potentially then to be followed by a feasibility study. It is possible that any project could be a staggered process, potentially with the first incremental production coming through at some point from 2019 onwards. Unlike the Group's operations and projects in northern Chile, Los Pelambres is situated in an agriculture area, with competing demands over land and water use, which need to be addressed in a sustainable manner.

Operational review: Mining

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

Antucoya

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

Position within mining lifecycle

Exploration | **Evaluation** | Construction | Production

Antucoya is a copper oxide deposit located in Chile's Antofagasta region approximately 45 km east of the Group's Michilla mine.

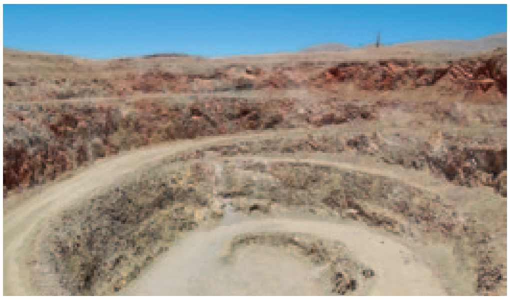
The Board approved the Antucoya project in December 2011. The Group also signed a Memorandum of Understanding with Marubeni Corporation in December 2011 whereby Marubeni will become a 30% partner in the project for a consideration of US$350 million and a commitment to fund its pro rata share of the development costs of the project. Definitive agreements are expected to be signed in March 2012 and the transaction is expected to close during the second half of 2012 upon satisfaction of certain conditions precedent.

The project is expected to produce an average of 80,000 tonnes of copper cathodes per annum through a standard heap-leach process, and is expected to have a mine life of approximately 20 years. The capital cost estimated under the feasibility study is US$1.3 billion. The finalisation of the key construction contracts which is under way will allow a final estimate of the likely development costs. The cash costs are estimated to be approximately 145 cents over the first five years of operation and 155 cents over the mine life. The approved mine plan includes proved and probable Ore Reserves of 642 million tonnes of 0.35% copper (using a cut-off grade of 0.21%) during the 20-year mine life.

Antucoya will be developed as a conventional open pit mine and the ore will be processed using a dynamic heap-leaching facility and a SX-EW plant and will use untreated sea water throughout the operations. While the project will be one of the lowest copper-grade green-field projects to be developed in Chile, there are a number of compensating factors. The deposit is relatively shallow and therefore the pre-stripping process to remove the 35 million tonnes of overburden is expected to only take nine months. The operational stripping ratio is also low, with a waste to ore ratio of approximately 1:1. The deposit is located within a well-developed mining area, which allows easy access to pre-existing infrastructure including power, water and human resources. A sulphur burning plant is expected to be constructed on site to supply sulphuric acid to the operation, reducing the overall cost of the acid supply, and an Environmental Impact Declaration application has been submitted to the relevant authorities in respect of such a plant.

During the start of 2012 US$54 million of orders were placed for long lead time equipment such as shovels and front loaders. Construction of the project is expected to take approximately two and a half years, followed by a ramp-up period of production which is expected to start during 2014. The forecast capital expenditure for 2012 is US$320 million. Full approval for the Environmental Impact Assessment for the project was received in July 2011.

The test pit at Antucoya has allowed detailed testing of the leaching of the ore from the deposit.



United States – Twin Metals

Position within mining lifecycle

Exploration | **Evaluation** | Construction | Production

The Group acquired a 40% controlling stake in Twin Metals Minnesota LLC ("Twin Metals") from Duluth Metals Limited ("Duluth") in 2010. The Twin Metals copper-nickel-PGM deposit is located in north-eastern Minnesota, USA. Under the terms of the agreement with Duluth, the Group is providing US$130 million of funding over a three-year period to advance the project towards a bankable feasibility study. The Group also has the option to acquire an additional 25% of the project company following the completion of the feasibility study, based on the then net present value of the Twin Metals project as determined by that study.

Franconia acquisition

During the year Twin Metals acquired 100% of Franconia Minerals Corporation of Canada's ("Franconia") assets. Franconia's principal assets were 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 Twin Metals' deposits. Franconia's assets were acquired for US$76.6 million in a combination of cash and shares. The Franconia transaction effectively doubled Twin Metals' mineral and land assets, providing the opportunity for greater efficiency and maximum environmental protection for the project.

Evaluation studies

During 2011 a total of US$40.0 million of exploration and evaluation expenditure was incurred by the Group in respect of the project (2010 – US$10.9 million). A pre-feasibility study has commenced, after the completion of the conceptual study in the first half of 2011. It is currently envisaged that the operation will comprise an underground mine and use a hydro-metallurgical process to recover the base and precious metals from the bulk copper-nickel concentrate.

Drilling work in progress at the Twin Metals' project in Minnesota.

The conceptual study evaluated possible environmental, operational and economic issues, with the most viable options being taken forward to the next phase of project development. The pre-feasibility study commenced in September 2011, with the lead contractor being Bechtel Mining & Minerals. Further in-fill drilling will be conducted, focusing on better defining the scope, depth and breadth of the targeted ore deposits. Other activities currently under way include metallurgical testing of metal ore samples and the collection of environmental baseline data. The pre-feasibility study is expected to be completed in mid-2013, and if approved then to be followed by a feasibility study. This pre-feasibility study will be used to begin the process of applying for the necessary environmental and other permits required for the proposed mine.

Resources

Duluth has previously published an NI 43-101 compliant resource estimate for the Nokomis-Maturi 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.

Franconia has previously published NI 43-101 compliant resource estimates for the Birch Lake, Maturi and Spruce Road deposits. In respect of the Birch Lake deposit these estimates consisted of 176.8 million tonnes of indicated resources grading 0.528% copper, 0.169% nickel, 0.101% cobalt, 0.239g/t platinum, 0.515g/t palladium, 0.117g/t gold with a combined copper equivalent grade of 1.177%, plus an additional 39.9 million tonnes of inferred resources with a grade of 0.496% copper, 0.157% nickel, 0.009% cobalt, 0.210g/t platinum, 0.431g/t palladium, 0.103g/t gold and a combined copper equivalent grade of 1.083%. For the Maturi deposit these estimates consisted of an inferred resource of 119.9 million tonnes with a grade of 0.67% copper, 0.25% nickel, 0.02% cobalt, 0.25g/t palladium, 0.09g/t Platinum and 0.04g/t gold. And for the Spruce Road deposit these estimates consisted of an inferred resource of 124 million tonnes with a grade of 0.59% copper and 0.21% nickel.

The Nokomis-Maturi deposits and the nearby Birch Lake, Maturi and Spruce Road deposits are the subjects of the ongoing pre-feasibility study being undertaken by Twin Metals. The engineering firm AMEC was contracted in 2011 to consolidate the drilling information to develop updated and consolidated geological models and a mineral resource estimate to support the pre-feasibility study. The geological models and resource estimates are currently in an advanced stage of development, but not yet finalised.

Operational review: Mining
Growth beyond the core business

Reko Diq

The Group holds a 50% interest in Tethyan Copper Company Pty. Limited ("Tethyan Australia"), its joint venture with Barrick Gold Corporation ("Barrick"). Tethyan Australia is seeking, with and through its wholly-owned Pakistan subsidiary, Tethyan Copper Company Pakistan (Private) Limited ("Tethyan Pakistan" and, together with Tethyan Australia, "Tethyan") to develop the Reko Diq copper-gold deposit in the Chagai Hills District of the province of Balochistan in south-west Pakistan. Tethyan has held a 75% interest in an exploration licence encompassing the Reko Diq deposit, with the Government of Balochistan (the provincial authority) holding the remaining 25% interest, resulting in an effective interest for the Antofagasta group of 37.5%. The relationship between Tethyan and the Government of Balochistan in respect of their interests in the project is governed by the Chagai Hills Exploration Joint Venture Agreement ("CHEJVA").

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 0.22g/tonne. The Group's 37.5% attributable share of this resource amounts to 2.2 billion tonnes.

Tethyan completed the feasibility study in respect of the project and submitted this to the Government of Balochistan in August 2010. On 15 February 2011, Tethyan submitted an application to the Government of Balochistan in accordance with the Balochistan Mineral Rules for a mining lease. Tethyan's exploration licence had been due to expire on 19 February 2011, but the submission of the mining lease application suspended the expiry of the exploration licence for the mining area covered in the application. On 15 November 2011, Tethyan was notified by the Government of Balochistan that the Government had rejected the application.

In November 2011 Tethyan initiated an administrative appeal with the Government of Balochistan in respect of the mining lease application process. On 3 March 2012 Tethyan was notified that this administrative appeal had been rejected. Tethyan has also commenced two international arbitrations in order to protect its legal rights. Tethyan strongly believes that it has complied with the requirements of the Balochistan Mineral Rules and the CHEJVA and is entitled to the grant of the mining lease. However, given the uncertainty caused by the Government of Balochistan's rejection of Tethyan's mining lease application, the Group has recognised a provision against the US$140.5 million carrying value of intangible assets and property, plant and equipment relating to the project.

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 2011 the Group's internal exploration team continued to perform exploration work in Chile, in areas beyond the existing core locations of the Centinela Mining District and Los Pelambres, with a new focus on generative activities. These include the progress of the northern porphyries programme, as well as geological work in other prospective belts. Several new exploration targets have been identified and their geological evaluation and drilling started in late 2011. The deep sulphide potential at Antucoya was evaluated during 2011 and further follow up drilling is under way. Similar deep sulphide potential studies were designed for the Conchi deposit and will be developed in early 2012. In 2011 the Group also signed an agreement with Codelco in relation to exploration in Chile. The Group continued to fund the work in 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 2011 was US$19.6 million.

The Group has continued to expand its portfolio of early-stage international exploration interests through a number of earn-in agreements. During 2011 the Group incurred US$15.4 million of exploration and evaluation expenditure in relation to its international early-stage exploration activities. During the year the Group entered into new agreements in Sweden, Turkey, Portugal and Canada. Subsequent to the year end the Group entered into further agreements in Canada and Finland. After evaluation of the results of the exploration activities to date, the Group decided during 2011 not to proceed further with its earn-in agreement in Eritrea.

Energy

The Group is also continuing with its exploration and development activities relating to geothermal and coal energy prospects as well as entering into further investments in power generation.

Energía Andina

Energía Andina S.A, is continuing with its activities for the exploration and development of geothermal energy prospects in Chile. In May 2011 Origin Energy Limited acquired Empresa Nacional del Petróleo's ("ENAP") 40% stake in Energía Andina S.A., to become the Group's joint venture partner in this entity. Energía Andina is currently managing 15 concessions, and during 2012 will include four new concessions granted in the last bidding process to Energía Andina and Origin, resulting in a total of 19 concessions grouped into 12 projects. It is engaged in a direct application process to acquire a number of further concessions that will complement the development of the present projects. During 2011 exploration slim hole drilling was completed at the Tinguiririca project, situated close to Santiago, which demonstrated the existence of an active geothermal system. In November 2011 slim hole drilling at the Pampa Lirima project in northern Chile commenced. During 2012 it is expected that a slim hole drilling programme will be held at other locations with the possibility of starting a feasibility geothermal drilling phase during the second half of 2013. The Group incurred US$7.4 million of expenditure during 2011 relating to its share of this geothermal exploration work.

Mulpun

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.

During 2011 work continued on the feasibility study for the pilot plant as well as on the construction of main infrastructure such as roads, drilling platforms and electricity supplies. The pilot plant will allow the gathering of detailed data about the way in which the proposed coal gasification process works with this particular deposit. Total expenditure of US$17.6 million relating to the pilot plant was capitalised in 2011.

El Arrayan

In December 2011 the Group exercised an option to acquire a 30% interest in Parque Eolico el Arrayan SPA ("El Arrayan"), a company which is constructing the wind power plant. The plant will supply up to 40MW of power to Los Pelambres under a 20-year supply contract. The consideration was US$4.5 million. This investment is being accounted for as an associate undertaking in the financial statements.

El Arrayan started construction of the 115MW plant in early 2012 and has an estimated total cost of approximately US$280 million of which it is expected that a significant proportion will be debt financed and the plant is expected to start operating in the second half of 2013. The Group will be responsible for its share of the development costs.

Inversiones Hornitos

The Antofagasta Railway Company ("FCAB") group owns a 40% interest in Inversiones Hornitos S.A. ("Inversiones Hornitos"). Inversiones Hornitos has constructed and is now operating the 165MW Hornitos thermoelectric power plant in Mejillones in Chile's Antofagasta Region. The Group was responsible for its 40% share of the approximately US$385 million total development costs of the power plant. During 2011 US$6.4 million of funding was provided to Inversiones Hornitos to give a total loan of US$107.5 million of which US$26.2 million was repaid in the year. Inversiones Hornitos contributed US$21.7 million to the Group results in 2011 which included a US$18.8 million relating to compensation for lost profits from the main contractor as a result of delays to the construction.

Recording of exploration drill samples.

Operational review: Transport

In Chile, the Antofagasta Railway Company's ("FCAB") main business continues to be the transport of copper cathodes from and sulphuric acid to mines in the Antofagasta Region. In Bolivia, FCAB has a 50% controlling interest in the Ferrocarril Andino, which connects to the Chilean network at Ollague.

Transport

FCAB's trucking service, Train Ltda., is a key part of FCAB's bi-modal transport service. The FCAB typically provides services to customers under long-term contracts, often with agreed pricing levels which are subject to adjustments for inflation and movements in fuel prices.

2011 Volume transported

Rail tonnage '000 tonnes (2010 6,184)	Road tonnage '000 tonnes (2010 1,919)	Combined tonnage '000 tonnes (2010 8,103)
+3.8%	-1.2%	+2.6%
6,419	**1,896**	**8,315**

2011 Financials

Operating profit
(2010 US$43.8m)

+43.4%
US$62.8m

The transport division had a solid operational performance during 2011 with total volumes increasing to 8.3 million tonnes compared with 8.1 million tonnes in 2010. Rail volumes increased to 6.4 million tonnes and road volumes remained at 1.9 million tonnes.

Combined turnover at the transport division was US$178.8 million, a 15.6% increase compared to the US$154.7 million achieved in 2010. This increase largely reflected a change in the mix of the sales volumes as well as tariff adjustments in line with cost including fuel, inflation and exchange. Capital expenditure in 2011 was US$20.5 million compared to US$18.5 million in the prior year.

The Antofagasta port, which is managed by the Group's 30% associate investment Antofagasta Terminal Internacional S.A. ("ATI") contributed US$2.3 million to Group results (2010 – US$1.9 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 2011, Forestal continued with its ongoing forestation, fertilisation and thinning programme to maintain these assets.

The FCAB restores and maintains its locomotives and rolling stock in its in-house workshop.

Water

Aguas de Antofagasta (“ADASA”) operates a 30-year concession for the distribution of water in Chile’s Antofagasta Region which it acquired from the state-owned Empresa Concesionaria de Servicios Sanitarios S.A. (“ECONSSA”) in 2003.

Water

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

2011 Volume sold	2011 Financials
Water million cubic metres (2010 46.3)	**Operating profit** (2010 US$50.5m)
+4.3%	+11.1%
48.3	**US$56.1m**

Combined domestic and industrial water sales in 2011 amounted to 48.3 million cubic metres compared with the 2010 volumes of 46.3 million cubic metres. This was as a result of increased demand from both regulated and unregulated clients. Water volumes are sourced from surface rights and the desalination plant in the city of Antofagasta.

Turnover in 2011 was US$114.9 million, a 24.4% increase compared with 2010. This improvement reflecting improved tariffs, the increase in volumes and also the impact of the stronger Chilean peso (being the currency in which the majority of sales are billed). While the increased revenues were partially offset by higher operating costs, the business still achieved a 11.1% increase in operating profits to US$56.1 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 2012. The plant, which would have an estimated capacity of 1,000 litres per second, has an estimated cost of US$120 million and would come into operation by 2014.

ADASA is forecasting similar volumes to those sold in 2011 for 2012. 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. There was a review of the tariffs during 2011 which resulted in no changes to the tariffs for the next five years.

ADASA built and maintains the region’s only botanical garden.

Operational review: Corporate sustainability

Sustainable development forms an integral part of the Group's decision making process and supports achievement of its business strategy.

Overview

The Board continues to place importance on a range of considerations including health and safety, management of human resources, the environment and community relations.

The Group's impact on the environment, employees and contractors, and on local communities must be carefully managed at all of its operations. The Group also looks for opportunities for its operations to add social and environmental value, for example through local job creation and investment.

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

- **Maintaining a social licence to operate** – maintaining positive relationships with the communities near to the Group's sites as well as with regulators and other stakeholders is critical to the smooth operation of the business and its future growth. Having clear social policies and engaging regularly with community members helps to avoid conflicts and maintains the Group's social licence to operate.
- **Complying with regulations** – carefully monitoring and managing the social and environmental impacts of the Group's operations helps it to meet current and future regulatory requirements.
- **Attracting and retaining talent** – there is a growing shortage of skilled mining professionals in Chile, with the shortfall predicted to reach 20,000 by 2015. Antofagasta Minerals' focus on recruitment and training and positive employee relations will help it to access the labour resources it needs to secure, strengthen and grow its core business.

More information

The Group reports its sustainability performance through this Annual Report and further information is available in the Group's Sustainability Report and on the company website.

Two of the Group's four mines, Los Pelambres and El Tesoro, publish annual sustainability site reports that are available on their company websites.

Principles and strategy

The Group 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 key social and environmental policies are included in "The Way We Think, The Way We Act" which is available on the Group's website.

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

1. Social responsibility

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

– **Responsible behaviour** – The mining division will prioritise the health and safety of employees and contractors, maintain a beneficial work environment, reduce negative impacts on society, engage with key stakeholders and monitor progress against commitments.
– **Risk management** – The mining division will seek to identify, reduce and manage socio-political risks and be adequately prepared to manage any crises or incidents that occur.
– **Developing local human capital** – The mining division 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 division will also 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, enhancing biodiversity, protecting cultural heritage, raising environmental awareness and supporting environmentally friendly innovations.

The railway and water division continue to strengthen their approach to managing sustainability issues.

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 our risk management and engagement processes.

The sustainability issues considered to be most material to the Group are:

Social	Environmental
Safety: protecting the safety, health and wellbeing of employees and contractors	**Resource use efficiency:** including energy, water, fuel, land use and waste recycling
Talent: attracting and retaining workers and developing their skills	**Reducing environmental impacts:** including air quality, water quality and availability, greenhouse gas emissions, biodiversity and heritage
Labour relations: maintaining positive relations with employees, contractors and the unions that represent them	
Community relations: maintaining positive relations with communities near to the Group's operations	
Community investment: targeting community investment programmes to benefit local people	

Risk management

Risks to each division, including social and environmental risks, are identified and monitored through the Group's central risk management system. In 2011 the Group took steps to ensure risks are monitored and managed consistently across its divisions.

Workshops are held annually with the general managers and risk co-ordinators for each mining company to identify strategic sustainability risks. The key risks, monitoring procedures and mitigation plans are reviewed and agreed. The General Manager for each mining company ensures mitigation plans are followed and the risk co-ordinators are responsible for ongoing monitoring.

In 2011 and early 2012, the Board's Audit and Risk Committee visited the mining, transport and water divisions to assess progress against mitigation plans. The Risk Management team also visited each division to make sure risks, including sustainability risks, are being managed consistently. Workshops were held with senior managers and operational staff to review key strategic risks and ensure existing controls are adequate.

The current sustainability risks and mitigating measures are listed on page 22 of this report.

Operational review: Corporate sustainability

Corporate sustainability governance

Antofagasta's Board has ultimate responsibility for sustainability. The Board has put in place procedures and management structures at Group and divisional level to ensure the implementation of its sustainable development principles and Antofagasta Minerals' social and environmental strategy. These arrangements are part of the overall Group governance arrangements described in the Corporate Governance Report.

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

In 2011 the Group reviewed and updated its governance structures, see page 73. The membership of the Corporate Sustainability Committee of the Board was renewed as part of this process. The revised committee, renamed the Sustainability and Stakeholder Management Committee, has three members: Ramon Jara (chairman), Tim Baker and Juan Claro. The new committee will review and update Group sustainability policies and strategy, provide guidance, monitor and review progress against sustainability indicators and targets, escalate matters of concern to the Board and approve the annual Sustainability Report.

Management systems and reporting

Antofagasta Minerals has two management systems for monitoring progress on social and environmental performance. The Assessment of Environmental Performance ("AEP") tool includes indicators for seven areas of environmental performance: climate change, water, biodiversity, waste, air quality, cultural heritage and land stewardship. In 2011, Antofagasta Minerals further developed its Assessment of Social Performance ("ASP") tool and introduced indicators for health and safety, employee development and diversity, contractor compliance, stakeholder relationships, responding to community grievances and community investment. More information on the indicators will be available in the Group's 2011 Sustainability Report.

The Group has achieved certification to the international management standards ISO 14001, ISO 9001 and OHSAS 18001 at a number of sites (see table below). Esperanza is working towards ISO 14001 and OHSAS 180001 certification. Antofagasta Railway Company is working towards certification to ISO14001 and Aguas de Antofagasta aims to extend its certification to the food safety standard, ISO 22000, to cover all of its operations.

Senior managers in each company are responsible for implementing Group level policies and procedures and reporting day-to-day progress.

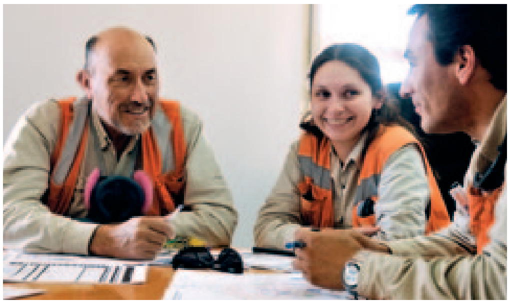
Environmental and social indicators are included in the monthly performance reports submitted by the mining businesses to the Board, and are reviewed by Antofagasta Minerals' environment and external affairs managers. Each mining company sets environmental and social goals that reflect local priorities, in line with the Assessment of Environmental Performance and Assessment of Social Performance tools.

Audit and performance assessment

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

Each division undertakes regular internal operational audits to monitor compliance. In 2011, members of the Group's Audit and Risk Committee highlighted the importance of audit procedures during visits to each division. The mining companies shared best practice by participating in cross-audits of other companies within Antofagasta Minerals. External auditors are commissioned by the mining division to assess contractor compliance with its safety, human rights and labour standards, including its criteria on fair wages, collective bargaining, paid overtime and vacations, and those prohibiting child labour and forced labour.

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



Mining contractors are regularly audited to ensure compliance with the Group's labour standards.

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 2011, meetings with responsible investors were held to get feedback on the Group's approach to sustainability issues. The Group also participated in the Carbon Disclosure Project ("CDP") and CDP Water Disclosure Project.

The mining division conducts an annual employee perception survey. The results are reviewed by senior management who develop action plans to respond to key findings. See page 53 for information on employee engagement.

The mining division interacts with communities near to its sites at all stages of exploration, project development, operation and closure. The mining division conducts annual stakeholder perception surveys to get feedback from employees, contractors, workers' families, local people, NGOs and politicians. The 2011 results will be summarised in the Group's Sustainability Report 2011.

Customer feedback on the Group's water division, Aguas de Antofagasta, is received through the annual customer survey conducted by the Chilean Sanitary Services Commission (SISS). In 2011, the water division conducted a separate survey to get feedback on its customer service, desalination process and social performance.

Ethical conduct

Stakeholders expect the Group to meet high ethical standards and to be transparent about the way it works. It must also comply with increasing anti-bribery and anti-corruption legislation in Chile and in the United Kingdom. In the longer-term, pursuing development projects around the world will make it even more important to have robust standards and procedures.

The Group is committed to meeting high ethical standards. The Ethics Committee oversees its approach, monitors compliance of the Group's policies and investigates any reports of suspected unethical conduct. The Committee is composed of the Vice President of Control Risk, Vice President of Human Resources and Corporate Affairs, and Corporate Legal Counsel. The work performed by the Ethics Committee is overseen by the Board Audit and Risk Committee.

The Group's Code of Ethics sets the ethical standards that employees, contractors and business partners must meet. The Code covers compliance with laws and regulations, avoiding conflicts of interest, tackling fraud, bribery and corruption, ensuring good working conditions and avoiding child labour, and protecting confidential company information. The Code includes terms of reference for the Ethics Committee and explains how employees can report concerns about ethical behaviour, along with procedures for investigating breaches of the Code. The Group has additional guidelines for ethical behaviour in giving or receiving gifts and invitations and a policy that bans facilitation payments.

The Ethics Code was updated in June 2011 to make sure it reflected the requirements imposed under the new Chilean anti-bribery laws and UK Bribery Act. The Chairman of the Board presented the new Code to all employees of the mining, transport and water divisions, and a video of his speech was used to launch the Code. The Audit and Risk Committee members reviewed the communication of the Ethics Code to employees at each division during their site visits (see Risk Management).

Employees can report any unethical behaviour or request guidance on an ethical issue, anonymously if necessary, via the Group's intranet site. Reporting channels and procedures were highlighted when the revised Code of Ethics was launched in 2011. Since the launch of the revised Code, six reports were received. All reports of suspected misconduct are investigated by the Ethics Committee and two employees were dismissed in 2011 for non-compliance with the Code.

The Group uses a risk-based due diligence framework for assessing potential business partners for exploration projects. The framework is used to evaluate corruption risks and ensure business partners meet the Group's ethical standards.

Human rights

The Group respects the rights of everyone that comes into contact with its business, including employees, contractors, suppliers and the communities near to its operations. The Group has procedures in place to protect human rights, such as:

- Ensuring employees and contractors are paid a fair wage.
- Ensuring no under-age workers are employed.
- Providing employees and contractors of the mining division with good living conditions and making sure the working environment for all workers meets strict health and safety standards.
- Respecting the rights, culture and heritage of local communities including indigenous peoples.
- Holding regular meetings with community members affected by our operations and responding to their concerns.
- Putting comprehensive plans in place to leave a positive social, economic and environmental legacy when a mining site reaches its closing stage.

Operational review: Corporate sustainability

Employees and contractors

Safety

What is the issue?

Extracting and processing copper creates a number of health and safety risks. These include risks relating to fire, explosions, electrocution, falls from height, falling rocks or equipment, vehicle collisions, accidents with machinery, chemical exposure, dust inhalation and noise. With a workforce of around 10,600 people, the mining division must manage these risks to prevent injuries and fatalities. As contractors make up more than 70% of Antofagasta Minerals' workforce, ensuring they understand and meet the division's health and safety standards is a priority.

The railway division aims to ensure the safety of its workers and the people that come into contact with its railway lines or crossings. Supplying good quality, safe drinking water to customers and collecting and disposing of waste water safely is the focus of the water division's safety management programme as well as ensuring the health and safety of its workers and contractors.

The Group focuses on identifying, mitigating and managing the safety risks inherent in its operations.

Protecting the safety of employees, contractors and local communities is a priority for the Group. The Board has a clear target of zero fatalities and considers any fatality to be unacceptable.

The Group focuses on identifying, mitigating and managing the safety risks inherent in its different operations and development projects. Regular safety management workshops held with employees and contractors are used to review risks, share best practice and to agree management plans and reporting procedures. Health and safety management systems are established across the Group. See page 48 for information on Management systems and reporting.

The Group requires all contractors to comply with its Occupational Health and Safety Plan. Los Pelambres is making certification to OHSAS 18001 a requirement for contractors and is helping them to achieve this.

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 and contractors must undergo an extensive health check and complete a health and safety induction course before entering one of the mining operations.

Employees and contractors also attend refresher workshops on our safety policies and procedures at least every other year. Detailed safety standards are in place for specific activities such as drilling and blasting, handling explosives, working at heights and operating machinery or vehicles. The mining division operates personal identification systems for machinery, so that machines can only be operated by authorised and appropriately trained personnel. All facilities have been constructed to withstand the impact of earthquakes and both crisis management and evacuation plans have been put in place for emergency situations.

Contractors must demonstrate they have adequate health and safety management systems, standards and procedures in place and their compliance with safety procedures is regularly reviewed. Contractor safety practices at the mining, railway and water divisions are monitored through regular external audits.

Safety incidents involving Antofagasta Minerals' employees or contractors are reported through an online system. Health and safety managers report safety performance to the mine's senior management each week. 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 further training for workers.

The Board deeply regrets the death of one worker at the Antofagasta Railway Company in 2011. The worker was run over by a train in the city of Calama. The company investigated the cause of the accident and found that proper safety procedures had not been followed. After the accident, the company circulated information to further raise employees' awareness of health and safety procedures.

There were no fatalities at any of the Group's mines in 2011. However, there was an increase in the mining division's Lost Time Injury Frequency Rate ("LTIFR"), highlighting the need for continued vigilance to avoid fatal accidents in future. The average LTIFR for the mining companies increased to an average of 2.1 injuries per million hours worked in 2011 compared with 1.6 the previous year (see above). The increase in the LTIFR at El Tesoro is partly explained because more accidents happened during a site-wide maintenance shutdown. We are reviewing our procedures and preparation process, including worker training, to prevent this from happening again. At Esperanza and Los Pelambres, although the number of accidents went down the size of the workforce also decreased which meant the LTIFR and All Injury Frequency Rate ("AIFR") increased.

The LTIFR for Aguas de Antofagasta remained roughly the same in 2011, but the company's AIFR substantially improved to an average of 8.2 accidents with and without lost time in 2011, compared with 22.4 the previous year. This is a result of the company's efforts to improve contractor safety standards.

Embedding risk management and near-miss incident reporting procedures was a particular focus in 2011. In August 2011, Antofagasta Minerals' risk management team visited each mine and held a workshop with senior managers and contractors to review safety risks and agree procedures for managing them and reporting incidents consistently. The aim of the workshop was to ensure all the mines share a common, and thorough, risk-based approach to managing risk-based safety, and to encourage them to share examples of best practice. The division aims to make preventative actions more effective and to reduce the number of incidents resulting in lost working time.

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, Antofagasta Minerals 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.

	Lost Time Injury Frequency Rate (LTIFR)					All Injury Frequency Rate (AIFR)					Number of fatalities				
	2011	2010	2009	2008	2007	**2011**	2010	2009	2008	2007	**2011**	2010	2009	2008	2007
Chilean mining industry*	**3.1**	3.6	4.0	5.8	5.9	**n/a**	n/a	n/a	n/a	n/a	**26**	45	35	43	40
Mining Council**	**n/a**	1.9	2.3	3.2	3.4	**n/a**	n/a	n/a	n/a	n/a	**5**	8	8	6	10
Los Pelambres	**1.8**	0.9	1.3	1.3	1.7	**4.6**	2.6	3.6	6.6	5.3	**–**	2	4	–	–
El Tesoro	**2.1**	0.5	1.7	2.0	1.2	**5.6**	4.6	6.0	6.6	13.1	**–**	–	1	–	–
Michilla	**3.1**	4.2	3.2	4.4	2.6	**6.7**	8.8	9.9	12.1	12.8	**–**	–	–	–	1
Esperanza	**2.4**	1.6	1.5	1.6	n/a	**16.8**	14.7	15.0	8.2	n/a	**–**	–	–	–	–
AMSA including exploration	**1.3**	3.2	6.0	5.4	n/a	**24.9**	13.6	23.0	13.1	n/a	**–**	–	–	1	–
Mining	**2.1**	1.6	1.7	2.2	1.8	**9.2**	10.1	8.5	8.2	9.0	**–**	2	5	1	1
Antofagasta Railway Company	**9.6**	9.5	12.0	14.1	19.0	**28.3**	25.9	33.9	37.1	43.9	**1**	–	–	–	–
Aguas de Antofagasta	**5.5**	5.6	7.0	11.5	8.6	**8.2**	22.4	16.8	21.6	28.7	**–**	–	–	–	–
Antofagasta plc	**3.2**	1.9	2.8	4.4	5.6	**11.5**	11.0	11.0	12.9	17.1	**1**	2	5	1	1

Please note the LTIFR & AIFR figures for Antofagasta Railway Company have been restated to include data from all four of its subsidiaries: FCAB, EPS, TRAIN, FCAB Embarcadores and FCAB Ingenierios y Servicios. Previously only the FCAB was included.

Data includes workers and contractors.

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.

** Data from the Chilean Mining Council (Consejo Minero), an industry association which represents a number of large mining companies in Chile. Figures for Chilean Mining Industry and Mining Council 2011 are not currently available.

Operational review: Corporate sustainability

Talent and job creation

What is the issue?

The shortage of skilled workers in Chile is a critical issue for the mining sector. With around US $45bn of planned investment in mining in Chile from 2011 to 2020, the industry will need to hire around 44,000 additional workers to meet the total predicted demand.[1] A lack of trained mining professionals can push labour costs up significantly or prevent projects going ahead. Attracting and retaining staff from truck drivers to plant managers is an ongoing challenge for Antofagasta Minerals, its contractors and its peers.

In 2011, the Board's Remuneration Committee became the Remuneration and Talent Committee. Its terms of reference were expanded to include responsibility for talent attraction and retention, reflecting the growing importance of talent to the Group. Antofagasta Minerals aims to widen the talent pool for future recruitment through the following initiatives:

– An apprenticeship programme for training school leavers from local communities for specific operational roles in the mining companies. Apprentices are trained for mine and plant operation roles such as plant maintenance and truck driving. The Group aims to include female apprentices in this programme as part of its strategy for widening the talent pool. In 2011, 116 apprentices joined the mining operations.
– Developing a graduate trainee programme, started in 2010, to attract young professionals to the company. In 2011, 17 engineering and geology graduates took part in this programme and most of them were offered full-time positions with the business. This programme will be continued in 2012.
– Working with peer mining companies in Chile to identify and address the shortage of mining professionals. The partnership aims to raise awareness of mining as a career choice and in future it will develop fast track training programmes to increase the number of skilled workers in the sector.

The Group operates a training scheme for women in the region around the El Tesoro and Esperanza mines.

Training and development

Antofagasta Minerals is developing the skills and expertise of employees at all levels of the business by:

– Training managers at four levels (trainee, first-time manager, middle manager and senior manager) to develop their leadership capabilities through the Antofagasta Minerals Management Diploma programme. The programme is delivered with the Adolfo Ibanez University School of Business and was completed by 117 employees in 2011.
– Providing all employees with opportunities for professional development. In 2012 we increased our training and development budget by around 30%.

Labour relations

Building constructive relationships with employees, contractors and the labour unions that represent them, and offering attractive working conditions helps the Group retain workers, avoid labour disputes and contributes to the productivity and efficiency of the business.

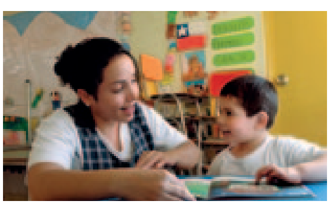
The Group has good relationships with the labour unions that represent its workforce. The Group engages regularly with union leaders and discusses collective agreements before they are due for renewal. Labour representatives are invited to strategic planning meetings and involved in decision making that affects the workforce as early as possible. Collective agreements are in place at all mining operations that cover remuneration and terms and conditions of employment. In 2011, there were six collective bargaining processes with unions at all of the Group's mines. These negotiations were successful.

Contractors are a significant part of Antofagasta Minerals' workforce and the ratio of employees to contractors varies from site to site. For instance, at Esperanza the ratio is 1:1 and at Los Pelambres, the ratio is 1:4. The Group expects contractors to treat their employees fairly and it sets high employment standards for contracting companies to follow, in line with its own standards. For instance, Antofagasta Minerals sets a minimum salary that is double that set by Chilean law, which contractors must pay their workers. Antofagasta Minerals formalises objectives in a number of areas such as health and safety and productivity through performance contracts, and contractors are expected to pass on bonuses to incentivise their employees.

There were no labour disputes and no strikes among employees or contractors during 2011. The Group keeps a record of concerns raised by employees to make sure they are investigated and addressed. 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.

Active and healthy lifestyles are strongly promoted.

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



Continuous engagement with the local communities benefits all parties.

Diversity

The Group is committed to equal opportunities in all areas of employment including recruitment, employee development and remuneration. Women account for 7% of the workforce across the mining division, compared with the national average for the mining industry of 6%. Further data on gender diversity will be available in the Group's Sustainability Report 2011. Antofagasta Minerals 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. The low number of women in the mining sector presents an opportunity to boost female employment and the number of people working in mining overall. Recruiting and training more women is a key part of the Group's talent strategy, particularly because only 37% of Chilean women participate in the job market.[2]

Employee engagement

The Group keeps 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 the mining division through regular employee surveys. In 2011, an average of 96% of Antofagasta Minerals' workers responded to the Annual Labour Climate Survey. Details of the results will be provided in the Group's Sustainability Report 2011.

Community relations and engagement

What is the issue?

Having a good relationship with the people affected by its mining operations is critical to the Group's ability to operate and grow. This is particularly important at its largest mine, Los Pelambres, which is located close to a number of agricultural communities in the Choapa Valley. From the mine in the Cordillera de los Andes to its port at Los Vilos, Los Pelambres comes into contact with around 40 communities.

Three of the Group's mining operations are situated in the Atacama desert, with few people living near the sites. The nearest community to El Tesoro is located at Sierra Gorda, 21 km from the site. The Group's newest mine, Esperanza, is located 5 km from El Tesoro and 30 km from the same community at Sierra Gorda. The Group's mine at Michilla, on the coast, is located on a plateau, 25 km from a small community of 250 inhabitants at Caleta de Michilla that provide services to small mining contractors and small-scale fishing.

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

Increasingly, the mining companies are working closely with community members to plan the future of the Group's mines, taking into account the interests of both the business and local stakeholders.

In 2011 Antofagasta Minerals introduced a formalised grievance procedure for monitoring and resolving community concerns. When a community member raises a concern, the mining company's External Affairs team is responsible for recording the details of the complaint, passing it to the appropriate person within the company and checking that the complaint has been resolved. If the complaint is not dealt with appropriately, the External Affairs team pass the issue on to the company's General Manager. The number of complaints that were responded to in good time is one of Antofagasta Minerals' social performance indicators.

Antofagasta Minerals works with community members to address specific issues such as air quality, water quality and site closures through joint community-company committees. For instance, at Los Pelambres, there is a joint committee for monitoring dust levels and the mine adjusts its operations when dust levels are too high.

Community investment and development

The Group invests in communities to improve the lives of people close to its operations. In 2011 it introduced new community investment guidelines to co-ordinate the charitable activities and donations made by each of the operating companies and ensure that all donations comply with anti-bribery and anti-corruption laws. The new community investment procedure will enable the Group to keep a central record of the contributions each operating company makes and in future, the Group intends to introduce a mechanism for monitoring and reporting on the impact of its donations.

The Group makes a positive contribution to socio-economic development through taxes paid, employment created, products and services purchased and through its 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 its sites. For example, from its construction onwards, Esperanza 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.

The Group supports education in schools, universities and technical colleges with a focus on widening access and improving quality. It provides scholarships to help local people attend universities or technical colleges and funding to cover the costs of transportation, school uniforms and other supplies. To support efforts to improve teaching quality it focuses on: teaching methodology including programmes to improve reading skills, maths and science teaching, and teacher training; and school management and facilities including ensuring adequate sanitation and safety equipment is in place and investing in classroom facilities and extra-curricular activities. It has funded initiatives to promote information technology education and internet access, as well as supporting trainee programmes at local universities.

[2] Instituto Nacional de Estadística.

Operational review: Corporate sustainability

Environment

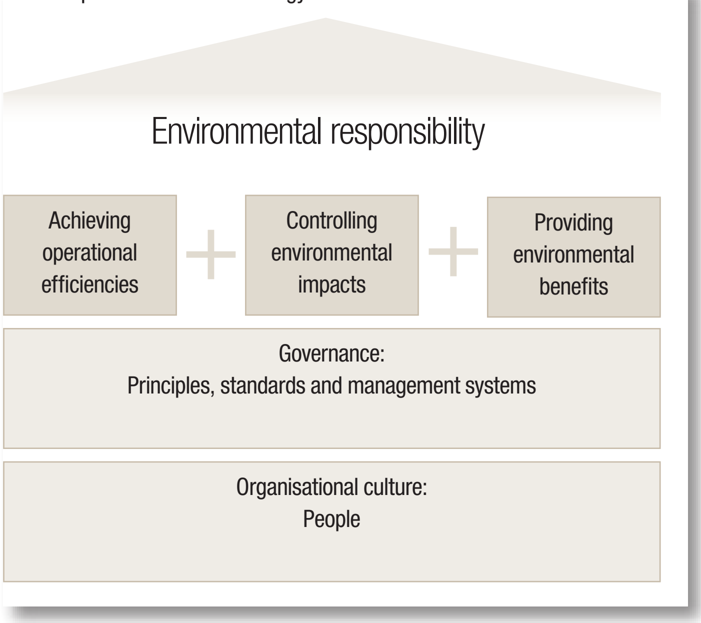
Constructing, operating and closing mining sites uses substantial amounts of energy and water and can affect water quality, air quality, waste, biodiversity and land use. Antofagasta Mineral's environment strategy is to reduce the negative impacts of its operations, use resources efficiently and provide environmental benefits such as renewable energy.

Increasing scarcity of resources and concerns about the impact of climate change have a material impact on the Group's operations through the rising cost of energy and compliance with environmental regulation. Guided by the Group's Sustainable Development principles and environmental policy, the mining division's strategy supports business objectives by improving the efficiency of operations, reducing regulatory risks and helping to maintain good relationships with local communities.

Antofagasta Minerals has an environmental management system in place to measure and manage the environmental impact of each mining operation. Environmental performance is monitored through the Assessment of Environmental Performance (AEP) tool that tracks key performance indicators (see page 48).

In 2011 Antofagasta Minerals developed standards for seven areas of environmental performance: climate change, water, biodiversity, waste management, air quality, cultural heritage and land stewardship. Six best practice handbooks were rolled out to help operational managers develop action plans to apply the standards to the specific challenges at each site. The handbooks cover the lifecycle of the mining process, from exploration to mine closure, and were developed in line with internationally recognised guidance, for instance, from the International Council of Mining and Metals. The handbooks were signed-off by the relevant Vice President at Antofagasta Minerals. Project managers at each site are responsible for their implementation.

The Group's environmental strategy



Los Pelambres is focused on the particular environmental challenges which arise from its location at the head of an agricultural valley.

Energy and climate change

Climate impact

What is the issue?

Chile is one of the most 'at risk' countries in terms of the predicted impact of climate change and the associated changes in weather patterns. To help address this, the Chilean government has set a target to reduce the country's carbon footprint by 20% by 2020. Chilean law already requires that 5% of energy generation must be from renewable sources and this will rise to 10% by 2020. The Group intends to meet this target and play its part in helping Chile reduce its carbon footprint through energy efficiency and the exploration of alternative energy sources such as geothermal, wind and solar.

The Group has made significant investments in energy efficiency measures and low carbon energy. In 2011 the Group completed a study of the potential effects of climate change on its operations. The results of this study will be available in the Group's Sustainability Report 2011.

Antofagasta Minerals aims to take a leading role in the use and generation of renewable energy in Chile. At the end of 2011 the Group agreed to invest in a 115MW wind farm project near Los Pelambres which will provide approximately 20% of the site's energy requirements and will be the largest wind farm in Chile. In El Tesoro the installation of a thermal solar project for use in the electro-winning process is set to reduce diesel consumption by 55% and reduce the carbon footprint of the plant by 7% (15,000 tonnes CO_2 per annum). The overall investment for the project will be US$16 million with a payback period of seven to eight years. At Los Pelambres, around 10% of the site's energy needs are met by capturing energy from the braking on conveyor belts. See the Group's Sustainability Report 2010 for more information.

The Group measures and reports its CO_2 emissions according to the Greenhouse Gas protocol of the Carbon Disclosure Project (CDP). In the latest year for which CDP data is available, 2010, Group total CO_2 emissions were 1.18 million tonnes. Further data will be published in the Sustainability Report 2011.

Energy security

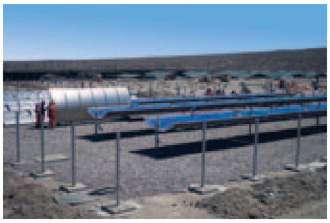
What is the issue?

Energy consumption is increasing in Chile by around 7% annually and production is struggling to meet this growing demand. The energy-intensive mining sector accounts for approximately 50% of the country's total energy consumption. The amount of energy used to extract a tonne of copper will rise as older operations typically produce lower grade ore and the ore will tend to be in less accessible areas. Rising energy needs, supplies of fossil fuels, decreasing rainfall affecting hydropower projects and climate change legislation mean energy security and energy efficiency are high on the Group's agenda.

Chile's energy system is divided into two regional grids with distinct energy compositions. The SING grid supplies the north, including the Atacama Desert where three of the Group's mining operations are located. It is powered mostly by imported coal and natural gas. Its emission factor is three times as high as the SIC grid which supplies the centre and south of Chile and is powered mainly by hydropower. Los Pelambres is supplied by SIC.

As the Group continues to grow, its energy consumption is likely to increase. The Group is working to improve energy efficiency while exploring alternative energy sources. Energía Andina S.A, the joint venture between the Group and Origin Energy of Australia, is continuing with its activities for the exploration and development of geothermal energy prospects in Chile. It has been granted 15 concessions to date and currently has eight projects in the exploration phase each with potential capacity of 100-200MW. In 2012 the company will conduct feasibility assessments to assess the viability of the projects. If successful, drilling of geothermal production wells will begin in 2013 and Energía Andina could be producing energy by 2016.

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. The Mulpun pilot plant will produce gas by on-site coal gasification. This technology transforms coal into synthetic gas that can be used to generate electricity.
In August 2010 the Group received environmental approval 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.



The thermal solar plant at El Tesoro will reduce diesel consumption.

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Operational review: Corporate sustainability

Water resources

What is the issue?

Water is a key input for mining and it is critical for processing copper ore. Two of the Group's four mining operations, Esperanza and Michilla, use sea water. Los Pelambres, located in the centre of the country in the Coquimbo region, uses both surface and groundwater from the Choapa basin, and it aims to avoid competing with the water needs of local people and small-scale farmers.

Using water efficiently and recycling it wherever possible is a central concern for the Group's operations. All of the mines have water management plans in place to reduce and monitor water use and ensure that emissions of wastewater meet quality standards. They work to maximise recovery of water. To reduce demand on surface and groundwater sources Antofagasta Minerals has pioneered the use of sea water in the mining process in Chile. Michilla began using non-desalinated sea water in the 1990s and likewise – on a much larger scale – the Esperanza mine operates using non-desalinated sea water. All of the operations recycle most of the water used in their processes through a system of industrial water recirculation.

As both water availability and water quality are important social issues, each mining company engages with local communities to understand their concerns and evaluates how to reduce its impact on local water demands. This is most relevant for Los Pelambres, as it is situated near to an agricultural valley. In 2011 Los Pelambres relocated one of its water capturing systems so that from 2012 it will be able to collect water from the naturally lower quality upper section of the Pelambres river. This will improve the quality of water downstream which is used by the local communities.

The mining division carefully monitors the quality of groundwater and surface water near to the division's tailings dams (Quillayes, now closed, and El Mauro) at Los Pelambres to make sure that local community supplies are not affected by leaching of heavy metals or sulphates. Water quality is also monitored at Esperanza's tailings facility, although the facility is located in the desert where no underground water sources have been identified.

The mining division monitors water consumption and efficiency at each operation. In 2011 the Group participated in the CDP Water Disclosure Project that measures water management across some of the world's most water intensive companies. Data on water consumption by source and water use efficiency will be published in the Group's Sustainability Report 2011.

Aguas de Antofagasta supplies the city of Antofagasta with around 60% of its water needs from sea water. The water company has submitted a plan to the relevant authority to allow it to construct a third desalinization plant in the south of Antofagasta, which could supply the remaining 40% of the city's water needs from 2014.

Air quality and dust

Mining operations involve moving large amounts of earth, which causes dust, impacting local air quality. For mines in close proximity to neighbouring communities, such as Los Pelambres, dust control is a critical issue. The mining division has implemented a number of dust prevention methods such as sprinklers and foam. At Los Pelambres, a joint company-community committee monitors dust levels. An online air quality monitoring system issues an alert when dust levels are likely to exceed its target and the site can alter its operations to reduce dust levels when needed, for instance, due to changes in wind direction. More information is available in the Group's Sustainability Report.

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 mining division has port facilities for Los Pelambres, Esperanza and Michilla.

Punta Chungo port at Los Pelambres.

Antofagasta Minerals' efforts to promote biodiversity focus in particular on the Choapa valley where our Los Pelambres mine is located. It has restored and manages a nature sanctuary at the Laguna Conchali 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 of 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. The mining division measures and monitors biodiversity for the few species that have been found in the area, such as the Andean Fox and some migratory birds. Following incidents at Esperanza and El Tesoro where foxes were found drowned in solution ponds in 2010, the mining companies improved fencing around the sites and used scarecrows to keep species away. El Tesoro has an agreement with the Wildlife Rescue and Rehabilitation Center of the University of Antofagasta (CRRFS) to rehabilitate and release any animals found injured in the area.

El Tesoro measures and monitors biodiversity each year around its fresh water source, located west of the city of Calama at the Ojos de Opache. In 2011, the company began a project to improve the environment around the Ojos de Opache stream, clearing more than 5,000 tonnes of waste and debris from the area.

Esperanza monitors its impact on the biodiversity of the marine environment at Michilla Bay where it has shipment facilities. Los Pelambres contributes to the protection of marine biodiversity and the development of sustainable fishing in the coast around its facilities at Los Vilos, through its charitable foundation.

Waste

Hazardous and non-hazardous 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 divisions.

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. Los Pelambres is the only operation that stores tailings in a dam. Its Quillayes dam is no longer in use and it has established a larger dam at El Mauro. Both are designed to resist extreme weather and high-magnitude earthquakes and are carefully monitored and maintained. A range of measures have been introduced to ensure the safety of inhabitants near to the mine's tailings dams and to protect local water courses. More information is available in the Group's Sustainability Report.

Taking advantage of its geographical location, the Esperanza mine has introduced "thickened tailings" technology. This technology will reduce water consumption and means that the tailings are more stable during operations and after the mine has closed. It also reduces dust levels.

Closure provisions

Antofagasta Minerals aims to close and decommission its mining facilities safely and in ways that protect the environment and the interests of local people. It has closure plans and provisions in place for all its operations in accordance with regulations. These are regularly updated, often in consultation with local people. The mining companies include closure plans within the environmental impact assessment reports submitted to authorities for all new projects, as required by Chilean legislation.

In 2011, Antofagasta Minerals contributed to the development of the Chilean government's new mine closure law that requires mining companies to put in place adequate plans and finances for safe closure. The law will come into effect in 2012.

Environmental incidents and fines

The Group aims to prevent environmental incidents at its sites. Chilean environmental law has a wide definition of environmental impacts. The Group has a corporate protocol for identifying, classifying and reporting incidents to help its mining sites address incidents and prevent recurrences.

Information on incidents and fines during 2011 will be available in the Group's Sustainability Report 2011.

The tailing thickeners at Los Pelambres.

Construction

Given the level of up-front capital required to construct a mining operation, effective management of the costs, timing and efficiency are key to the overall return on investment.

Financial review

Financial review

Basis of preparation

The Group's financial statements on page 93 to 138 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.

The following table reconciles between the 2010 and 2011 profit before tax:

	US$m
Profit before tax in 2010	**2,573.2**
Turnover	
Increase in volume sold	1,018.6
Increase in realised price	150.9
Increase in tolling charges	(38.2)
Turnover from copper concentrate and cathode sales	**1,131.3**
Increase in gold revenues	272.0
Increase in silver revenues	58.7
Decrease in molybdenum revenues	(9.7)
Turnover from by-products	**321.0**
Increase in transport division revenues	24.1
Increase in water division revenues	22.5
Turnover from transport and water divisions	**46.6**
Increase in Group turnover	**1,498.9**
Operating costs	
Increase in volume sold	(386.8)
Increase in costs per unit sold	(128.9)
Decrease in charge for closure provisions	54.0
Increase in exploration and evaluation costs	(116.4)
Increase in corporate costs	(8.9)
Operating costs for mining division	**(587.0)**
Increase in transport division operating costs	(7.9)
Increase in water division costs	(15.4)
Operating costs for transport and water divisions	**(23.3)**
Increase in EBITDA	**888.6**
Increase in depreciation and amortisation	**(159.8)**
Provision against Reko Diq assets in 2011	(140.5)
Reversal of El Tesoro impairment in 2010	(109.4)
Effect of exceptional items	**(249.9)**
Increase in share of profits from associates	**26.6**
Increase in investment income	6.8
Increase in interest expense	(74.9)
Increase in other finance items	65.6
Increase in net finance costs	**(2.5)**
Increase in profit before tax	**503.0**
Profit before tax in 2011	**3,076.2**

	Year ended 31.12.11 US$m	Year ended 31.12.10 US$m	Movement US$m	Movement %
Turnover	**6,076.0**	4,577.1	1,498.9	32.7
EBITDA	**3,660.5**	2,771.9	888.6	32.1
Depreciation and amortisation	**431.7**	277.0	154.7	55.8
Impairments	**140.5**	(109.4)	249.9	(228.4)
Net finance expense	**(21.2)**	(18.7)	(2.5)	13.4
Profit before tax	**3,076.2**	2,573.2	503.0	19.5
Income tax expense	**(946.2)**	(752.5)	(193.7)	25.7
Net cash	**1,139.7**	1,345.1	(205.4)	(15.3)
Earnings per share (US$ cents)	**125.4**	106.7	18.7	17.6

Turnover

Group turnover in 2011 was US$6,076.0 million, 32.7% above the US$4,577.1 million achieved in 2010. The increase of US$1,498.9 million mainly reflected increased copper and gold sales volumes.

Turnover from the mining division

Turnover from copper concentrate and copper cathodes

Turnover from copper concentrate and copper cathode sales increased by US$1,131.3 million, or 28.6%, to US$5,085.1 million, compared with US$3,953.8 million in 2010. The increase mainly reflected the impact of higher copper volumes and, to a lesser extent, higher realised prices.

Copper volumes

Copper sales volumes increased by 24.0% from 516,000 tonnes in 2010 to 640,000 tonnes this year. The uplift in volumes accounted for US$1,018.6 million of the total increase in turnover from copper concentrate and cathode sales.

The increased sales volume resulted from higher production volumes, which are analysed by mine in the Operational review on pages 28 to 35. The increased production volumes in the year were mainly due to the start-up of Esperanza and to a lesser extent increased production at Los Pelambres, reflecting a full year of higher throughput as a result of the plant expansion completed at that mine during 2010.

Realised copper prices

The Group's average realised copper price increased by 3.7% to 372.6 cents per pound (2010 – 359.3 cents), reflecting the higher average LME copper price, which increased by 16.9% to 399.7 cents per pound (2010 – 342.0 cents), largely offset by provisional pricing adjustments. The increase in average realised prices accounted for US$150.9 million of the total increase in turnover from copper concentrate and cathode sales.

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

In 2011 there were significant negative mark-to-market adjustments to provisionally invoiced sales as a result of the significant decrease in the LME copper price during the second half of the year. Pricing adjustments decreased initially invoiced sales (before adjusting for tolling charges) by US$286.2 million in 2011, compared with a US$303.5 million increase of sales in 2010. Further details of provisional pricing adjustments are given in Note 25(d) to the financial statements.

Realised prices, in particular at Esperanza, were also affected by the timing and distribution of sales during the year. A higher proportion of the Group's sales of 640,000 tonnes were achieved in the second half of the year in line with production, mainly due to the continued ramp-up at Esperanza and also higher ore grades at Los Pelambres. LME copper prices in the second half were 374.1 cents per pound compared with 426.3 cents per pound, and hence realised copper prices were affected by the greater weighing of sales to the second half.

In 2011 turnover also included a net loss of US$15.1 million (2010 – loss of US$81.4 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.

The movement in the LME copper price during the year is described in the Strategic review on page 15.

Tolling charges

Tolling charges for copper concentrate at Los Pelambres and Esperanza increased by US$38.2 million to US$172.2 million in 2011. This resulted mainly from the increased production volumes as the level of tolling charges, measured in cents per pound of copper produced, did not change significantly year-on-year. Tolling charges are deducted from concentrate sales in reporting turnover and hence the increase in these charges has had a negative impact on turnover.

Turnover from molybdenum, gold and other by-products

Turnover from by-products at Los Pelambres and Esperanza relate mainly to molybdenum and gold, and a lesser extent silver. Turnover from by-products increased by US$321.0 million or 85.3% to US$697.2 million in 2011, compared with US$376.2 million in 2010.

Gold revenues (net of tolling charges) were US$315.2 million (2010 – US$43.4 million), an increase of US$271.8 million. The significant increase was mainly due to an increase in gold sales volumes from 35,100 ounces in 2010 to 193,200 ounces in 2011, mainly due to the start-up of Esperanza which sold 153,400 ounces. Gold revenues also benefited to a lesser extent from the increase in realised gold prices which were US$1,637 per ounce in 2011 compared with US$1,236 per ounce in 2010. Realised gold prices mainly reflected higher market prices, but Esperanza also benefited from having a greater proportion of its production and sales in the second half of the year when gold prices were higher.

Molybdenum revenues (net of roasting charges) were US$293.8 million (2010 – US$303.5 million), a decrease of US$9.7 million. Higher molybdenum sales of 9,400 tonnes (2010 – 8,900 tonnes) were offset by the decline in realised prices to US$15.1 per pound (2010 – US$16.2 per pound).

Silver revenues increased by US$58.9 million to US$88.2 million in 2011 (2010 – US$29.3 million). US$36.4 million was due to a significant increase in volumes to 2,499,000 ounces in 2011 compared with 1,471,000 ounces in 2011. Esperanza produced and sold 724,000 ounces in its first year of production and at Los Pelambres sales increased by 304,000 ounces. The realised silver also increased significantly to US$35.7 per ounce compared with US$20.4 per ounce, mainly reflecting high market prices, accounting for US$22.5 million of the increase.

Production volumes are analysed by mine in the Operational review on pages 28 to 35.

Turnover from the transport and water divisions

Turnover from the transport division (FCAB) increased by US$24.1 million or 15.6% to US$178.8 million. This partly reflected higher rail tonnages, which increased 3.8%, as well as normal tariff adjustments. However the transport division also benefited from an improved composition of sales in the period with a higher proportion of freight moved on behalf of customers with longer distances and higher pricing. The transport business also benefited from increased revenues from sales of water in the year.

Turnover at Aguas de Antofagasta, which operates the Group's water business, increased by US$22.5 million or 24.4% to US$114.9 million in 2011. The increase was due to a number of factors including increased demand from both regulated and unregulated customers and tariff adjustments. Turnover at Aguas de Antofagasta is principally denominated in Chilean pesos, and so benefited from the strengthening of that currency against the US dollar compared with 2010. Aguas de Antofagasta also benefited from smaller increases in revenues from construction and engineering services.

Financial review

Operating costs (excluding depreciation and amortisation)

Operating costs (excluding depreciation and amortisation) amounted to US$2,415.5 million (2010 – US$1,805.2 million), an increase of US$610.3 million. This was due to the increase in volumes mainly at Esperanza and to a lesser extent Los Pelambres.

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

Operating costs at the mining division increased by US$587.0 million to US$2,271.9 million in 2011, an increase of 34.8%.

Of this increase, US$386.8 million is attributable to the higher mining production and sales volumes as explained in the Turnover section above, based on the higher copper output. As explained in more detail above, the additional turnover (including by-product revenues) associated with these increased volumes was US$1,330.0 million.

US$128.9 million is attributable to unit costs, principally due to the increase in onsite and shipping costs during the year. Excluding by-product credits (which are reported as part of turnover) and tolling charges for concentrates (which are deducted from turnover), weighted average cash costs for the Group (comprising on-site and shipping costs in the case of Los Pelambres and Esperanza and cash costs in the case of the other two operations) increased from 124.3 cents per pound in 2010 to 141.5 cents per pound. This increase reflected the impact on average cash cost of the ramp-up process at Esperanza and different cost pressures across the operations. Cash costs are analysed by mine in the Operational review on pages 28 to 35.

Charges to the income statement for mine closure rehabilitation costs were US$15.5 million compared with US$69.5 million in 2010, a year-on-year reduction of US$54.0 million. In 2010, operating costs at Los Pelambres included 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 an increase 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 and evaluation costs increased by US$116.4 million to US$215.4 million in 2011 (2010 – US$99.0 million). This reflected the increased level of exploration evaluation activity across the Group. The higher level of expenditure was due to a number of factors, including significant spending on the pre-feasibility study in the Centinela district (which began in 2010 and was completed at the end of the third quarter of 2011) and higher expenditures at both Los Pelambres and Twin Metals where scoping studies were completed and pre-feasibility studies initiated during the year. In addition, exploration activity both in the Group's core districts and generally in Chile and internationally increased compared with 2010.

Net costs in respect of corporate and other items were higher at US$55.3 million (2010 – US$46.4 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.

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

Operating costs at the transport division increased by US$7.9 million to US$102.8 million. This was mainly due to increased operating costs associated with increased rail volumes and longer distances under the mix of contracts compared with the previous year, and to a lesser extent cost pressures. These were partly offset by a slight decrease in the severance provision following a review in the year.

Operating costs at Aguas de Antofagasta increased by US$15.4 million to US$40.8 million. The increase mainly related to the increased costs associated with the higher volume of water sold. The higher proportional increase in costs relative to revenues was mainly due to the fact that increased demand was met by bringing into operation the final module of the desalination plant at the city of Antofagasta, which has a higher cost to operate compared with water available supplied from surface sources.

EBITDA and operating profit from subsidiaries and joint ventures

EBITDA

EBITDA (earnings before interest, tax, depreciation, and amortisation) from subsidiaries and joint ventures increased by US$888.6 million or 32.1% to US$3,660.5 million in 2011 (2010 – US$2,771.9 million).

EBITDA at the mining division increased by 32.7% or from US$2,645.1 million in 2010 to US$3,510.4 million 2011. As explained above, this was mainly due to the profit earned on increased volumes of metal sold, and to a lesser extent improved metal prices. This was partly offset by higher unit costs and increased exploration and evaluation spend.

EBITDA at the transport division increased by US$16.2 million to US$76.0 million in 2011, with the increased revenue as explained above partly offset by associated increased operating costs. Aguas de Antofagasta contributed US$74.1 million in 2011 compared to US$67.0 million last year, mainly reflecting the increased volumes and revenue as explained above which were partly offset by increased operating costs.

Depreciation, amortisation and provision against carrying values of intangibles and property, plant and equipment

Depreciation and amortisation increased by US$154.7 million to US$431.7 million in 2011, mainly due to the start-up of Esperanza, where depreciation amounted to US$134.8 million. The loss on disposal of property, plant and equipment in 2011 was US$14.9 million, compared with US$9.8 million in the prior year.

In 2011 a US$140.5 million provision against the carrying value of intangible assets and property, plant and equipment has been recorded within total operating costs relating to the Group's joint venture Tethyan Copper Company Pty. Ltd. During 2010 the reversal of the remaining US$109.4 million impairment originally recognised at El Tesoro in the year ended 31 December 2008 was recorded as an exceptional credit within total operating costs. Further details of these items are given in Note 39 to the financial statements.

Operating profit from subsidiaries and joint ventures

As a result of the above factors, operating profit from subsidiaries and joint ventures (excluding exceptional items) increased by 29.3% to US$3,213.9 million. Including exceptional items, operating profit from subsidiaries and joint ventures increased by 18.5% to US$3,073.4 million.

Share of income/(net loss) from associates

The Group's share of net profit from its associates was US$24.0 million (2010 – net loss of US$2.6 million), an increase of US$26.6 million. This was comprised of a net profit of US$21.7 million (2010 – net loss of US$2.0 million) from its 40% interest in Inversiones Hornitos, and a net profit of US$2.3 million (2010 – net profit of US$1.9 million) from its 30% interest in ATI. The increase in the share of income related to the Group's 40% interest in Inversiones Hornitos largely reflects the Group's US$18.8 million share of compensation received by the associate for lost profits from the main contractor as a result of delays to the construction. In 2010 the Group's share of net loss from its associates included a net loss of US$2.5 million from its 17.8% interest in Sunridge which was sold at the end of 2010.

Net finance expense

Net finance expense in 2011 was US$21.2 million, compared with a net finance expense of US$18.7million in 2010.

	Year ended 31.12.11 US$m	Year ended 31.12.10 US$m
Investment income	23.3	16.5
Interest expense	(93.2)	(18.3)
Other finance items	48.7	(16.9)
Net finance expense	(21.2)	(18.7)

Interest receivable increased from US$16.5 million in 2010 to US$23.3 million in 2011, reflecting slightly higher average cash balances and rates achieved, and the inclusion of interest income from Esperanza which was previously capitalised while the project remained under construction.

Interest expense increased from US$18.3 million in 2010 to US$93.2 million in 2011, mainly due to the start-up of Esperanza (where interest expense in 2011 was US$68.7 million) as the borrowing costs relating to that operation had been capitalised while it was under development. Interest costs also reflect the full year impact of other borrowings, principally those taken out by El Tesoro in the second half of 2010 to finance the acquisition of Mirador from Antofagasta Minerals S.A.

Other finance items comprised a gain of US$48.7 million (2010 – loss of US$16.9 million). A gain of US$49.1 million (2010 – loss of US$16.1 million) has been recognised in respect of the time value element of changes in the fair value of commodity derivative options, which is excluded from the designated hedging relationship, and is therefore recognised directly in profit or loss. Foreign exchange gains included in finance items were US$14.2 million in 2011, compared with a gain of US$9.6 million in the previous year. A loss on foreign exchange derivatives of US$3.3 million (2010 – loss of US$6.1 million) is also included in other finance items. An expense of US$11.3 million (2010 – US$4.3 million) has been recognised in relation to the unwinding of the discount on provisions.

Profit before tax

As a result of the factors set out above, profit before tax increased by US$503.0 million or 19.5% to US$3,076.2 million in 2011 compared with US$2,573.2 million in 2010.

Financial review

Income tax expense

The rate of first category (i.e. corporation) tax in Chile increased to 20% in 2011 from 17% in 2010 due to amendments to Chilean mining tax introduced by the Chilean Government following the severe earthquake which affected Chile in 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 to 2012 production from Los Pelambres, Esperanza, El Tesoro and Michilla mines is subject to a mining tax at a rate of between 4-9% of tax-adjusted operating profit, based on a sliding scale with the minimum rate of 4% applying to operations with a tax-adjusted operating profit margin of below 40% and a maximum rate of 9% applying to operations with a tax-adjusted operating profit margin of above 75%. Production from the Tesoro North-East deposit and the Run-of-Mine processing at El Tesoro is subject to a mining tax at a rate of between 5-14% of tax-adjusted operating profit, based on a sliding scale with the minimum rate of 5% applying to operations with a tax-adjusted operating profit margin of below 35% and a maximum rate of 14% applying to operations with a tax-adjusted operating profit margin of above 85%.

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 in respect of those profits. During the year ended 31 December 2011 the effective tax rate of withholding tax was approximately 18% of the amount remitted or expected to be remitted.

The tax charge for the year was US$946.2 million and the effective tax rate was 30.8%. This rate varies from the standard rate principally due to the effect of the mining tax which resulted in a charge of US$199.8 million (representing an effective tax rate of 6.5%) and the provision of withholding tax of US$127.0 million (representing an effective tax rate of 4.1%).

In 2010 the total tax charge was US$752.5 million and the effective tax rate was 29.2%. This rate varied from the standard rate of 17% for that year principally due to the effect of the mining tax which resulted in a charge of US$157.7 million (representing an effective tax rate of 6.1%) and the provision of withholding tax of US$160.9 million which represented an effective tax rate of 6.3%). The higher rate of withholding tax provision was mainly due to the higher level of dividends declared in respect of that year.

Non-controlling interests

Profit for the financial year attributable to non-controlling interests was US$893.4 million, compared with US$768.9 million in 2010. The increase is mainly due to the effect of the increased Group profit in 2011 in comparison to 2010.

Earnings per share

	Year ended 31.12.11 US cents	Year ended 31.12.10 US cents
Earnings per share including exceptional items	125.4	106.7
Earnings per share excluding exceptional items	139.7	100.6

Earnings per share calculations are based on 985,856,695 ordinary shares. As a result of the factors set out above, profit for the 2011 financial year attributable to equity shareholders of the Company was US$1,236.6 million compared with US$1,051.8 million in 2010. Accordingly, basic and diluted earnings per share were 125.4 cents in 2011 compared with 106.7 cents in 2010, an increase of 17.6%.

Profit for the 2011 financial year attributable to equity holders of the Company excluding exceptional items was US$1,377.1 compared with US$991.3 million in 2010. Basic and diluted earnings per share excluding exceptional items (detailed in Note 5 to the financial statements) were 139.7 cents in 2011 compared with 100.6 cents in 2010, an increase of 38.9%.

Dividends

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

	2011 US cents	2010 US cents	2009 US cents	2008 US cents
Ordinary				
Interim	8.0	4.0	3.4	3.4
Final	12.0	12.0	6.0	5.6
	20.0	16.0	9.4	9.0
Special				
Interim	–	–	–	3.0
Final	24.0	100.0	14.0	48.0
	24.0	100.0	14.0	51.0
Total dividends to ordinary shareholders	44.0	116.0	23.4	60.0
Dividends as a percentage of profit attributable to equity shareholders	35%	109%	35%	35%

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

The Board has recommended a final dividend for 2011 of 36 cents per ordinary share, which amounts to US$354.9 million and if approved at the Annual General Meeting, will be paid on 14 June 2012 to shareholders on the Register at the close of business on 11 May 2012. This final dividend comprises an ordinary dividend of 12 cents and a special dividend of 24 cents. This gives total dividends for the year of 44 cents, including the interim dividend of 8 cents which was paid in October, amounting to US$433.8 million and representing a distribution of 35% of 2011 net earnings.

In 2010 total dividends were 116 cents, representing a pay-out ratio of 109%. As previously stated, the special dividend of 100 cents in that year reflected the successful completion of the two key growth projects – the Los Pelambres expansion and the Esperanza mine development – in that year.

Capital expenditure

Capital expenditure decreased by US$612.9 million from US$1,385.8 million in 2010 to US$772.9 million in 2011. This was mainly due to significantly lower capital expenditures at Esperanza of US$259.0 million 2010 – (US$1,058.6 million) reflecting the completion of the majority of the construction of the mine by early 2011.

Details of capital expenditure by mine are provided in the Business Review. The capital expenditure of US$772.9 million differs to purchases of property, plant and equipment in the cash flow statement of US$666.6 million, mainly due to the US$46.1 non-cash portion of the acquisition of the assets of Franconia detailed in Note 33 to the financial statements and the acquisition of leased assets of US$40.0 million.

Derivative financial instruments

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

At 31 December 2011 the Group had min-max instruments for 84,300 tonnes of copper production at Michilla covering a total period up to 31 December 2014. The weighted average remaining period covered by the min-max hedges calculated with effect from 1 January 2012 was 24.2 months. The instruments had a weighted average floor of 344.9 cents per pound and a weighted average cap of 448.0 cents per pound. This represents approximately 80% of Michilla's forecast production for 2012, and approximately 5% of Group copper production for that year. The Group's exposure to the copper price will be limited by the extent of these instruments.

At 31 December 2011 the Group had futures contracts for 11,000 tonnes of copper production at El Tesoro covering a total period up to 31 January 2013. The weighted average remaining period covered by the arbitrage hedges calculated with effect from 1 January 2012 was 7.6 months. The instruments had a weighted average price of 361.0 US cents per pound.

Details of the mark-to-market position of these instruments at 31 December 2011, together with details of any interest and exchange derivatives held by the Group, are given in Note 25(e) to the financial statements.

The Group periodically uses foreign exchange derivatives to cover expected operational cash flow needs. At 31 December 2011 the Group had cross currency swaps with a principal value of US$166.2 million relating to Michilla to swap Chilean pesos for US dollars, at an average rate of Ch$508.2/US$1, covering a total period up to 16 September 2013. The weighted average remaining period covered by these hedges calculated with effect from 1 January 2012 is 9.9 months. Between 31 December 2011 and 31 January 2012 US$7.4 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 2011 the Group had entered into contracts in relation to the Esperanza financing for 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 2011 production volumes and without taking into account the effects of provisional pricing and any hedging activity, a change in commodity prices would affect turnover and profit before tax and earnings per share as follows:

	Amount of increase in price	Increase in turnover and profit before tax	Increase in earnings per share
Copper	US$c10/Lb	141.3	6.9
Molybdenum	US$1/Lb	21.8	1.0
Gold	US$100/ounce	19.7	1.0

Financial review

Cash flows

The Group cash flow statement is presented on page 96. The key features are summarised in the following table.

	Year ended 31.12.11 US$m	Year ended 31.12.10 US$m
Cash flows from operations	3,552.5	2,433.9
Income tax paid	(1,018.1)	(427.9)
Net interest paid	(47.6)	(16.2)
Acquisition of associates and subsequent capital contributions	(4.5)	–
Acquisition of available for sale investments	(27.3)	(12.9)
Purchases of property, plant and equipment	(666.6)	(1,301.8)
Dividends paid to equity holders of the Company	(1,183.0)	(236.6)
Dividends paid to non-controlling interests	(741.0)	(702.7)
Other items	1.0	4.1
Changes in net cash relating to cash flows	(134.6)	(260.1)
Exchange and other non-cash movements	(70.8)	9.5
Movement in net cash in the year	(205.4)	(250.6)
Net cash at the beginning of the year	1,345.1	1,595.7
Net cash at the end of the year (analysed on page 67)	1,139.7	1,345.1

Cash flows from operations were US$3,552.5 million in 2011 compared with US$2,433.9 million last year, an increase of 46.0%. This reflected EBITDA for the year of US$3,660.5 million (2010 – US$2,771.9 million) adjusted for a net working capital increase of US$108.0 million (2010 – increase of US$338.0 million). The working capital movements relate mainly to an increase in inventory levels with the start-up of Esperanza and Run-of-Mine production at El Tesoro partly offset by an increase in closure provisions.

Cash tax payments in the year were US$1,018.1 million (2010 – US$427.9 million), comprising corporation tax of US$586.5 million (2010 – US$306.0 million), mining tax of US$213.1 million (2010 – US$74.7 million) and withholding tax of US$218.5 million (2010 – US$47.2 million). These amounts differ from the current tax charge in the consolidated income statement of US$965.3 million (2010 – US$631.5 million) mainly because cash tax payments for corporation tax and the mining tax partly comprise lower monthly payments on account in respect of current year profits and partly comprise the settlement of the outstanding balance for the previous year.

The purchase of available for sale investments of US$27.3 million relates to the purchase of shares in Duluth Metals Limited, Eurasian Minerals Incorporated, Stratex International plc and Sipa Resources Limited. More details of the acquisitions are included in Note 19 to the financial statements.

Cash disbursements relating to capital expenditure in 2011 were US$666.6 million compared with US$1,301.8 million in 2010. This included expenditure of US$243.0 million relating to Esperanza (2010 – US$1,058.6 million), US$151.3 million (2010 – US$134.3 million) relating to Los Pelambres and US$115.1 million (2010 – US$27.7 million) relating to El Tesoro.

Dividends (including special dividends) paid to ordinary shareholders of the Company this year were US$1,183.0 million (2010 – US$236.6 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 increased dividend per share paid out during 2011 compared with 2010.

Dividends paid by subsidiaries to non-controlling shareholders were US$741.0 million (2010 – US$702.7 million), principally due to increased distributions by Los Pelambres and El Tesoro.

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

Financial position

	Year ended 31.12.11 US$m	Year ended 31.12.10 US$m
Cash, cash equivalents and liquid investments	3,280.0	3,541.6
Total borrowings	(2,140.3)	(2,196.5)
Net cash at the end of the year	1,139.7	1,345.1

At 31 December 2011 the Group had combined cash, cash equivalents and liquid investments of US$3,280.0 million (2010 – US$3,541.6 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$3,041.1 million (2010 – US$3,393.8 million).

New borrowings in the year amounted to US$241.3 million (2010 – US$1,022.0 million), mainly due to new short-term borrowings at Esperanza of US$200.0 million and new finance leases at Los Pelambres of US$36.1 million. Repayments of borrowings and finance leasing obligations in the year were US$314.5 million, relating mainly to repayment of the Esperanza short-term borrowings of US$170.0 million and to a lesser extent regular repayments on existing loans at Los Pelambres of US$134.1 million (2010 – US$459.8 million relating mainly to repayment of Los Pelambres short-term borrowings and to a lesser extent regular payments on existing loans).

Total Group borrowings at 31 December 2011 were US$2,140.3 million (2010 – US$2,196.5 million). Of this, US$1,456.3 million (2010 – US$1,486.8 million) is proportionally attributable to the Group after excluding the non-controlling interest shareholdings in partly-owned operations.

Balance sheet

Long-term provisions increased from US$244.4 million at 31 December 2010 to US$321.1 million at 31 December 2011. During the year ended 31 December 2011 there has been a charge of US$15.5 million to operating profit in relation to increases to the rehabilitation provision, and US$56.7 million capitalised, principally in relation to the decommissioning provision at Los Pelambres following an updated review.

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 37 to the financial statements.

In 2011 the currency translation loss recognised in net equity of US$25.1 million resulted mainly from the weakening in the Chilean peso during the year from Ch$468.01 = US$1 at the start of 2011 to Ch$519.2 = US$1 at the end of 2011. 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.

Cautionary statement about forward-looking statements

The preliminary results announcement contains 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.


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Governance

Production

The majority of our mining production is from low-cost, long-life operations, allowing us to generate value even during low points in the commodity price cycle.

Governance: Board of Directors

1 Jean-Paul Luksic

Executive Chairman 48

Committees: Nomination (C)

Appointed to Antofagasta 1990

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

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

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

2 Gonzalo Menéndez

Non-Executive Director 63

Appointed to Antofagasta 1985

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

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

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

3 Ramon Jara

Non-Executive Director 59

Committees: Sustainability and Stakeholder Management (C)

Appointed to Antofagasta 2003

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

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

(The ages of the Directors are shown as of the date of the 2012 Annual General Meeting)

4 Guillermo Luksic

Non-Executive Director 56

Appointed to Antofagasta 2005

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

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

5 Juan Claro

Non-Executive Director 61

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

Appointed to Antofagasta 2005

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

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

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

6 William Hayes

Non-Executive Director 67

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

Appointed to Antofagasta 2006

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

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

Current external roles: He is a director of Royal Gold Inc.

7 Hugo Dryland

Non-Executive Director 56

Appointed to Antofagasta 2011

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

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

Current external roles: He is a senior managing director at Rothschild and is Global Head of Rothschild's investment banking activities in the mining and metals sector.

8 Tim Baker

Non-Executive Director 60

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

Appointed to Antofagasta 2011

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

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

Current external roles: He is a director of Augusta Resource Corporation, Eldorado Gold Corporation and Pacific Rim Mining Corporation.

9 Manuel Lino Silva De Sousa-Oliveira (Ollie Oliveira)

Non-Executive Director 59

Committees: Audit and Risk

Appointed to Antofagasta 2011

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

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

Current external roles: He is a director of several companies including Ferrous Resources Limited.

Governance: Corporate governance report

Overview

"Good governance is central to our business, and we believe that it is core to the Group's ongoing development. For Antofagasta good governance is much more than a matter of compliance – it is about having the right people, culture and structures in place to make sure we make the right decisions for our business and for our shareholders. We strive to instill a culture throughout the Group which reflects our core principles of respect, honesty and transparency. In this report we discuss the key features of the governance structures, processes and people we have in place in order to achieve our objectives."

Jean-Paul Luksic
Chairman

Key Board activities in 2011

Appointment of three new Directors to the Board, who bring a considerable range of experience and expertise in the international mining sector, with many years of operational, financial, strategic and corporate finance experience across a wide range of countries.

Approval of key steps in the Group's growth plans, with approval of the Antucoya project and initiation of the feasibility study for the Centinela District and pre-feasibility study for the Los Pelambres District.

Approved updated Ethics Code, which was launched by the Chairman.

Ongoing review and monitoring of operational performance, including the ramp-up of Esperanza.

Reviewed the Group's ongoing capital management, including approving total dividends of US$1.1 billion which were paid out to shareholders during 2011.

Compliance with the UK Corporate Governance Code

The Company now reports under the UK Corporate Governance Code (the 2010 Code) which sets out governance recommendations and best practice provisions which apply to UK listed companies. The 2010 code applies in place of the Combined Code on Corporate Governance. The Company is required to report on the extent to which it complies with the main principles and the provisions of the UK Corporate Governance Code and explain the reasons for any non-compliance.

The Company complied with the detailed code provisions contained in the UK Corporate Governance Code throughout 2011 except as follows:

– the Board did not have a separately identified Chief Executive and hence at Board level there is no formal separation of the functions of Chairman and Chief Executive (provision A.2.1). The Board considers that its predominantly non-executive composition combined with the delegation of significant responsibility for operational management to a divisional level achieves an appropriate balance and prevents a concentration of power in its Executive Chairman;

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

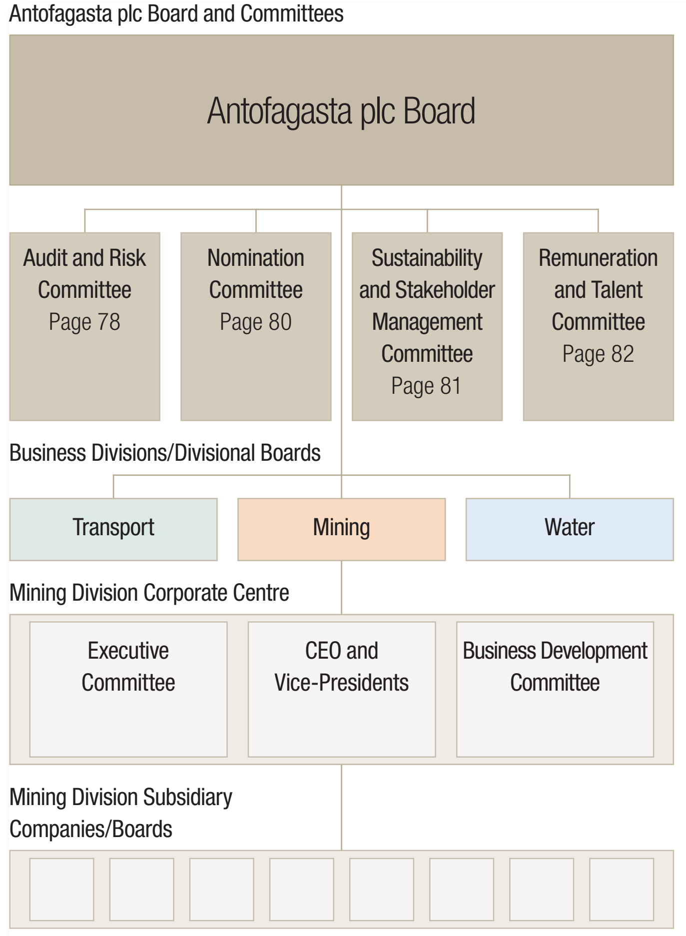
– Charles Bailey retired from the Board and also therefore from the Audit and Risk Committee, the Remuneration and Talent Committee and the Nomination Committee on 8 June 2011. Additional appointments were made to those Committees with effect from 1 July 2011, however for the intervening 22 days the Audit and Risk Committee and the Remuneration and Talent Committee did not comprise three independent Non-Executive Directors (provisions C.3.1 and D.2.1) and the Nomination Committee did not comprise a majority of independent Non-Executive Directors (provision B.2.1). No committee meetings were held during this intervening 22-day period.

Our governance structure

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

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

Antofagasta plc Board and Committees



Governance: Corporate governance report

The activities of the mining division are primarily controlled via the Antofagasta Minerals S.A. ("Antofagasta Minerals") corporate centre. Given the core role which Antofagasta Minerals plays in the management of the mining operations and projects, and that the mining division represents the large majority of the Group's business, the Antofagasta plc Directors also serve as directors of the Antofagasta Minerals board.

There is a monthly Operational Performance Review ("OPR") process whereby the individual mining operations report to the Antofagasta Minerals corporate centre, providing a regular formalised process for monitoring and control of the operations by the corporate centre.

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

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

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

Business model

The Operational review includes a section on page 10 outlining our business model to achieve sustainable growth and provides an explanation of how the Group generates value for its shareholders.

The role of the Board

The Board met 10 times during 2011.

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

The Board is responsible for:

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

As examples of the way in which this was reflected in the Board's activities during 2011:

- the Board's ongoing review and monitoring of the Group's operational performance included particular focus on the progress of the ramp-up of Esperanza during the year; and
- the Board approved key steps in the Group's growth plans, with approval of the Antucoya project and initiation of the feasibility study for the Centinela District and pre-feasibility study for the Los Pelambres District.

Beyond these matters, the Board has delegated responsibility for implementing the Group's strategic and financial objectives to the senior management within the Group.

The Board has delegated authority to its Committees to perform certain activities as set out in their Terms of Reference. They are the Audit and Risk Committee, the Remuneration and Talent Committee, the Nomination Committee and the Sustainability and Stakeholder Management Committee. The activities of these Committees are set out in further detail on pages 78 to 81 of this Corporate governance report and pages 82 to 85 in the Remuneration report. The terms of reference of these committees are available on the Company's website at www.antofagasta.co.uk.

Board composition

Board balance

As at the date of this report the Board had nine Directors, comprised of an Executive Chairman and eight Non-Executive Directors. Five of those Non-Executive Directors are considered by the Board to be independent. The Board considers that this predominance of Non-Executive Directors on the Board is valuable both in terms of providing a range of outside perspectives to the Group, and also in encouraging robust debate and challenge with the Group's executive management.

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

During 2011 Hugo Dryland, Tim Baker and Ollie Oliveira were appointed to the Board. Between them they bring a considerable range of experience and expertise in the international mining sector, with many years of operational, financial, strategic and corporate finance experience across a wide range of countries. These appointments provided appropriate Board succession given the retirements of Daniel Yarur in March 2011 and Charles Bailey in June 2011.

Of the nine Directors as of the date of this report, five are based in Chile, three are based in North America and one is based in the United Kingdom. Biographies of each of the Directors as at the date of this report are shown on page 70 and demonstrate a detailed knowledge of the mining industry as well as significant international business experience. Their biographies also provide details of their Board Committee memberships as well as other principal directorships held.

Chairman

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

The Group does not have a Board member who is designated as Chief Executive. The Board believes that the Company is not at risk from a concentration of power by Jean-Paul Luksic having executive responsibilities as Chairman. In reaching this conclusion, it has taken into consideration the strong presence of independent Non-Executive Directors on the Board, the structure of the four Board Committees designed to devolve away from the Chairman the responsibility and control of certain key areas of Board responsibility, and the delegation of operational management to a divisional level.

Senior Independent Director

William Hayes is the Senior Independent Director. Charles Bailey was the Senior Independent Director until his retirement from the Board on 8 June 2011, following which he was succeeded by William Hayes. The responsibilities of the Senior Independent Director include evaluation of the Chairman's effectiveness as part of the Board evaluation process, as discussed below. The role of Senior Independent Director can provide a sounding board for the Chairman if required. As noted above, the Chairman encourages an open culture where healthy challenge and debate is encouraged within the Board, but the Senior Independent Director can also act as an intermediary between the Chairman and the other members of the Board should the need arise. He also serves as an additional point of contact for shareholders if required, in addition to the Chairman and senior executives. He provides a particular focus for shareholders on the Group's governance and strategy, and also gives shareholders a means of raising concerns other than with the Chairman or senior executives. William Hayes met with a number of the Group's largest shareholders during the year, allowing him to provide his perspective on the Group's governance and strategy, and to obtain direct feedback of their opinions and views of the Group.

Independent Non-Executive Directors

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

The Board does not consider Ramon Jara, Guillermo Luksic or Hugo Dryland to be independent. Ramon Jara provides advisory services to the Group, as explained in the Remuneration Report on page 82. Guillermo Luksic is the brother of Jean-Paul Luksic, the Chairman of Antofagasta plc. Guillermo is chairman of Quiñenco S.A. and chairman or a director of Quiñenco's other listed subsidiaries. Jean-Paul Luksic and Gonzalo Menéndez are also non-executive directors of Quiñenco and some of its listed subsidiaries. Like Antofagasta plc, Quiñenco is also controlled by the Luksic family. Hugo Dryland has provided advisory services to the Group in his capacity as a senior managing director at Rothschild, which remains a financial advisor to the Group.

Governance: Corporate governance report

Information and professional development

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

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

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

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

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

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

Board meeting attendance

	Board	
	Number attended	Maximum possible
Jean-Paul Luksic	10	10
Charles Bailey[1]	4	4
Gonzalo Menéndez	9	10
Ramon Jara	10	10
Daniel Yarur[2]	1	2
Guillermo Luksic[3]	3	10
Juan Claro[3]	9	10
William Hayes	9	10
Hugo Dryland[4]	8	9
Tim Baker[5]	8	8
Ollie Oliveira[6]	1	1

10 meetings were held in the year.

1 Charles Bailey retired from the Board on 8 June 2011.

2 Daniel Yarur retired from the Board on 1 March 2011.

3 Guillermo Luksic and Juan Claro were unable to attend the Annual General Meeting in June 2011 due to long-standing other commitments. All other Directors in office at the time of the Annual General Meeting attended that meeting.

4 Hugo Dryland was appointed to the Board on 20 January 2011.

5 Tim Baker was appointed to the Board on 1 March 2011.

6 Ollie Oliveira was appointed to the Board on 28 October 2011.

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

Performance evaluation

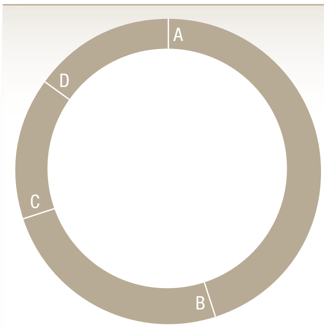
During the year an internal evaluation was conducted of the effectiveness of the Board. This principally comprised interviews conducted with the Directors, considering factors including the effectiveness of Board meetings, the level and nature of information provided to Directors, the composition of the Board and the contribution of individual Directors. As discussed above, the Senior Independent Director is responsible for the evaluation of the Chairman's effectiveness as part of this process. Charles Bailey conducted the evaluation of the Chairman during 2011 in his role as Senior Independent Director prior to his retirement during the year.

The results of the evaluation process are used by the Chairman in further developing the effective operation of the Board, and given his additional role as chairman of the Nomination Committee will also be used by him in that role when considering future individual appointments to the Board and changes in the overall composition of the Board.

In line with the new requirement of the UK Corporate Governance Code, in the future an externally facilitated evaluation will be conducted at least every three years.

Relations with shareholders

The shares of Antofagasta plc are listed on the London Stock Exchange. The Luksic family of Chile control 65% of the ordinary share capital of the Company, with the 35% free-float traded on the London Stock Exchange. The majority of the free-float is held by institutional investors, mainly based in the UK and North America.



		%
A	UK	45
B	North America	25
C	Rest of Europe	15
D	Rest of World	15

Analysis of free-float investors by geographical location as at 31 December 2011.

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

The Company held regular meetings with institutional investors and sell-side analysts throughout the year which included an international investor roadshow programme, presenting at industry conferences, hosting sell-side analyst events as well as individual investor meetings. These were attended by various members of the management team including Jean-Paul Luksic, the Chairman of the Group, and the CEO of Antofagasta Minerals. William Hayes, the Senior Independent Director, also attended meetings with key shareholders during the year. Other Non-Executive Directors are given the opportunity to meet with major shareholders and attend meetings if requested to do so by shareholders.

Issues of particular focus for investors during the year included:

- progress of the ramp-up of Esperanza;
- the Group's growth pipeline;
- the capital distribution policy of the Group;
- industry trends in operating and capital cost inflation;
- potential issues around the availability of key strategic resources for the mining sector in Chile such as water, labour and energy; and
- general commodity market conditions.

Governance: Corporate governance report

Audit and Risk Committee

Membership and meeting attendance

	Number attended	Maximum possible
Current members		
William Hayes[4]	2	2
Tim Baker[6]	2	2
Ollie Oliveira[7]	–	–
Members who stepped down during the year		
Charles Bailey[1]	1	1
Gonzalo Menéndez[2]	1	1
Daniel Yarur[3]	–	1
Juan Claro[5]	2	2

Three meetings were held in the year.

Key activities in 2011

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

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

Reviewed updated terms of reference for the Committee prior to their approval by the Board.

Reviewed the activities and key findings of Internal Audit during the year, and reviewed the 2012 Internal Audit work plan.

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

Conducted site visits to the Group's principal operations in 2011 and early 2012, with a focus on reviewing the risk management processes in place at each operation.

[1] Charles Bailey retired from the Board on 8 June 2011 and hence ceased to be chairman of the Audit and Risk Committee from that date.

[2] Gonzalo Menéndez rotated off the Audit and Risk Committee on 1 July 2011.

[3] Daniel Yarur retired from the Board on 1 March 2011, and hence ceased to be a member of the Audit and Risk Committee from that date.

[4] William Hayes was appointed to the Audit and Risk Committee on 1 March 2011. On 1 July 2011 he was appointed chairman of the Committee.

[5] Juan Claro was appointed to the Audit and Risk Committee on 1 July 2011. Subsequent to the year end on 25 January 2012 he rotated off the Committee.

[6] Tim Baker was appointed to the Audit and Risk Committee on 1 July 2011.

[7] Ollie Oliveira was appointed to the Audit and Risk Committee subsequent to the year end on 25 January 2012.

Role and responsibilities of the Committee

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

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

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

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

The Committee's terms of reference were reviewed during the year and updates were made with effect from 22 August 2011. The terms of reference of the Audit and Risk Committee are available from the Company's registered office and may be viewed on the Company's website – **www.antofagasta.co.uk**. The terms of reference were updated to ensure they remain in line with current best practice, and also to reflect the increasing focus of the Committee on risk, including the Committee's role in assisting the full Board to review the major risks facing the Group. Reflecting these changes, the name of the Committee was changed during the year, from the Audit Committee to the Audit and Risk Committee.

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

Committee membership

The Audit and Risk Committee members during the year and to the date of this report are considered by the Board to be independent Non-Executive Directors. Of the current Committee members William Hayes and Ollie Oliveira are considered to have recent and relevant financial experience. The previous Committee members who retired from the Committee during the year were all considered to have had recent and relevant financial experience.

External audit

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

The Company has a policy in place which aims to safeguard independence and objectivity of the external auditor. This includes policies in respect of the potential employment of former auditors, the types of non-audit services which the external auditors may and may not provide to the Group, and the approval process in respect of permitted non-audit services. In addition to this approval process for specific non-audit services, the Audit and Risk Committee monitors the total level of non-audit services to ensure that neither the objectivity or independence of the auditor is put at risk.

A breakdown of the non-audit fees is disclosed in Note 7 to the notes to the financial statements. The Company's external auditor, Deloitte LLP, has provided non-audit services (excluding audit-related services) which amounted to US$0.7 million. This mainly comprised the provision of services relating to environmental advisory services for compliance requirements. The Audit and Risk Committee has reviewed the level of these services in the course of the year and is confident that the objectivity and independence of the auditor are not impaired by reason of such non-audit work.

The Committee has also considered the effectiveness and independence of the external audit through meetings with Deloitte LLP, a review of their audit plan, a consideration of the results of work performed by the external auditor prior to release of the half-year and full-year results, and the past performance of Deloitte LLP who were first appointed in 2000. Having satisfied itself as to their qualification, expertise, resources and independence and the effectiveness of the audit process, it has recommended to the Board, for approval by shareholders, the re-appointment of Deloitte LLP as the Company's external auditor.

Risk management and internal control

The Board has ultimate responsibility for determining the nature and extent of the significant risks that the Group is willing to take to achieve its strategic objectives and for maintaining sound risk management and internal control systems. The Audit and Risk Committee plays a key role in assisting the Board with its responsibilities in respect of risk and related controls. The section above which discusses information flows to the Board explains the type of information and analysis provided to the Board, which facilitates the timely identification of potential key issues and any necessary mitigating actions. As discussed in the Risk management section on page 20, the Audit and Risk Committee assists the Board with its review of the effectiveness of the risk management process, and monitoring of key risks and mitigations. The chairman of the Audit and Risk Committee reports to the Board following each Committee meeting, allowing the Board to understand and if necessary further discuss the matters considered in detail by the Committee. These processes allow the Board to monitor the Group's major risks and related mitigations, and to assess the acceptability of the level of risks which arise from the Group's operations and development activities.

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

During 2011 the detailed review of the risk management and internal control systems was performed by the Audit and Risk Committee, with the Chairman of the Audit and Risk Committee reporting back to the Board on the findings of the review, which were considered by the Board. The review of internal control systems included the financial, operational and compliance controls and is based principally on reviewing reports from management to consider whether significant risks are identified, evaluated, managed and controlled and whether any significant weaknesses are promptly remedied and indicate a need for more extensive monitoring. The review of the risk management and internal control systems considers all significant aspects of internal control, including a review of the effectiveness of the internal audit function. The internal audit function is responsible for reviewing the adequacy of the internal control environment across the Group and for reporting the findings of the internal audit work to the Committee on a regular basis.

During 2011 and early 2012 the Audit and Risk Committee conducted site visits to each of the Group's main operations, with a focus on reviewing the risk management processes in place at each operation.

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

Further information relating to the Group's risk and management systems is given on pages 20 to 23.

"Whistleblowing" procedures

The Committee is also 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. During 2011 an updated version of the Ethics Code was launched by the Chairman and the Antofagasta Minerals CEO and rolled out across the Group's operations. The updated Ethics Code reflects the requirements of the UK Bribery Act 2010 and the Chilean anti-corruption law. The Code 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 CEO of Antofagasta Minerals. The Audit and Risk Committee considers the results of this work and the operation of the Ethics Code as part of its annual review of the effectiveness of internal control.

Governance: Corporate governance report

The Standards of Business Conduct also set out the Group's whistleblowing policy, which enables staff, in confidence, to raise concerns about possible improprieties in financial and other matters. The policy is supplemented by local procedures throughout the Group, which provide staff with additional guidance and enable them to report matters in a language with which they are comfortable. The Audit and Risk Committee receives quarterly reports on whistleblowing incidents. It remains satisfied that the policy and the procedures in place incorporate arrangements for the proportionate and independent investigation of matters raised and for the appropriate follow-up action.

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 26 to 57. 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 to the financial statements.

In assessing the Group's going concern status the Directors, with detailed assistance from the Audit Committee, have taken into account the above factors, including the financial position of the Group and in particular its significant balance of cash, cash equivalents and liquid investments, the borrowing facilities in place and their terms, the current copper price and market expectations in the medium term, the Group's expected operating cost profile and its capital expenditure and financing plans.

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

Nomination Committee

Membership and meeting attendance

	Number attended	Maximum possible
Current members		
Jean-Paul Luksic[2]	1	1
William Hayes[2]	1	1
Juan Claro[2]	1	1
Members who stepped down during the year		
Charles Bailey[1]	2	2
Gonzalo Menéndez[2]	2	2
Ramon Jara[2]	2	2

Three meetings were held in the year.

Key activities in 2011

Appointments of new Non-Executive Directors.

Review of the composition and balance of the Board, and Board succession.

Reviewed updated terms of reference for the Committee prior to their approval by the Board.

[1] Charles Bailey retired from the Board on 8 June 2011 and hence ceased to be a member of the Nomination Committee from that date.

[2] On 1 July 2011 Gonzalo Menéndez and Ramon Jara rotated off the Nomination Committee. Gonzalo Menéndez had been chairman of the Committee. Jean-Paul Luksic, William Hayes and Juan Claro were appointed to the Committee on that date, with Jean-Paul Luksic appointed chairman of the Committee.

Role and responsibilities of the Committee

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

The Committee's terms of reference were reviewed during the year and updates were made in effect from 22 August 2011, to ensure they remain in line with current best practice. The terms of reference are available from the Company's registered office and may be viewed on the Company's website – **www.antofagasta.co.uk**.

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

Appointments to the Board

In making appointments to the Board, the Nomination Committee considers the skills, experience and knowledge of the existing Directors and 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 is responsible for ensuring that any new Directors are provided with a full induction on joining the Board.

During 2011 Hugo Dryland, Tim Baker and Ollie Oliveira were appointed to the Board on the recommendation of the Nomination Committee. In this selection process there was due regard to diversity, skills, experience and other time commitments. Between them they bring a considerable range of experience and expertise in the international mining sector, with many years of operational, financial, strategic and corporate finance experience across a wide range of countries. These appointments provided appropriate Board succession given the retirements of Daniel Yarur in March 2011 and Charles Bailey in June 2011.

As the Nomination Committee and the Board believed that it was able to identify an appropriate candidate through its knowledge of the appropriate industrial and geographical sectors, and interviewing a range of candidates, advertising the post or using a search agency was considered to be unnecessary.

All Non-Executive Directors have letters of appointment with the Company for an initial period of one year 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).

Boardroom diversity

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

Re-election

In accordance with the 2010 Code, all Directors will be standing for re-election at this year's Annual General Meeting on 13 June 2012. 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.

Sustainability and Stakeholder Management Committee

Membership and meeting attendance

	Number attended	Maximum possible
Current members		
Ramon Jara	1	1
Juan Claro[1]	–	–
Tim Baker[1]	–	–
Members who stepped down during the year		
Jean-Paul Luksic[1]	1	1
Gonzalo Menéndez[1]	1	1

One meeting was held in the year.

Key activities in 2011

Review and approval of sustainability reporting by the Group.

Review of terms of reference for the Committee.

[1] On 22 August 2011 Jean-Paul Luksic and Gonzalo Menéndez rotated off the Sustainability and Stakeholder Management Committee. Juan Claro and Tim Baker were appointed as members of the Committee on that date.

Role and responsibilities of the Committee

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

During the year the Committee reviewed its terms of reference which sets out its role and responsibilities. The Sustainability and Stakeholder Management Committee's responsibilities include reviewing the Group's framework of sustainability policies and strategies including safety, health, environmental, social and stakeholder issues; monitoring the Group's performance in respect of sustainability matters; and reviewing the Group's sustainability reporting. The name of the Committee was changed during the year, from the Sustainability Committee to the Sustainability and Stakeholder Management Committee, to reflect the full range of the Committee's responsibilities.

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

The Group publishes 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.

Governance: Remuneration report

Remuneration and Talent Committee

Membership and meeting attendance

	Number attended	Maximum possible
Current members		
Tim Baker[2]	4	4
William Hayes	5	5
Juan Claro[2]	4	4
Members who stepped down during the year		
Charles Bailey[1]	1	1
Gonzalo Menéndez[2]	1	1

Five meetings were held in the year.

Key activities in 2011

Reviewed Directors' remuneration levels.

Reviewed the Directors' Remuneration Report prior to its approval by the Board and subsequent approval by shareholders at the Annual General Meeting.

Reviewed the structure of senior management remuneration.

Approved the introduction of an LTIP scheme for senior management.

Reviewed succession planning for the senior management team.

Reviewed the Group's Talent Management Strategy.

Reviewed updated terms of reference for the Committee prior to their approval by the Board.

[1] Charles Bailey retired from the Board on 8 June 2011 and hence ceased to be a member of the Remuneration and Talent Committee from that date.

[2] On 1 July 2011 Gonzalo Menéndez rotated off the Remuneration and Talent Committee, where he had been chairman of the Committee. On the same date Tim Baker and Juan Claro were appointed to the Committee, with Tim Baker appointed chairman of the Committee.

Basis of preparation of this report and compliance

This report has been prepared in accordance with Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008. It also meets the relevant requirements of the Listing Rules of the Financial Services Authority and describes how the Board has applied the principles of good governance as set out in the UK Corporate Governance Code issued by the Financial Reporting Council in June 2010:

During the year under review, the Company complied with the detailed code provisions set out in Section D of the UK Corporate Governance Code except, as explained on page 73:

– The Chairman, who is the only Executive Director, did not receive any reward structured to vary with individual or corporate performance (principle D1); and

– Charles Bailey retired from the Board and also therefore from the Remuneration and Talent Committee on 8 June 2011. Additional appointments were made to the committees with effect from 1 July 2011, however for the intervening 22 days the Committee did not comprise three independent Non-Executive Directors (provision D.2.1). No Committee meeting was held during this intervening period.

Unaudited information

Role and responsibilities of the Committee

The Remuneration and Talent Committee is responsible for setting remuneration policy and for reviewing the remuneration of any Executive Directors. The Committee is also responsible for monitoring the level and structure of remuneration of Group senior management. The Committee's terms of reference were reviewed during the year and updates were made with effect from 22 August 2011. The terms of reference are available from the Company's registered office and may be viewed on the Company's website – **www.antofagasta.co.uk**. The terms of reference were updated to ensure they remain in line with current best practice, and the changes also include formalising the Committee's responsibilities for reviewing succession planning for senior management, reviewing any major changes in compensation policies applying across the Group's companies that have a significant long-term impact on labour costs, and reviewing compensation and talent management strategies. Reflecting these changes, the name of the Committee was changed during the year, from the Remuneration Committee to the Remuneration and Talent Committee. The remuneration of Non-Executive Directors is determined by the Board as a whole. No Director participates in the determination of their own remuneration.

Company policy on Directors' pay and bonuses

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

The Company's policy is to ensure that Directors are fairly rewarded with regard to responsibilities undertaken, and considers comparable pay levels in the United Kingdom, in Chile, and in the international mining industry. Corporate and individual performance is taken into account in setting the pay level for the Chairman as an Executive Director, and this is reviewed on an annual basis in comparison with companies of a similar nature, size and complexity. Remuneration levels for Non-Executive Directors are reviewed in comparison with companies of a similar nature, size and complexity, and take into account specific responsibilities undertaken.

The Committee used benchmarking data from a number of sources, but did not appoint external consultants to advise on Directors' remuneration during the year.

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

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

Director and Committee fees

The following changes to the Antofagasta plc Board fees were introduced in 2011:

- an increase of the base Non-Executive Director's fee in respect of the Antofagasta plc Board from US$100,000 to US$130,000 (with effect from 1 July 2011) in order to ensure fee levels are in line with comparable international mining companies;
- given the core role which Antofagasta Minerals plays in the management of the mining operations and projects, and that the mining division represents the large majority of the Group's business, all Antofagasta plc Directors also serve as directors of the Antofagasta Minerals board. The fees payable to directors of the Antofagasta Minerals board were increased with effect from 1 July 2011 to US$130,000 for members of the board (previously US$24,000) and US$260,000 for the Chairman (previously US$48,000).
- fees were introduced for the Chairman and members of the Sustainability and Stakeholder Management Committee, with effect from 22 August 2011.

There was no change in the fees payable to the Executive Chairman in his role as a Director of Antofagasta plc between 2010 and 2011.

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

The following table summarises Antofagasta plc Board Committee fees payable in 2011 and 2010:

	US$000
Audit and Risk Committee chairman	20
Audit and Risk Committee member	10
Remuneration and Talent Committee chairman	16
Remuneration and Talent Committee member	10
Nomination Committee chairman	10
Nomination Committee member	4
Sustainability and Stakeholder Management Committee chairman (with effect from 22 August 2011)	16
Sustainability and Stakeholder Management Committee member (with effect from 22 August 2011)	10

Service contracts and letters of appointment

Jean-Paul 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 Ramon 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. The amounts payable to Ramon Jara in respect of his service contract had not been updated since 2006, and accordingly were reviewed during the course of the year, resulting in a 15% increase in these fees with effect from 1 September 2011. Amounts paid during 2011 and 2010 under these service contracts have been included in the table of Directors' remuneration.

All Non-Executive Directors have letters of appointment with the Company, for a period of one year, subject to re-appointment at the Annual General Meeting (AGM) following their appointment. As recommended by the UK Corporate Governance Code, all Directors are submitted for annual re-election at each AGM. These letters require the Non-Executive Directors to undertake that they will have sufficient time to discharge their responsibilities. The appointments may be terminated by either party on one month's notice. The letters of appointment are available for inspection at the Company's registered office during normal business hours and at the AGM (for 15 minutes prior to and during the meeting). The service contracts and letters of appointment do not provide for any compensation for loss of office beyond payments in lieu of notice, and therefore the maximum amount payable upon termination of these contracts is limited to one month's payment.

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

Governance: Remuneration report

Directors' interests

The Directors who held office at 31 December 2011 had the following interests in the ordinary shares of the Company:

	Ordinary shares of 5p each	
	31 December 2011	1 January 2011
Jean-Paul Luksic[1]	**41,963,110**	41,963,110
Ramon Jara[2]	**1,260**	1,260

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

[2] Ramon 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 2011 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.

Talent management

The Remuneration and Talent Committee also reviews wider aspects of the Group's talent management programme, particularly in relation to senior management. The Committee reviews the structure of senior management remuneration. The structure is designed to align management compensation with the Group's strategic aims and shareholders' interests. Senior management remuneration comprises a combination of base salary and other benefits, an annual cash bonus and LTIP awards. The LTIP scheme was introduced at the end of 2011 following a review by the Committee of the level and structure of overall senior management compensation. Directors are not included within the scheme. Further details of the scheme are set out in Note 26 to the financial statements. The bonus and performance-related LTIP awards are based on a mixture of performance criteria, including Total Shareholder Return and a range of financial, operational and growth measures. The Committee also conducted a review of the Group's succession planning in respect of the senior management team during 2011.

During 2011 the Committee reviewed the Group's revised Talent Management Strategy, which is designed to attract and retain the key management and skilled workers required by the Group's existing operations and its growth projects. Further detail in respect of the Group's talent management programme is set out in the Sustainability report on page 52.

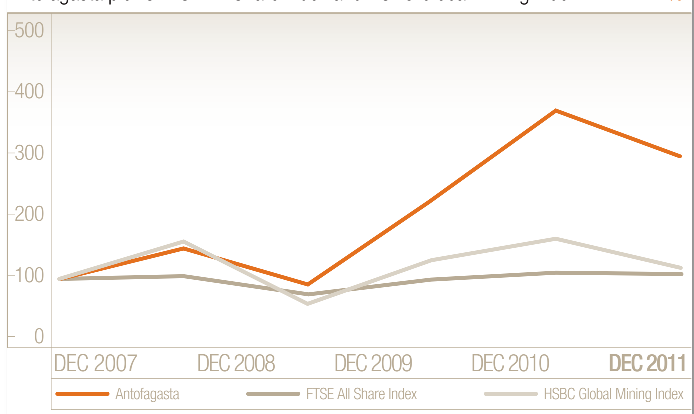
Performance graph

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

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

Total Shareholder Return*

Antofagasta plc vs FTSE All-Share Index and HSBC Global Mining Index



* Total Shareholder Return represents share price growth plus dividends reinvested over the period
Total Return Basis Index – 1 January 2007 = 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 37 to the financial statements.

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

	Base salary and fees		Bonus		Benefits		Total remuneration	
	2011 US$000	2010 US$000	**2011 US$000**	2010 US$000	**2011 US$000**	2010 US$000	**2011 US$000**	2010 US$000
Jean-Paul Luksic[1]	**3,438**	3,232	**–**	–	**83**	98	**3,521**	3,330
Charles Bailey[2]	**69**	146	**–**	–	**–**	–	**69**	146
Gonzalo Menéndez	**322**	320	**–**	–	**–**	–	**322**	320
Ramon Jara[3]	**895**	821	**–**	1,000	**4**	4	**899**	1,825
Daniel Yarur[4]	**22**	143	**–**	–	**–**	–	**22**	143
Guillermo Luksic	**192**	124	**–**	–	**–**	–	**192**	124
Juan Claro	**268**	196	**–**	–	**–**	–	**268**	196
William Hayes	**301**	207	**–**	–	**–**	–	**301**	207
Hugo Dryland[5]	**185**	–	**–**	–	**–**	–	**185**	–
Tim Baker[6]	**188**	–	**–**	–	**–**	–	**188**	–
Ollie Oliveira[7]	**46**	–	**–**	–	**–**	–	**46**	–
	5,926	5,189	**–**	1,000	**87**	102	**6,013**	6,291

[1] During 2011, remuneration of US$1,005,000 for the provision of services by Jean-Paul Luksic was paid to Goldbeam Finance Limited (2010 – remuneration of US$1,000,000 was paid to Goldbeam Finance Limited). This amount is included in the amounts attributable to Jean-Paul Luksic of US$3,438,000 (2010 – US$3,232,000). The benefits expense represents the provision of car usage and life, accident and health insurance for Jean-Paul Luksic.

[2] Charles Bailey resigned from the Board on 8 June 2011, and the amounts shown above for 2011 represent fees payable up to this date.

[3] During 2011, remuneration of US$571,000 (2010 – US$509,000) for the provision of services by Ramon Jara was paid to Asesorías Ramón F Jara Ltda. This amount is included in the amounts attributable to Ramon Jara of US$895,000 (2010 – US$821,000). The benefits expense represents the provision of accident insurance to Ramon Jara. During 2010 an exceptional bonus was paid to Riverwood Services Inc. in respect of Ramon Jara reflecting his contribution to the Group over a long period of time.

[4] Daniel Yarur resigned from the Board on 1 March 2011, and the amounts shown above for 2011 represent fees payable up to this date.

[5] Hugo Dryland was appointed to the Board on 20 January 2011, and the amounts shown above for 2011 represent fees payable from this date.

[6] Tim Baker was appointed to the Board on 1 March 2011, and the amounts shown above for 2011 represent fees payable from this date.

[7] Fees payable in respect of Ollie Oliveira's service as a Director are paid to Greengrove Capital LLP, a partnership in which Ollie Oliveria is a partner. Ollie Oliveira was appointed to the Board on 28 October 2011, and the amounts shown above for 2011 represent fees payable from this date.

[8] Philip Adeane retired from the Board in 2006. Following retirement, Philip 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. Philip Adeane was paid £5,000 (approximately US$7,720) under this contract for services during 2010.

Approved on behalf of the Board

Tim Baker
Chairman of the Remuneration and Talent Committee

12 March 2012

Governance: Directors' report

Principal group activities

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

Business review

The Company is required by section 417 of the Companies Act 2006 to provide a business review in this report. The requirements of the business review are fulfilled in the disclosures contained within the Chairman's statement on pages 5 to 7, the Marketplace section on pages 14 to 17, the Operational review (including information on expected future developments) on pages 26 to 57, the Financial review on pages 60 to 67 and the Corporate governance report on pages 72 to 85. A summary of the key performance indicators considered most relevant to the Group is on pages 18 and 19. 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 86 to 88. 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 20 to 23, and in Note 25 to the financial statements. There have been no significant events since the balance sheet date requiring disclosure in the financial statements. All the above matters are incorporated into this report by reference.

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$2,573.2 million in 2010 to US$3,076.2 million in 2011.

The Board has recommended a final dividend of US 36.0 cents (2010 – US 112.0 cents) per ordinary share, comprising an ordinary dividend of US 12.0 cents (2010 – US 12.0 cents) and a special dividend of US 24.0 cents (2010 – US 100.0 cents). An ordinary interim dividend of US 8.0 cents was paid on 6 October 2011 (2010 ordinary dividend – US 4.0 cents). This gives total dividends per share proposed in relation to 2010 of US 44.0 cents (2010 – US 116.0 cents), including the special dividend. The total amount of dividends paid to ordinary shareholders (including special dividends) proposed in relation to 2011 will be US$433.8 million, compared with US$1,143.6 million in 2010.

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 (2010 – 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.

Political contributions

The Group made no political donations during the year ended 31 December 2011 (2010 – US$49,000 in relation to presidential elections). The donations during 2010 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 46 days (2010 – 32 days). Each operating company is responsible for agreeing terms of payment with each of their suppliers. It is Group policy that payments to suppliers are made in accordance with agreed terms.

Significant relationships

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

- the Group holds a number of mining and exploration rights in Chile and other countries in which it has exploration or development activities, normally granted by the relevant national government;
- a significant proportion of the Group's sales of copper concentrate (and other payable elements) and molybdenum concentrate are made under long-term framework agreements with a number of customers. These framework contracts will typically set out the minimum annual volumes to be supplied, with the processing charges determined annually and the pricing of contained material to be in accordance with market prices. A significant proportion of the Group's copper cathode sales are made under annual contracts with a number of customers. These contracts will typically specify the volumes to be supplied, with the pricing to be in accordance with market prices. Further details of such arrangements are given in Note 25 to the financial statements;
- there are collective labour agreements with each of the labour unions at the Group's operations. These agreements are typically of between three and four years' duration. Several of these labour unions are affiliated with the Federación Minera de Chile;
- the Group has contracts with a number of suppliers to sub-contract certain services at each of its mine sites, including vehicle and equipment maintenance and other logistical services. In addition, the Group has a number of medium 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 specified rates will apply in respect of the mining royalty for specified periods;
- in 2003 the Group was awarded a 30-year concession to operate the water rights and facilities in the Antofagasta Region of Chile, supplying domestic and industrial users. The domestic tariffs are controlled by the Chilean Water Regulator. Further details are given in Note 36 to the financial statements;
- the transport division has long-term contracts with a number of customers, which typically govern volumes and pricing structures; and
- the Group has shareholder agreements in place governing its relationship with its partners at its operations and development and exploration projects. The Group also has a number of "earn-in" agreements in respect of exploration and development projects.

Capital structure

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

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

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

Directors' interests and indemnities

Details of Directors' contracts and letters of appointment, remuneration and emoluments, and their interests in the shares of the Company as at 31 December 2011 are given in the Remuneration report. No Director had any material interest in a contract of significance (other than a service contract) with the Company or any subsidiary company during the year.

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

Governance: Directors' report

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.

Substantial shareholdings

As at 31 December 2011 and 12 March 2012, the following significant holdings of voting rights in the share capital of the Company had been disclosed to the Company under Disclosure and Transparency Rule 5:

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

Metalinvest Establishment and Kupferberg Establishment are both controlled by the E. Abaroa Foundation, in which members of the Luksic family are interested. As explained on page 138, Metalinvest Establishment is the immediate parent company of the Group and the E. Abaroa Foundation is the ultimate parent company. Aureberg Establishment is controlled by Jean-Paul Luksic, the Chairman of the Company.

By order of the Board

For and on behalf of

Petershill Secretaries Limited
Company Secretary

12 March 2012

Directors' responsibilities

Directors' responsibilities in relation to the financial statements

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

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

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

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

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

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

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

Directors' declaration in relation to relevant audit information

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

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

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

Directors' Responsibility Statement

We confirm to the best of our knowledge:

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

By order of the Board

Jean-Paul Luksic
Chairman

William Hayes
Director

12 March 2012


ACELERADOR

Financial statements

Production

Our operations are focused on the core "up-stream" mining activities, as this is where we consider most of the value in the production chain is realised.

Financial statements: Independent auditor's report to the members of Antofagasta plc

We have audited the financial statements of Antofagasta plc for the year ended 31 December 2011 which comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated Balance Sheet, the Consolidated Cash Flow Statement, the Consolidated Statement of Changes in Equity, and the related Notes 1 to 41 and the Parent Company Balance Sheet and related information in Note 42. 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 auditor's 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. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2011 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 UK Corporate Governance Code specified for our review; and
- certain elements of the report to shareholders by the Board on Directors' remuneration.

James Leigh

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

12 March 2012

Consolidated income statement
For the year ended 31 December 2011

	Notes	2011 US$m	2010 US$m
Group revenue	4,6	6,076.0	4,577.1
Total operating costs (including exceptional items*)		(3,002.6)	(1,982.6)
Operating profit from subsidiaries and joint ventures	4,6	3,073.4	2,594.5
Share of net profit/(loss) from associates	4,6,17	24.0	(2.6)
Total profit from operations and associates	4,6	3,097.4	2,591.9
Investment income		23.3	16.5
Interest expense		(93.2)	(18.3)
Other finance items		48.7	(16.9)
Net finance expense	9	(21.2)	(18.7)
Profit before tax	7	3,076.2	2,573.2
Income tax expense	10	(946.2)	(752.5)
Profit for the financial year	6	2,130.0	1,820.7
Attributable to:			
Non-controlling interests	31	893.4	768.9
Equity holders of the Company (net earnings)	11	1,236.6	1,051.8
		US cents	US cents
Basic and diluted earnings per share	11	125.4	106.7
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)		8.0	4.0
– ordinary dividend (final)		12.0	12.0
– special dividend (final)		24.0	100.0
		44.0	116.0
Dividends per share paid in the year and deducted from net equity			
– ordinary dividend (interim)		8.0	4.0
– ordinary dividend (final)		12.0	6.0
– special dividend (final)		100.0	14.0
		120.0	24.0
In aggregate	12	US$m	US$m
Dividends proposed in relation to the year		433.8	1,143.6
Dividends paid in the year and deducted from net equity		1,104.2	236.6

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 2011 is a US$140.5 million provision against the carrying value of intangible assets and property, plant and equipment relating to the Group's joint venture Tethyan Copper Company Pty. Ltd. Excluding this exceptional item, operating profit from subsidiaries and joint ventures was US$3,213.9 million and profit before tax was US$3,216.7 million.

The exceptional item included within "Total operating costs" in respect of the year ended 31 December 2010 was 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 in 2010 was US$2,485.1 million and profit before tax was US$2,463.8 million. Further details of these exceptional items are set out in Note 5.

Financial statements: Consolidated statement of comprehensive income
For the year ended 31 December 2011

	Notes	2011 US$m	2010 US$m
Profit for the financial year	7	**2,130.0**	1,820.7
Net gain/(loss) on cash flow hedges	25	**73.0**	(93.7)
Net (loss)/gain in fair value of available for sale investment	19	**(12.3)**	6.8
Net (loss)/gain currency translation adjustment		**(25.1)**	27.1
Net (loss)/gain on deferred tax effects arising on cash flow hedges	25	**(14.1)**	17.8
Total gain/(loss) recognised in equity		**21.5**	(42.0)
Losses in fair value of cash flow hedges transferred to the income statement	25	**14.0**	81.4
Deferred tax effects arising on cash flow hedges transferred to the income statement	25	**(2.8)**	(13.8)
Total loss transferred to the income statement		**11.2**	67.6
Total comprehensive income for the year		**2,162.7**	1,846.3
Attributable to:			
Non-controlling interests	31	**912.1**	765.8
Equity holders of the Company		**1,250.6**	1,080.5

Consolidated statement of changes in equity
For the year ended 31 December 2011

	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 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/(loss) 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**
Non-controlling interest on capital contribution	–	–	–	–	–	(12.5)	**(12.5)**	12.5	**–**
Dividends	–	–	–	–	–	(236.6)	**(236.6)**	(702.7)	**(939.3)**
At 31 December 2010 and 1 January 2011	89.8	199.2	(55.3)	4.2	57.2	5,875.5	**6,170.6**	1,355.2	**7,525.8**
Total comprehensive income/(loss) for the year	–	–	51.4	(12.3)	(25.1)	1,236.6	**1,250.6**	912.1	**2,162.7**
Capital contribution from non-controlling interest	–	–	–	–	–	(42.0)	**(42.0)**	42.0	**–**
Capital increase of non-controlling interest	–	–	–	–	–	–	**–**	42.9	**42.9**
Dividends	–	–	–	–	–	(1,183.0)	**(1,183.0)**	(741.0)	**(1,924.0)**
At 31 December 2011	**89.8**	**199.2**	**(3.9)**	**(8.1)**	**32.1**	**5,887.1**	**6,196.2**	**1,611.2**	**7,807.4**

Consolidated balance sheet
At 31 December 2011

	Notes	2011 US$m	2010 US$m
Non-current assets			
Intangible assets	13	155.3	311.5
Property, plant and equipment	14	6,443.0	6,093.4
Investment property	15	3.1	3.7
Investment in associate	17	84.8	58.0
Trade and other receivables	21	67.7	42.9
Derivative financial instruments	25	47.6	–
Available-for-sale investments	19	36.5	21.8
Deferred tax assets	28	83.2	110.0
		6,921.2	6,641.3
Current assets			
Inventories	20	540.5	385.0
Trade and other receivables	21	924.9	973.7
Current tax assets		27.2	44.4
Derivative financial instruments	25	11.4	1.8
Liquid investments	22	1,944.9	806.9
Cash and cash equivalents	22	1,335.1	2,734.7
		4,784.0	4,946.5
Total assets		11,705.2	11,587.8
Current liabilities			
Short-term borrowings	23	(301.9)	(137.6)
Derivative financial instruments	25	(16.9)	(54.7)
Trade and other payables	24	(503.9)	(504.8)
Current tax liabilities		(162.6)	(233.6)
		(985.3)	(930.7)
Non-current liabilities			
Medium and long-term borrowings	23	(1,838.4)	(2,058.9)
Derivative financial instruments	25	(18.0)	(59.0)
Trade and other payables	24	(9.3)	(4.7)
Post-employment benefit obligations	27	(61.2)	(68.0)
Long-term provisions	29	(321.1)	(244.4)
Deferred tax liabilities	28	(664.5)	(696.3)
		(2,912.5)	(3,131.3)
Total liabilities		(3,897.8)	(4,062.0)
Net assets		7,807.4	7,525.8
Equity			
Share capital	30	89.8	89.8
Share premium	30	199.2	199.2
Hedging, translation and fair value reserves	30	20.1	6.1
Retained earnings	30	5,887.1	5,875.5
Equity attributable to equity holders of the Company		6,196.2	6,170.6
Non-controlling interests	31	1,611.2	1,355.2
Total equity		7,807.4	7,525.8

Approved by the Board and signed on its behalf on 12 March 2012.

Jean-Paul Luksic
Chairman

William Hayes
Director

Financial statements: Consolidated cash flow statement
For the year ended 31 December 2011

	Notes	2011 US$m	2010 US$m
Cash flows from operations	34	3,552.5	2,433.9
Interest paid		(69.3)	(42.4)
Dividends from associate	17	1.2	0.8
Income tax paid		(1,018.1)	(427.9)
Net cash from operating activities		2,466.3	1,964.4
Investing activities			
Acquisition of available-for-sale investments	19	(27.3)	(12.9)
Net increase in liquid investments	34	(1,138.0)	(175.1)
Purchases of property, plant and equipment		(666.6)	(1,301.8)
Disposal of intangible assets	13	–	3.5
Interest received		21.7	26.2
Acquisition of associates	17	(4.5)	–
Net cash used in investing activities		(1,814.7)	(1,460.1)
Financing activities			
Dividends paid to equity holders of the Company	12	(1,183.0)	(236.6)
Dividends paid to preference shareholders of the Company	12	(0.2)	(0.2)
Dividends paid to non-controlling interests	31	(741.0)	(702.7)
Net proceeds from issue of new borrowings	34	200.0	1,022.0
Repayments of borrowings	34	(304.3)	(447.0)
Repayments of obligations under finance leases	34	(10.2)	(12.8)
Net cash used in financing activities		(2,038.7)	(377.3)
Net (decrease)/increase in cash and cash equivalents		(1,387.1)	127.0
Cash and cash equivalents at beginning of the year		2,734.7	2,590.5
Net (decrease)/increase in cash and cash equivalents	34	(1,387.1)	127.0
Effect of foreign exchange rate changes	34	(12.5)	17.2
Cash and cash equivalents at end of the year	22,34	1,335.1	2,734.7

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 80 of the Corporate governance report.

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:

– Amendments to IFRS 1	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters
– Amendments to IFRS 7	Disclosures – Transfers of Financial Assets and offsetting of Financial Assets and Financial Liabilities
– IFRS 9	Financial Instruments
– IFRS 10	Consolidated financial statements
– IFRS 11	Joint Arrangements
– IFRS 12	Disclosure of Interests in Other Entities
– IFRS 13	Fair Value Measurement
– Amendments to IAS 1	Presentation of Items of Other Comprehensive Income
– Amendments to IAS 12	Income Taxes – Recovery of Underlying Assets
– IAS 19 (as revised in 2011)	Employee Benefits
– IAS 27 (as revised in 2011)	Separate financial statements
– IAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures
– IAS 32 (as revised in 2011)	Financial Instruments: Presentation
– IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine

The adoption of IFRS 9 will have an effect on the classification and measurement of the Group's financial assets.

IFRS 10 replaces the parts of IAS 27 Consolidated and separate financial statements that deal with the consolidated financial statements. Under IFRS 10 there is only one basis of consolidation, that is control. In addition, IFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from investment with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns.

IFRS 11 replaces IAS 31 Interests in Joint Ventures. IFRS 11 deals with how a joint arrangement in which two or more parties have joint control should be classified. Under IFRS 11, joint arrangements are classified as joint operations or joint ventures, depending on the rights and obligations of the parties to the arrangements. Joint ventures under IFRS 11 are required to be accounted for using the equity method of accounting, whereas jointly controlled entities under IAS 31 can be accounted for using the equity method of accounting or proportionate accounting.

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

The Group anticipates that these standards will be adopted in the consolidated financial statements for the annual period beginning 1 January 2013. The application of these standards may have significant impact on amounts reported in the consolidated financial statements. The application of IFRS 10 may result in the Group no longer consolidating some of its investees, and consolidating investees that were not previously consolidated. In addition, the application of IFRS 11 may result in changes in the accounting of the Group's jointly controlled entities that are currently accounted for using proportionate consolidation. Under IFRS 11, a jointly controlled entity may be classified as a joint operation or joint venture, depending on the rights and obligations of the parties to the joint arrangement. The Directors have not yet performed a detailed analysis of the impact of the application of these standards. However, the Directors do not expect the adoption of the standards to have a material impact on the financial statement in future periods.

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

IAS 19 (revised) changes the accounting for defined benefit plans and termination benefits. The amendments require the recognition of changes in defined benefit obligations and accelerate the recognition of past service costs. The amendments require all actuarial gains and losses to be recognised immediately through other comprehensive income in order for the net pension asset or liability recognised in the consolidated balance sheet to reflect the full value of the plan deficit or surplus. The amendments to IAS 19 are effective for annual periods beginning on or after 1 January 2013 and require retrospective application with certain exceptions. The Directors anticipate that the amendments to IAS 19 will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2013 and that the application of the amendments to IAS 19 may have impact on amounts reported in respect of the Group's defined benefit plans. The Directors do not expect the amendments to have a material impact on the financial statements in future periods.

IFRIC 20 clarifies the requirements for stripping costs in the production phase of a surface mine and is effective for annual periods beginning on or after January 2013. The Group's existing treatment of stripping costs is in line with IFRIC 20 and its adoption will not affect the financial statements.

b) Adoption of new accounting standards

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

IFRS 3 Business Combinations (2008). As part of Improvements to IFRSs issued in 2010, IFRS 3 was amended to clarify that the measurement choice regarding non-controlling interests at the date of acquisition is only available in respect of non-controlling interests that are present ownership interests and that entitle their holders to a proportionate share of the entity's net assets in the event of liquidation. All other types of non-controlling interests are measured at their acquisition-date fair value, unless another measurement basis is required by other standards. In addition, IFRS 3 was amended to provide more guidance regarding the accounting for share-based payment awards held by the acquiree's employees. Specifically, the amendments specify that share-based payment transactions of the acquiree that are not replaced should be measured in accordance with IFRS 2 Share-based Payment at the acquisition date ('market-based measure'). The amendments are effective for annual periods beginning on or after 1 July 2010. The Group is of the opinion that the amendment does not affect any business combinations which have occurred since the amendments became effective.

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

– IAS 24 (2009) Related Party Disclosures
– Amendments to IAS 32 Classification of Rights Issues
– Amendments to IFRIC 14 Prepayments of a Minimum Funding Requirement
– IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments

Financial statements: Notes to the financial statements

2 Principal accounting policies

a) Accounting convention

These financial statements have been prepared under the historical cost convention as modified by the use of fair values to measure certain financial instruments, principally provisionally priced sales as explained in Note 2(d) and financial derivative contracts as explained in Note 2(v).

b) Basis of consolidation

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

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

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on an acquisition-by-acquisition basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another IFRS. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. When assets of the subsidiary are carried at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Group had directly disposed of the relevant assets (i.e. reclassified to profit or loss or transferred directly to retained earnings as specified by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39 Financial Instruments: Recognition and Measurement or, when applicable, the cost on initial recognition of an investment in an associate or a jointly controlled entity.

(ii) **Investments in associates** – An associate is an entity over which the Group is in a position to exercise significant influence, but not control or joint control, through the power to participate in the financial and operating policy decisions of that entity. The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. This requires recording the investment initially at cost to the Group and then, in subsequent periods, adjusting the carrying amount of the investment to reflect the Group's share of the associate's results less any impairment and any other changes to the associate's net assets such as dividends. When the Group's share of losses of an associate exceeds the Group's interest in that associate the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

(iii) Investments in jointly-controlled entities – A jointly-controlled entity is an entity in which the Group holds a long-term interest and shares joint control over the operating and financial decisions with one or more other venturers under a contractual arrangement. Jointly-controlled entities are accounted for using proportionate consolidation, which combines the Group's share of the results of the jointly-controlled entity on a line-by-line basis with similar items in the Group's financial statements.

When a Group entity transacts with its jointly-controlled entity, profits and losses resulting from the transactions with the jointly-controlled entity are recognised in the Group's consolidated financial statements only to the extent of interests in the jointly-controlled entity that are not related to the Group.

(iv) **Other investments** – The accounting treatment of investments which are not subsidiaries, associates or jointly-controlled entities is set out in Note 2(v) 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 in currencies other than the functional currency of the entity are translated at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in currencies other than the functional currency are retranslated at year-end exchange rates. Gains and losses on retranslation are included in net profit or loss for the period within other finance items.

The presentational currency of the Group and the functional currency of the Company is the US dollar. On consolidation, income statement items for entities with a functional currency other than the US dollar are translated into US dollars at average rates of exchange. Balance sheet items are translated at period-end exchange rates. Exchange differences on translation of the net assets of such entities are taken to equity and recorded in a separate currency translation reserve. Cumulative translation differences arising after the transition date to IFRS are recognised as income or as expenses in the income statement in the period in which an operation is disposed.

On consolidation, exchange gains and losses which arise on balances between Group entities are taken to reserves where that balance is, in substance, part of the net investment in a foreign operation, i.e. where settlement is neither planned nor likely to occur in the foreseeable future. All other exchange gains and losses on Group balances are dealt with in the income statement.

Fair value adjustments and any goodwill arising on the acquisition of a foreign entity are treated as assets of the foreign entity and translated at the period-end rate.

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

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. The results of businesses acquired during the year are brought into the consolidated financial statements from the effective date of acquisition. The identifiable assets, liabilities and contingent liabilities of a business which can be measured reliably are recorded at their provisional fair values at the date of acquisition. Provisional fair values are finalised within 12 months of the acquisition date. Acquisition-related costs are expensed as incurred.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with IAS 39, or IAS 37 Provisions, Contingent Liabilities and Contingent Assets, as appropriate.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

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

The Group often enters into earn-in arrangements whereby the Group acquires an interest in a project company in exchange for funding exploration and evaluation expenditure up to a specified level of expenditure or a specified stage in the life of the project. Funding is usually conditional on the achievement of key milestones by the partner. Typically there is no consideration transferred or funding liability on the effective date of acquisition of the interest in the project company and no goodwill is recognised on this type of business combination.

The results of businesses sold during the year are included in the consolidated financial statements for the period up to the effective date of disposal. Gains or losses on disposal are calculated as the difference between the sales proceeds (net of expenses) and the net assets attributable to the interest which has been sold. Where a disposal represents a separate major line of business or geographical area of operations, the net results attributable to the disposed entity are shown separately in the income statement.

f) Intangible assets

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

Intangible assets acquired in a business combination and recognised separately from goodwill are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

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 property, plant and equipment comprises the purchase price and any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended. Once a project has been established as commercially viable, related development expenditure is capitalised. This includes costs incurred in preparing the site for mining operations, including pre-stripping costs. Capitalisation ceases when the mine is capable of commercial production, with the exception of development costs which give rise to a future benefit.

Interest on borrowings directly related to construction or development of projects is capitalised, until such time as the assets are substantially ready for their intended use or sale which, in the case of mining properties, is when they are capable of commercial production.

i) Depreciation of property, plant and equipment and amortisation of intangible assets

Property, plant and equipment is depreciated over its useful life, or over the remaining life of the operation if shorter, to residual value. The major categories of property, plant and equipment are depreciated as follows:

(i) **Land** – freehold land is not depreciated. Any leasehold land is depreciated on a straight-line basis over the life of the lease.

(ii) **Mining properties** – mining properties, including capitalised financing costs, are depreciated on a unit of production basis, in proportion to the volume of ore extracted in the year compared with total proven and probable reserves at the beginning of the year.

(iii) **Buildings and infrastructure** – straight-line basis over 10 to 25 years.

(iv) **Railway track (including trackside equipment)** – straight-line basis over 20 to 25 years.

(v) **Wagons and rolling stock** – straight-line basis over 10 to 20 years.

(vi) **Machinery, equipment and other assets** – straight-line basis over 5 to 10 years.

(vii) **Assets under construction** – no depreciation until asset is available for use.

(viii) **Assets held under finance lease** – are depreciated over the shorter of the lease term and their useful life.

Residual values and useful lives are reviewed, and adjusted if appropriate, at least annually, and changes to residual values and useful lives are accounted for prospectively.

The concession right is amortised on a straight-line basis over the life of the concession, or the useful life of any component part if less.

Financial statements: Notes to the financial statements

2 Principal accounting policies continued

j) Impairment of property, plant and equipment and intangible assets (excluding goodwill)

Property, plant and equipment and finite life intangible assets are reviewed for impairment if there is any indication that the carrying amount may not be recoverable. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Any intangible asset with an indefinite useful life is tested for impairment annually and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value, using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which estimates of future cash flows have not been adjusted.

For mining properties, estimates of future cash flows are based on assumptions as to expected production levels, commodity prices, cash costs of production and capital expenditure. IAS 36 "Impairment of Assets" includes a number of restrictions on the future cash flows that can be recognised in respect of future restructurings and improvement-related expenditure. When calculating value in use, it also requires that calculations should be based on exchange rates current at the time of assessment. For operations with a functional currency other than the US dollar, the impairment review is conducted in the relevant functional currency.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount is reduced to the recoverable amount. An impairment charge is recognised in the income statement immediately. Where an impairment subsequently reverses, the carrying amount is increased to the revised estimate of recoverable amount, but so that the increased carrying amount does not exceed the carrying value that would have been determined if no impairment had previously been recognised. A reversal is recognised in the income statement immediately.

k) Investment property

Investment property is property held to earn rentals and/or for capital appreciation and includes land held for a currently undetermined future use. The Group has elected to adopt the cost model in IAS 40 "Investment Property". Accordingly, investment property is measured initially at cost, which includes transaction costs for the acquisition of the property and, as detailed in Note 2(i) relating to property, plant and equipment, is not depreciated.

l) Inventory

Inventory and work-in-progress are valued at the lower of cost and net realisable value. Net realisable value represents estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution. The production cost of inventory includes an appropriate proportion of depreciation and production overheads. Raw materials and consumables are valued at cost on a weighted average basis. Finished products are valued at raw material cost, plus labour cost and a proportion of 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

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

o) 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.

p) Provision for termination of Water concession

Under the terms of the Water concession from ECONSSA, certain items of working capital recognised by Aguas de Antofagasta are to be transferred to the state-owned operator ECONSSA at the end of the concession period for nil consideration. Provision is made for the estimated net present value of these assets and liabilities which are expected to be in existence when the concession comes to an end. The unwinding of the discount is charged within financing costs.

q) Share-based payment

For cash-settled share-based payments, a liability is recognised for the goods or services acquired, measured initially at the fair value of the liability. At the end of each reporting period until the liability is settled, and at the date of settlement, the fair value of the liability is remeasured, with any changes in fair value recognised in profit or loss for the year. The Group currently does not have any equity share-based payments to employees or third parties.

r) Post-employment benefits

The Group operates defined contribution schemes for a limited number of employees. For such schemes, the amount charged to the income statement is the contributions paid or payable in the year.

Employment terms may also provide for payment of a severance indemnity when an employment contract comes to an end. This is typically at the rate of one month for each year of service (subject in most cases to a cap as to the number of qualifying years of service) and based on final salary level. The severance indemnity obligation is treated as an unfunded defined benefit plan, and the calculation is based on valuations performed by an independent actuary using the projected unit credit method, which are regularly updated. The obligation recognised in the balance sheet represents the present value of the severance indemnity obligation. Actuarial gains and losses are immediately recognised in income statement within operating cost.

s) 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.

t) 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.

u) 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.

v) Other financial instruments

Financial assets and financial liabilities are recognised on the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument.

(i) **Investments** – Investments which are not subsidiaries, associates or joint ventures are initially measured at cost, including transaction costs.

Investments are classified as either held for trading or available-for-sale, and are normally measured at subsequent reporting dates at fair value. Fair value is determined in the manner described in Note 25(b). Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost. Securities are classified as "held-for-trading" when they are acquired principally for the purpose of sale in the short term, and gains and losses arising from changes in fair value are included in profit or loss for the period. Other investments are classified as "available-for-sale", and gains and losses arising from changes in fair value are recognised directly in equity, within the "Fair value reserve", until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is included in profit or loss for the period. Dividends on available-for-sale equity investments are recognised in the income statement when the right to receive payment is established.

(ii) **Trade and other receivables** – Trade and other receivables do not generally carry any interest and are normally stated at their nominal value less any impairment. Impairment losses on trade receivables are recognised within an allowance account unless the Group considers that no recovery of the amount is possible, in which case the carrying value of the asset is reduced directly.

(iii) **Trade and other payables** – Trade and other payables are generally not interest-bearing and are normally stated at their nominal value.

(iv) **Borrowings (loans and preference shares)** – Interest-bearing loans and bank overdrafts are initially recorded at the proceeds received, net of direct issue costs. They are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis. The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accruals basis using the effective interest rate method. Amounts are either recorded as financing costs in profit or loss or capitalised in accordance with the accounting policy set out in Note 2(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 has applied the hedge accounting provisions of IAS 39 "Financial Instruments: Recognition and Measurement". The effective portion of changes in the fair value of derivative financial instruments that are designated and qualify as hedges of future cash flows have been recognised directly in equity, with such amounts subsequently recognised in profit or loss in the period when the hedged item affects profit or loss. Any ineffective portion is recognised immediately in profit or loss. Realised gains and losses on commodity derivatives recognised in profit or loss are recorded within revenue. The time value element of changes in the fair value of derivative options is excluded from the designated hedging relationship, and is therefore recognised directly in profit or loss within other finance items. Derivatives embedded in other financial instruments or other host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of host contracts and the host contracts are not carried at fair value. Changes in fair value are reported in profit or loss for the period. The treatment of embedded derivatives arising from provisionally-priced commodity sales contracts is set out in further detail in Note 2(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 profit or loss immediately.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables.

With the exception of available-for-sale equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss immediately to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised. In respect of available-for-sale equity instruments, any increase in fair value subsequent to an impairment loss is recognised directly in equity.

Financial statements: Notes to the financial statements

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, licencing status, reserves and resources, price assumptions or other estimates and assumptions in the value in use calculation could impact the carrying value of the respective assets.

c) Provisions for decommissioning and site restoration costs

As explained in Note 2(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(r), 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 judgment 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:

	2011 US$m	2010 US$m
Sales of goods	5,900.6	4,418.6
Rendering of services	175.4	158.5
Group revenue	6,076.0	4,577.1
Other operating income	10.7	27.6
Investment income	23.3	16.5
Total revenue	6,110.0	4,621.2

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:

	2011 US$m	2010 US$m
Group revenue	6,076.0	4,577.1
Cost of sales (including exceptional item in 2010)	(2,139.9)	(1,475.6)
Gross profit	3,936.1	3,101.5
Administrative and distribution expenses	(469.7)	(322.3)
Closure provision	(16.5)	(69.6)
Severance charges	(4.3)	(16.1)
Provision against carrying value of assets (exceptional item)	(140.5)	–
Exploration and evaluation expenditure	(215.4)	(99.0)
Other operating income	10.7	27.6
Other operating expenses	(27.0)	(27.6)
Operating profit from subsidiaries and joint ventures	3,073.4	2,594.5
Share of income from associates	24.0	(2.6)
Total profit from operations and associates	3,097.4	2,591.9

Details of exceptional items are given in Note 5. Included in share of income from associates is US$18.8 million for the Group's share of proceeds received in Inversiones Hornitos S.A. relating to compensation for lost profits from the main contractor as a result of delays to the construction.

5 Exceptional item

Exceptional items are those material items of income and expense which are non-regular and non-operational. The exceptional items in the year ended 31 December 2011 and 31 December 2010 and its impact on the results are set out below.

	Operating profit		Profit before tax		Earnings per share	
	2011 US$m	2010 US$m	2011 US$m	2010 US$m	2011 US cents	2010 US cents
Before exceptional item	3,213.9	2,485.1	3,216.7	2,463.8	139.7	100.6
Provision against carrying value of assets	(140.5)	–	(140.5)	–	(14.3)	–
Reversal of impairment	–	109.4	–	109.4	–	6.1
After exceptional items	3,073.4	2,594.5	3,076.2	2,573.2	125.4	106.7

2011 – provision against carrying value of assets

The US$140.5 million provision against the carrying value of assets relates to US$120.7 million of intangible assets and US$19.8 million of property, plant and equipment relating to the Group's joint venture Tethyan Copper Company Pty. Ltd. Further details in respect of this are set out in Note 39.

2010 – reversal of impairments

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 prevailing 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%).

Financial statements: Notes to the financial statements

6 Segment information

The Group's reportable segments are as follows:

– Los Pelambres

– Esperanza

– El Tesoro

– Michilla

– Exploration and evaluation

– Railway and other transport services

– Water concession

– Corporate and other items

For management purposes, the Group is organised into three business divisions based on their products – Mining, Railway and other transport services and the Water concession. The mining division is split further for management reporting purposes to show results by mine and exploration activity. Los Pelambres, Esperanza, El Tesoro and Michilla are all operating mines. Los Pelambres produces primarily copper concentrate and molybdenum as a by-product. Esperanza produces primarily copper concentrate and gold as a by-product. El Tesoro and Michilla both produce copper cathodes. The transport division provides rail cargo (based in Chile and Bolivia) and road cargo (based in Chile) together with a number of ancillary services (based in Chile). The water division produces and distributes potable water to domestic customers and untreated water to industrial customers in Chile's Antofagasta Region. The Exploration and evaluation segment incurs exploration and evaluation expenses. Exploration costs relating to Tethyan Copper Company Limited ("Tethyan") are included within the Exploration and evaluation segment, and all other Tethyan related costs are included within "Corporate and other items". "Corporate and other items" also comprise costs incurred by the Company and Antofagasta Minerals S.A., the Group's mining corporate centre, that are not allocated to any individual business segment. Consistent with its internal management reporting, the Group's corporate and other items are included within the mining division.

Management monitors the operating results of business segments separately for the purpose of making decisions about resources to be allocated and of assessing performance. Segment performance is evaluated based on the operating profit of each of the segments.

a) Segment revenues and results

For the year ended 31 December 2011

	Los Pelambres US$m	Esperanza US$m	El Tesoro US$m	Michilla US$m	Exploration and evaluation US$m	Corporate and other items US$m	Mining US$m	Railway and other transport services US$m	Water concession US$m	Total US$m
Revenue	3,676.6	922.9	827.8	355.0	–	–	5,782.3	178.8	114.9	6,076.0
EBITDA	2,641.9	518.9	463.6	156.7	(215.4)	(55.3)	3,510.4	76.0	74.1	3,660.5
Depreciation and amortisation	(172.5)	(134.8)	(78.9)	(9.2)	–	(2.6)	(398.0)	(16.1)	(17.6)	(431.7)
Loss on disposals	(12.0)	–	(5.3)	(0.1)	–	–	(17.4)	2.9	(0.4)	(14.9)
Provision against carrying value of assets	–	–	–	–	–	(140.5)	(140.5)	–	–	(140.5)
Operating profit/(loss)	2,457.4	384.1	379.4	147.4	(215.4)	(198.4)	2,954.5	62.8	56.1	3,073.4
Share of income from associates	–	–	–	–	–	–	–	24.0	–	24.0
Investment income	2.3	0.8	1.9	1.3	–	11.5	17.8	4.9	0.6	23.3
Interest expense	(16.8)	(68.7)	(6.9)	–	–	(0.6)	(93.0)	(0.2)	–	(93.2)
Other finance items	(4.1)	6.4	(0.1)	49.0	–	(2.1)	49.1	(0.3)	(0.1)	48.7
Profit/(loss) before tax	2,438.8	322.6	374.3	197.7	(215.4)	(189.6)	2,928.4	91.2	56.6	3,076.2
Tax	(613.0)	(67.9)	(83.9)	(42.5)	–	(115.9)	(923.2)	(12.0)	(11.0)	(946.2)
Non-controlling interests	(724.0)	(61.0)	(90.7)	(38.2)	–	22.0	(891.9)	(1.5)	–	(893.4)
Net earnings/(losses)	1,101.8	193.7	199.7	117.0	(215.4)	(283.5)	1,113.3	77.7	45.6	1,236.6
Additions to non-current assets										
Capital expenditure	174.3	259.0	119.5	52.7	–	140.5	746.0	20.5	6.4	772.9
Segment assets and liabilities										
Segment assets	3,721.0	2,909.3	1,027.8	306.2	–	2,580.5	10,544.8	925.4	235.0	11,705.2
Segment liabilities	(1,350.8)	(1,583.9)	(465.5)	(108.8)	–	(290.3)	(3,799.3)	(52.6)	(45.9)	(3,897.8)

For the year ended 31 December 2010

	Los Pelambres US$m	Esperanza US$m	El Tesoro US$m	Michilla US$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/(loss)	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 associate	–	–	–	–	–	(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/(loss) 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/(losses)	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	1,058.6	27.7	21.5	–	31.3	1,355.0	18.5	12.3	1,385.8
Segment assets and liabilities										
Segment assets	3,680.4	2,592.8	955.4	148.9	–	3,144.3	10,521.8	797.8	268.2	11,587.8
Segment liabilities	(1,468.5)	(1,487.8)	(447.2)	(144.8)	–	(406.6)	(3,954.9)	(49.8)	(57.3)	(4,062.0)

Notes to segment revenues and results

(i) The accounting policies of the reportable segments are the same as the Group's accounting policies. Operating profit excludes the share of net gain from associates of US$24.0 million (year ended 31 December 2010 – net loss of US$2.6 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$14.7 million (year ended 31 December 2010 – US$13.5 million). Revenue from the Water concession is stated after eliminating inter-segmental sales to the mining division of US$7.3 million (year ended 31 December 2010 – US$10.5 million) and after eliminating sales to the Railway and other transport services of US$0.2 million (year ended 31 December 2010 – US$0.2 million). Revenue from Esperanza is stated after eliminating inter-segmental sales of the Run-Of-Mine oxides to El Tesoro of US$16.4 million. The payment of US$350 million by El Tesoro to Antofagasta Minerals S.A. during 2010 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$0.5 million (year ended 31 December 2010 – gain of US$0.1 million) and a realised loss at Michilla of US$15.6 million (year ended 31 December 2010 – loss of US$81.5 million). Further details of such gains or losses are given in Note 25(e).

(v) The copper and molybdenum concentrate sales are stated net of deductions for tolling charges. Tolling charges for copper and molybdenum concentrates are detailed in Note 25(d).

(vi) The exceptional item affecting operating profit in 2011 relates to the impairment of Reko Diq (2010 relates to a reversal of the impairment at El Tesoro) (see Note 5).

(vii) The effects of tax and non-controlling interests on the expenses within the Exploration and evaluation segment are allocated to the mine that the exploration work relates to.

(viii) Capital expenditure represents purchases of property, plant and equipment stated on an accruals basis (see Note 14) and may therefore differ from the amount included in the cash flow statement.

(ix) The assets of the Railway and transport services segment includes US$74.3 million (year ended 31 December 2010 US$53.1 million) relating to the Group's 40% interest in Inversiones Hornitos S.A. ("Inversiones Hornitos"), which owns the 165MW Hornitos thermoelectric power plant in Mejillones in Chile's Antofagasta Region and US$6.0 million (year ended 31 December 2010 US$4.9 million) relating to the Group's 30% interest in Antofagasta Terminal International S.A.("ATI"), which operates a concession to manage installations in the port of Antofagasta. The assets of Corporate and others items segment includes US$ 4.5 million relating to the Group´s 30% interest in Parque Eólico El Arrayan S.A., an energy company which has been formed to construct and operate a wind farm in Chile.

Financial statements: Notes to the financial statements

6 Segment information continued

b) Entity-wide disclosures

Revenue by product

	2011 US$m	2010 US$m
Copper		
– Los Pelambres	3,255.9	2,972.1
– Esperanza	646.4	–
– El Tesoro	827.8	739.7
– Michilla	355.0	242.0
Molybdenum		
– Los Pelambres	293.8	303.5
Gold		
– Los Pelambres	63.9	43.4
– Esperanza	251.3	–
Silver		
– Los Pelambres	63.0	29.3
– Esperanza	25.2	–
Total Mining	5,782.3	4,330.0
Railway and transport services	178.8	154.7
Water concession	114.9	92.4
	6,076.0	4,577.1

Revenue by location of customer

	2011 US$m	2010 US$m
Europe		
– Switzerland	215.7	106.5
– Rest of Europe	722.2	665.3
Latin America		
– Chile	364.8	322.3
– Rest of Latin America	208.2	229.6
North America		
– United States	229.9	176.6
– Rest of North America	–	3.9
Asia		
– Japan	2,268.9	1,583.1
– China	1,145.4	878.1
– Rest of Asia	920.9	611.7
	6,076.0	4,577.1

Information about major customers

Included in revenues for the year ended 31 December 2011 are revenues of approximately US$1,241.2 million and US$634.7 million of sales by Los Pelambres and Esperanza to the Group's largest customers (year ended 31 December 2010 – revenues from Los Pelambres of approximately US$792.2 million and US$569.1 million). These are the only customers that individually account for more than 10% of the Group's revenues.

Non-current assets by location of assets

	2011 US$m	2010 US$m
Chile	6,628.6	6,330.4
Bolivia	32.3	32.5
Pakistan	–	140.9
USA	92.0	4.4
Other	1.0	1.3
	6,753.9	6,509.5

Non-current assets balance disclosed by location of asset excludes financial instruments, available for sale investments and deferred tax assets.

7 Profit for the year

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

	2011 US$m	2010 US$m
Foreign exchange gains		
– included in net finance costs	14.2	9.6
– included in income tax expense	(2.1)	0.6
Amortisation of intangible asset included in cost of sales	(14.7)	(14.7)
Depreciation of property, plant and equipment		
– owned assets	(404.7)	(260.9)
– assets held under finance leases	(12.3)	(1.4)
Property and equipment written-off	(18.8)	(9.8)
Impairments of property, plant and equipment (exceptional item)	(140.5)	–
Reversal of impairments of property, plant and equipment (exceptional item)	–	109.4
Cost of inventories recognised as expense	(1,617.2)	(1,227.9)
Employee benefit expense	(301.0)	(208.7)
Auditors' remuneration		
– audit services	(0.7)	(0.5)
– non-audit services	(1.3)	(0.8)

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

	2011 US$000	2010 US$000
Audit fees		
Fees payable for the audit of the Company's annual accounts	(208)	(126)
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	(179)	(140)
– the audit of the Company's subsidiaries as part of the audit of the consolidated financial statements	(279)	(247)
Total audit fees	(666)	(513)
Audited related services	(665)	(328)
Total fees for audit and audit-related services	(1,331)	(841)
Other non-audit fees		
– Tax compliance services	(23)	(18)
– Other taxation advisory services	(22)	(98)
– Corporate finance services	–	(218)
– Other services	(644)	(176)
Total other non-audit service fees	(689)	(510)
Total auditor's remuneration	(2,020)	(1,351)

Audit-related services of US$665,000 in 2011 (US$328,000 in 2010) relate mainly to reviewing of the half-yearly financial report pursuant to legislation, assistance with local IFRS implementation and review of IFRS 2010 pro-forma financial statements.

Other services of US$644,000 in 2011 relates mainly to fees paid by Los Pelambres for environmental advisory services relating to monitoring of compliance with environmental commitments.

Details of company's policy on the use of auditors for non-audit services, the reason why the auditor was used rather than another supplier and how the auditor's independence and objectivity was safeguarded are set out in the Audit Committee report on page 79. No services were provided pursuant to contingent fee arrangements.

Financial statements: Notes to the financial statements

8 Employee benefit expense

a) Average number of employees

	2011 Number	2010 Number
Los Pelambres	816	723
Esperanza	753	582
El Tesoro	526	527
Michilla	589	566
Exploration and evaluation	36	31
Corporate and other employees		
– Chile	259	188
– United Kingdom	10	8
– Other	83	134
Mining	3,072	2,759
Railway and other transport services	1,606	1,558
Water concession	278	280
	4,956	4,597

(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:

	2011 US$m	2010 US$m
Wages and salaries	(286.9)	(237.9)
Social security costs	(9.8)	(7.7)
Post-employment benefits – severance charge in the year	(4.3)	(16.1)
	(301.0)	(261.7)

From the above, no amounts relating to Esperanza were capitalised in 2011 (2010 – US$53.0 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. Key management personnel who are not Directors have been treated as those responsible senior management at the Corporate Centre and 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:

	2011 US$m	2010 US$m
Salaries and short-term employee benefits	(20.1)	(17.2)
Post-employment benefits – severance charge in the year	(0.5)	(0.6)
	(20.6)	(17.8)

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 82 to 85.

9 Net finance expense

	2011 US$m	2010 US$m
Investment revenue		
Interest receivable	23.3	16.5
Interest expense		
Interest payable	(93.0)	(16.4)
Amortisation of deferred finance costs	–	(1.7)
Preference dividends	(0.2)	(0.2)
	(93.2)	(18.3)
Other finance items		
Time value effect of derivatives	49.1	(16.1)
Foreign exchange derivatives	(3.3)	(6.1)
Unwinding of discount on provisions	(11.3)	(4.3)
Foreign exchange	14.2	9.6
	48.7	(16.9)
Net finance expense	(21.2)	(18.7)

An expense of US$2.2 million (2010 – expense of US$32.4 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.

Financial statements: Notes to the financial statements

10 Taxation

The tax charge for the year comprised the following:

	2011 US$m	2010 US$m
Current tax charge		
– Corporate tax (principally first category tax in Chile)	(541.5)	(437.4)
– Mining tax (Royalty)	(203.2)	(147.3)
– Withholding tax provision	(218.5)	(47.4)
– Exchange gains on corporate tax balances	(2.1)	0.6
	(965.3)	(631.5)
Deferred tax charge		
– Corporate tax (principally first category tax in Chile)	(75.8)	2.9
– Mining tax (Royalty)	3.4	(10.4)
– Withholding tax provision	91.5	(113.5)
	19.1	(121.0)
Total tax charge (Income tax expense)	(946.2)	(752.5)

The rate of first category (i.e. corporation) tax in Chile was increased to 20.0% in 2011 from 17.0% in 2010. A temporary increase in the corporate 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 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 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 2011 the effective tax rate of withholding tax is approximately 18% of the amount remitted or expected to be remitted.

	2011		2010	
	US$m	%	US$m	%
Profit before tax	3,076.2		2,573.2	
Tax at the Chilean corporation tax rate of 20% for 2011 (2010 – 17%)	(615.2)	20.0	(437.4)	17.0
Tax effect of share of results of associate	4.8	(0.2)	(0.4)	–
Provision against carrying value of assets not deductible from first category tax	(28.1)	0.9	–	–
Other items not subject to or deductible from first category tax	(3.4)	0.1	3.3	(0.1)
Effect of deferred tax rates provided at rates lower than current year first category tax rate	24.6	(0.7)	–	–
Royalty	(199.8)	6.5	(157.7)	6.1
Withholding taxes provided in year	(127.0)	4.1	(160.9)	6.3
Exchange differences	(2.1)	0.1	0.6	–
Tax expense and effective tax rate for the year	(946.2)	30.8	(752.5)	29.2

The tax charge for the year was US$946.2 million and the effective tax rate was 30.8%. This rate varies from the standard rate principally due to the provision of withholding tax of US$127.0 million and the effect of the mining tax which resulted in a charge of US$199.8 million. In 2010 the total tax charge 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.

11 Earnings per share

	2011 US$m	2010 US$m
Profit for the year attributable to equity holders of the Company (Net earnings)	1,236.6	1,051.8
Profit for the year attributable to equity holders of the Company (Net earnings) – excluding exceptional items	1,377.1	991.3

	2011 Number	2010 Number
Ordinary shares in issue throughout each year	985,856,695	985,856,695

	2011 US cents	2010 US cents
Basic and diluted earnings per share	125.4	106.7
Basic and diluted earnings per share – excluding exceptional items	139.7	100.6

Basic and diluted 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 and diluted earnings per share excluding exceptional items is calculated on profit after tax and non-controlling interest giving net earnings, excluding exceptional items (and related tax and non-controlling interest), of US$1,377.1 million. (2010 – US$991.3 million).

12 Dividends

Amounts recognised as distributions to equity holders in the year:

	2011 US$m	2010 US$m	2011 US cents per share	2010 US cents per share
Final dividend paid in June (proposed in relation to the previous 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
Interim dividend paid in October				
– ordinary	78.8	39.4	8.0	4.0
	78.8	39.4	8.0	4.0
	1,183.0	236.6	120.0	24.0

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:

	2011 US$m	2010 US$m	2011 US cents per share	2010 US cents per share
Final dividend proposed in relation to the year				
– ordinary	118.3	118.3	12.0	12.0
– special	236.6	985.9	24.0	100.0
	354.9	1,104.2	36.0	112.0

This gives total dividends proposed in relation to 2011 (including the interim dividend) of 44 cents per share or US$433.8 million (2010 – 116.0 cents per share or US$1,104.2 million).

In accordance with IAS 32, preference dividends have been included within interest expense (see Note 9) and amounted to US$0.2 million (2010 – US$0.2 million).

Dividends are declared in US Dollars, which is the default currency for payment. In addition, Antofagasta has now made arrangements for shareholders to elect to receive dividend payments in Pounds Sterling or Euro. Shareholders who do not elect will be paid by a cheque denominated in US Dollars. Any shareholder who elects to receive their dividend in Euro will be paid by a cheque denominated in Euro. Any shareholder who elects to receive their dividend in Pounds Sterling may instruct the Company's registrar to pay the dividends by bank transfer directly into a Pounds Sterling bank account; otherwise that shareholder will receive a cheque denominated in Pounds Sterling. Should a shareholder wish to change their current election, the Company's registrar must receive any such election before the currency election date for the relevant dividend. If approved at the Annual General Meeting, the final dividend of 36 cents per ordinary share will be paid on 14 June 2012 to shareholders on the register at the close of business on 11 May 2012. The final currency election date for the final dividend will be 14 May 2012. The conversion rate for final dividends to be paid in Pounds Sterling or Euro will be set on 17 May 2012.

Further details relating to dividends for each year are given in the Directors' report on page 86.

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13 Intangible assets

	Concession rights US$m	Exploration licences US$m	Total intangible assets US$m
Cost			
At 1 January 2010	245.1	125.7	370.8
Reclassification	5.3	–	5.3
Disposal	–	(5.0)	(5.0)
Foreign currency exchange difference	20.9	–	20.9
At 31 December 2010 and 1 January 2011	271.3	120.7	392.0
Foreign currency exchange difference	(29.5)	–	(29.5)
At 31 December 2011	**241.8**	**120.7**	**362.5**
Amortisation and impairment			
At 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 and 1 January 2011	(80.5)	–	(80.5)
Charge for the year	(14.7)	–	(14.7)
Provision against carrying value of assets (see Note 5)	–	(120.7)	(120.7)
Foreign currency exchange difference	8.7	–	8.7
At 31 December 2011	**(86.5)**	**(120.7)**	**(207.2)**
Net book value			
At 31 December 2011	**155.3**	**–**	**155.3**
At 31 December 2010	190.8	120.7	311.5

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

The US$120.7 million provision against the carrying value of exploration licences relates to the Group's joint venture Tethyan Copper Company Pty. Ltd. Further details in respect of this are set out in Notes 5 and 39.

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 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
Decommissioning 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 and 1 January 2011	911.4	2,427.8	63.4	132.2	2,733.5	1,651.4	7,919.7
Additions	95.2	1.4	0.1	8.9	93.5	573.8	772.9
Decommissioning provisions capitalised	–	–	–	–	56.7	–	56.7
Reclassifications	41.9	810.3	4.0	5.1	1,097.8	(1,968.1)	(9.0)
Asset disposals	(0.1)	(2.2)	–	(4.6)	(12.3)	(12.1)	(31.3)
Foreign currency exchange difference	0.1	4.1	–	0.3	(5.1)	(0.7)	(1.3)
At 31 December 2011	**1,048.5**	**3,241.4**	**67.5**	**141.9**	**3,964.1**	**244.3**	**8,707.7**
Accumulated depreciation and impairment							
At 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)
Impairment reversal	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 and 1 January 2011	(381.0)	(605.1)	(12.6)	(68.1)	(755.5)	(4.0)	(1,826.3)
Charge for the year	(64.8)	(128.7)	(2.2)	(10.0)	(211.3)	–	(417.0)
Depreciation capitalised	–	–	–	–	(23.9)	–	(23.9)
Provision against carrying value of assets (see Note 5)	–	(1.5)	–	–	(18.3)	–	(19.8)
Reclassifications	–	(6.0)	–	0.1	14.9	–	9.0
Asset disposals	–	1.2	–	3.7	7.6	–	12.5
Foreign currency exchange difference	–	0.4	–	(0.1)	0.5	–	0.8
At 31 December 2011	**(445.8)**	**(739.7)**	**(14.8)**	**(74.4)**	**(986.0)**	**(4.0)**	**(2,264.7)**
Net book value							
At 31 December 2011	**602.7**	**2,501.7**	**52.7**	**67.5**	**2,978.1**	**240.3**	**6,443.0**
At 31 December 2010	530.4	1,822.7	50.8	64.1	1,978.0	1,647.4	6,093.4
Assets under finance leases included in the totals above							
Net book value							
At 31 December 2011	**–**	**30.7**	**–**	**–**	**34.3**	**–**	**65.0**
At 31 December 2010	–	39.0	–	–	3.8	–	42.8

The Group has pledged assets with a carrying value of US$662.5 million (2010 – US$585.2 million) as security against bank loans provided to the Group.

At 31 December 2011 the Group had entered into contractual commitments for the acquisition of property, plant and equipment amounting to US$126.1 million (2010 – US$60.6 million).

Compensation from insurance companies related to property, plant and equipment included in the consolidated income statement was US$0.9 million in 2011 (2010 – US$0.5 million).

At 31 December 2011 nil (2010 – US$23.2 million) depreciation in respect of assets relating to the Esperanza project has been capitalised within the development cost of that project and US$23.9 million (2010 – US$12.7 million) of depreciation in respect of assets relating to Los Pelambres, Esperanza, El Tesoro and Michilla have been capitalised within inventories, and accordingly is excluded from the depreciation charge recorded in the income statement as shown in Note 6(a).

The US$19.8 million provision in 2011 against the carrying value of property, plant and equipment relates to assets held by the Group's joint venture Tethyan Copper Company Pty. Ltd. Further details in respect of this are set out in Notes 5 and 39. At 31 December 2010 the reversal of impairment of US$109.4 million relates to property, plant and equipment at El Tesoro.

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15 Investment property

	2011 US$m	2010 US$m
Cost		
Balance at the beginning of the year	3.7	3.4
Foreign currency exchange difference	(0.6)	0.3
Balance at the end of the year	3.1	3.7

Investment property represents the Group's forestry properties, which are held for long-term potential and accordingly classified as investment property and held at cost as permitted by IAS 40.

The fair value of the Group's investment property at 31 December 2011 was US$11.0 million (2010 – US$11.0 million), based on an independent valuation carried out during 2008 by Gabriel Durán, who is not connected with the Group. Mr. Durán is a Forestry Engineer, Valuer and Assessor of forestry properties for Banco Itau in Chile, with extensive experience of valuation in the region where the assets are located. The valuation was based on market evidence of transaction prices for similar properties.

Direct operating expenses (principally ongoing maintenance costs) arising on these properties amounted to US$0.2 million (2010 – US$0.3 million).

16 Investments in subsidiaries

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

	Country of incorporation	Country of operations	Nature of business	Economic interest
Direct subsidiaries of the Parent Company				
Antofagasta Railway Company plc	Great Britain	Chile	Railway	100%
Minera Anaconda Perú S.A.	Peru	Peru	Mining	100%
Chilean Northern Mines Limited	Great Britain	Chile	Investment	100%
Sierra Gorda Investment Company Limited	Jersey	Jersey	Investment	100%
Indirect subsidiaries of the Parent Company				
Antofagasta Minerals S.A.	Chile	Chile	Mining	100%
Minera Los Pelambres	Chile	Chile	Mining	60%
Minera El Tesoro	Chile	Chile	Mining	70%
Minera Michilla S.A.	Chile	Chile	Mining	74.2%
Minera Esperanza	Chile	Chile	Mining	70%
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 2011 US$m	ATI 2011 US$m	El Arrayan 2011 US$m	Total associates 2011 US$m	Total associates 2010 US$m
Balance at the beginning of the year	53.1	4.9	–	58.0	121.3
Acquisitions	–	–	4.5	4.5	–
Disposals	–	–	–	–	(2.3)
Capital reductions	–	–	–	–	(57.2)
Interest expense capitalised by associate payable to subsidiary	(0.5)	–	–	(0.5)	(0.4)
Share of net profit/(loss) before tax	26.4	2.8	–	29.2	(1.9)
Share of tax	(4.7)	(0.5)	–	(5.2)	(0.7)
Share of income/(loss) from associates	21.7	2.3	–	24.0	(2.6)
Dividends received	–	(1.2)	–	(1.2)	(0.8)
Balance at the end of the year	74.3	6.0	4.5	84.8	58.0

Included in share of income from associates is US$18.8 million for the Group's share of proceeds received in Inversiones Hornitos S.A. relating to compensation for lost profits from the main contractor as a result of delays to the construction.

The investments which are included in the US$84.8 million balance at 31 December 2011 are set out below:

(i) The Group's 40% interest in Inversiones Hornitos S.A., which owns the 165MW Hornitos thermoelectric power plant in Mejillones, in Chile's Antofagasta Region.

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 2011 was US$83.8 million (year ended 31 December 2010 – US$101.1 million). The loan has an interest rate of LIBOR 180 days plus 2.5%.

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

(iii) The Group's 30% interest in El Arrayan Project, which will develop and operate a 115MW wind power plant which is expected to begin construction in early 2012 and achieve commercial operation in the second half of 2013.

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

	Inversiones Hornitos 2011 US$m	ATI 2011 US$m	El Arrayan 2011 US$m	Total associates 2011 US$m	Total associates 2010 US$m
Total assets (after fair value adjustments)	174.6	23.4	4.7	202.7	447.6
Total liabilities	(101.5)	(16.8)	(0.2)	(118.5)	(301.2)
Revenue	58.7	12.8	–	71.5	11.5
Profit after tax and non-controlling interests	21.7	2.3	–	24.0	1.3

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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 (now Tethyan Copper Company Pty. Limited), and then entered into a joint venture agreement with Barrick Gold Corporation ("Barrick"), to establish a 50:50 joint venture in relation to Tethyan Copper Company Pty. Limited's mineral interests in Pakistan.

From the date of incorporation to 2011, Tethyan Copper Company Pty. Limited has been wholly engaged in mineral exploration and evaluation activities and did not generate any revenue. Tethyan Copper Company Pty. Limited's operating loss resulting during the year was US$23.7 million (2010 – US$25.5 million). In addition, the Group has made a provision of US$140.5 million against the carrying value in the Group accounts of its 50% share of the intangible assets and property, plant and equipment. Further details in respect of this are set out in Note 39.

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:

	2011 US$m	2010 US$m
Total non-current assets	–	137.2
Total current assets	2.4	3.2
Total current liabilities	(5.0)	(3.9)
Total non-current liabilities	(0.2)	(0.3)
Group's share of jointly controlled entity's net assets	(2.8)	136.2
Operating loss	(8.2)	(12.8)
Provision against carrying value of assets (see Note 5)	(140.5)	–
Net finance income	–	0.1
Group's share of jointly controlled entity's results	(148.7)	(12.7)

In addition to these amounts, the Group incurred expenses of US$2.4 million (2010 – US$4.0 million) relating to Tethyan which are included in Corporate and other items.

b) Energía Andina S.A.

In October 2008 Energía Andina S.A. ("Energía Andina") was formed as a vehicle for the exploration and exploitation of potential sources of geothermal energy. Initially the company was 60% owned by the Group and 40% owned by Empresa Nacional del Petróleo ("ENAP") of Chile. On 6 May 2011 ENAP sold its 40% shareholding in Energía Andina to Origin Energy Geothermal Chile Limitada ("Origin"). Control over the key operational and financial decisions in respect of the company are jointly exercised by the Group and Origin, and accordingly the company is accounted for as a jointly-controlled entity, with results included in the consolidated balance sheet and in the consolidated income statement of the Group under the proportionate consolidation method.

In 2011 and 2010, 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$12.7 million (2010 – US$6.7 million), which relates mainly to exploration and evaluation costs expensed in accordance with the Group's accounting policy, and of which 60% is attributable to the Group.

The following amounts represent the Group's 60% share of the assets and liabilities, and results of the jointly-controlled entity, and are included in the consolidated balance sheet and in the consolidated income statement of the Group under proportional consolidated method:

	2011 US$m	2010 US$m
Total current assets	4.3	4.1
Group's share of jointly controlled entity's net assets	4.3	4.1
Operating loss	(7.6)	(4.0)
Group's share of jointly controlled entity's results	(7.6)	(4.0)

19 Available-for-sale investments

	2011 US$m	2010 US$m
Balance at the beginning of the year	21.8	1.2
Additions	27.3	12.9
Movements in fair value	(12.3)	6.8
Foreign currency exchange difference	(0.3)	0.9
Balance at the end of the year	36.5	21.8

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

In February 2011 the Group subscribed to a further 7.6 million additional shares in Duluth Metals for a total subscription price of US$19.9 million, representing approximately 6% of Duluth Metals' enlarged issued share capital. Including the earlier share purchases in 2010, at 31 December 2011 the Group held approximately 11% of the Duluth Metals' share capital.

In February 2011 the Group subscribed to 1.5 million of shares in Eurasian Minerals Inc., for a total subscription price of US$5.1 million, equating to approximately 3% of Eurasian Minerals' enlarged issued share capital.

In September 2011, Antofagasta subscribed 10.3 million shares in Stratex International plc for a subscription price of US$1.3 million, representing 3% of Stratex International's enlarged issued share capital.

In October 2011, Antofagasta subscribed 7.4 million shares in Sipa Resources Limited for a subscription price of US$1.0 million, representing 1.9% of Sipa Resources Limited's enlarged issued share capital.

The investments which are included in the US$36.5 million balance at 31 December 2011 are set out below:

(i) US$29.0 million relating to the market value of shares in Duluth Metals Limited.

(ii) US$2.3 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.

(iii) US$3.2 million relating to the market value of shares in Eurasian Minerals Inc.

(iv) US$1.1 million relating to the market value of share in Stratex International plc.

(v) US$0.8 million relating to the market value of share in Sipa Resources Limited.

(vi) US$0.1 million relating to the market value of other investments.

20 Inventories

	2011 US$m	2010 US$m
Raw materials and consumables	148.0	106.4
Work-in-progress	346.5	234.0
Finished goods	46.0	44.6
	540.5	385.0

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

(i) US$31.9 million (2010 – US$29.4 million) relating to long-term inventories at Los Pelambres.

(ii) US$3.6 million (2010 – US$4.5 million) relating to high carbonate ore inventories at El Tesoro.

(iii) US$69.5 million (2010 – US$27.4 million) relating long-term inventories at Esperanza.

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21 Trade and other receivables

	Due in one year		Due after one year		Total	
	2011 US$m	2010 US$m	2011 US$m	2010 US$m	2011 US$m	2010 US$m
Trade debtors	712.3	704.1	0.5	0.5	712.8	704.6
Other debtors	212.6	269.6	67.2	42.4	279.8	312.0
	924.9	973.7	67.7	42.9	992.6	1,016.6

The largest balances of trade receivables are held with equity participants in the key mining projects. Many other significant trade receivables are secured by letters of credit or other forms of security. The average credit period given on sale of goods and rendering of service is 42 days (2010 – 55 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:

	2011 US$m	2010 US$m
Balance at the beginning of the year	(3.4)	(3.0)
Charge for the year	(0.8)	(0.3)
Unused amounts reversed	0.1	0.1
Foreign currency exchange difference	0.2	(0.2)
Balance at the end of the year	(3.9)	(3.4)

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
2011	988.9	2.4	0.3	1.0	992.6
2010	1,005.6	9.8	0.5	0.7	1,016.6

With respect to the trade receivables that are neither past due nor impaired, there are no indications that the debtors will not meet their payment obligations. The carrying value of the trade receivables recorded in the financial statements represents the Group's maximum exposure to credit risk. The Group does not hold any collateral as security.

Other debtors include US$ 10.3 million (2010 – US$18.5 million) relating to pre-payments 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:

	2011 US$m	2010 US$m
Cash and cash equivalents	1,335.1	2,734.7
Liquid investments	1,944.9	806.9
	3,280.0	3,541.6

At 31 December 2011 there is no cash which is subject to restriction (2010 – US$50.9 million).

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

	2011 US$m	2010 US$m
US dollars	3,081.5	3,445.5
Chilean pesos	165.4	66.2
Australian dollars	27.1	28.7
Sterling	4.4	0.5
Other	1.6	0.7
	3,280.0	3,541.6

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

23 Borrowings

a) Analysis by type of borrowing

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

	Notes	2011 US$m	2010 US$m
Los Pelambres			
Corporate loans	(i)	(492.5)	(625.2)
Finance leases	(ii)	(32.4)	–
Esperanza			
Project financing	(iii)	(1,008.7)	(1,008.7)
Subordinated debt	(iv)	(227.7)	(212.4)
Short-term loans	(v)	(30.0)	–
Finance leases	(vi)	(7.4)	(4.3)
El Tesoro			
Corporate loan	(vii)	(296.2)	(296.4)
Finance leases	(viii)	–	(0.2)
Corporate and other items			
Finance leases	(ix)	(36.0)	(39.5)
Railway and other transport services			
Loans	(x)	(6.3)	(6.3)
Water concession			
Finance leases		–	(0.4)
Other			
Preference shares	(xi)	(3.1)	(3.1)
Total		(2,140.3)	(2,196.5)

(i) Corporate loans at Los Pelambres are unsecured and US dollar denominated. These loans have a remaining term between 3 and 5.5 years and have an interest rate of LIBOR six-month plus margins between 0.9% – 1.6%.

(ii) Finance leasing at Los Pelambres are US dollar denominated, comprising US$21.9 million at fixed rate of 0.47% and US$10.5 million at LIBOR three-month rate plus 3%, with remaining duration of six years.

(iii) Senior debt at Esperanza comprises US$1,008.7 million in respect of syndicated loans. These loans are for a remaining term of 10 years and have an interest rate of LIBOR six-month rate plus margins between 1.375% – 3.000%.

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

(iv) 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%.

(v) Short-term loans at Esperanza comprise US$30.0 million from local banks with an average duration of 12 months and weighted average interest rate fixed of 0.99%.

(vi) Finance leasing at Esperanza are US dollar denominated, with a maximum remaining duration of three years and with an average interest rate at approximately LIBOR three-months plus 2.8%.

(vii) The corporate loans at El Tesoro are US dollar denominated. This loan has approximately four years remaining, with an interest rate over the life of the loan of LIBOR six-months plus 1.2%.

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

(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 17 years and a fixed rate of 5.29%.

(x) Railway and other transport services includes a balance of US$6.1 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 four years. The balance at 31 December 2011 also includes customer advances of US$0.2 million.

(xi) 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 2011. 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.

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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 2011	Pesos US$m	Sterling US$m	US dollars US$m	2011 Total US$m
Corporate loans	–	–	(1,797.4)	(1,797.4)
Other loans (including short-term loans)	–	–	(264.0)	(264.0)
Finance leases	(35.3)	–	(40.5)	(75.8)
Preference shares	–	(3.1)	–	(3.1)
	(35.3)	(3.1)	(2,101.9)	(2,140.3)

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)

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 2011	Fixed US$m	Floating US$m	2011 Total US$m
Corporate loans	–	(1,797.4)	(1,797.4)
Other loans (including short-term loans)	(6.3)	(257.7)	(264.0)
Finance leases	(57.9)	(17.9)	(75.8)
Preference shares	(3.1)	–	(3.1)
	(67.3)	(2,073.0)	(2,140.3)

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)

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 2011 and 2010 the Group had entered into contracts for a maximum notional amount of US$840.0 million at a weighted average fixed rate of 3.372% maturing in February 2018. 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.

d) Maturity profile

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

At 31 December 2011	Within 1 year US$m	Between 1–2 years US$m	Between 2–5 years US$m	After 5 years US$m	2011 Total US$m
Corporate loans	(261.8)	(330.0)	(671.7)	(533.9)	(1,797.4)
Other loans	(31.6)	(1.6)	(3.1)	(227.7)	(264.0)
Finance leases	(8.5)	(9.5)	(21.7)	(36.1)	(75.8)
Preference shares	–	–	–	(3.1)	(3.1)
	(301.9)	(341.1)	(696.5)	(800.8)	(2,140.3)

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)

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:

	2011 US$m	2010 US$m
Within 1 year	(12.0)	(5.0)
Between 1–2 years	(12.6)	(5.7)
Between 2–5 years	(27.0)	(11.8)
After 5 years	(46.7)	(43.1)
Total minimum lease payment	(98.3)	(65.6)
Less amounts representing finance charges	22.5	21.2
Present value of minimum lease payment	(75.8)	(44.4)

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:

	2011 US$m	2010 US$m
Expiring in one year or less	1,252.6	989.1
Expiring in more than one but not more than two years	49.4	103.4
	1,302.0	1,092.5

The available facilities comprise general working capital facilities at the Group's operating subsidiaries all of which were undrawn at the end of each year. Of these facilities, US$1,095.4 million (2010 – US$955.4 million) are denominated in US dollars, US$135.4 million (2010 – US$68.8 million) in Unidades de Fomento (i.e. inflation-linked Chilean pesos), US$20.7 million (2010 – nil) in Euro and US$50.5 million (2010 – US$68.3 million) in Chilean pesos.

24 Trade and other payables

	Due in one year		Due after one year		Total	
	2011 US$m	2010 US$m	2011 US$m	2010 US$m	2011 US$m	2010 US$m
Trade creditors	(274.6)	(278.5)	–	–	(274.6)	(278.5)
Other creditors and accruals	(229.3)	(226.3)	(9.3)	(4.7)	(238.6)	(231.0)
	(503.9)	(504.8)	(9.3)	(4.7)	(513.2)	(509.5)

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

The average credit period taken for trade purchases is 46 days (2010 – 32 days).

Financial statements: Notes to the financial statements

25 Financial instruments and financial risk management

a) Categories of financial instruments

The Group's financial instruments, grouped according to the categories defined in IAS 39 "Financial instruments: Recognition and Measurement", were as follows:

	2011 US$m	2010 US$m
Financial assets		
Derivatives in designated hedge accounting relationships	59.0	1.8
Available for sale investments	36.5	21.8
Loans and receivables at amortised cost (including cash and cash equivalents)	2,327.7	3,751.3
Fair value through profit and loss (liquid investments)	1,944.9	806.9
Financial liabilities		
Derivatives in designated hedge accounting relationships	(34.9)	(113.7)
Financial liabilities measured at amortised cost	(2,653.5)	(2,706.0)
	1,679.7	1,762.1

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 2011 or 2010.

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$m	Total 2011 US$m	Total 2010 US$m
Financial assets					
Derivatives in designated hedge accounting relationships	–	59.0	–	59.0	1.8
Available for sale investments	36.5	–	–	36.5	21.8
Debtors mark-to-market	–	4.3	–	4.3	130.1
Fair value through profit and loss	1,944.9	–	–	1,944.9	806.9
Financial liabilities					
Derivatives in designated hedge accounting relationships	–	(34.9)	–	(34.9)	(113.7)
Creditors mark-to-market	–	(20.1)	–	(20.1)	–
	1,981.4	8.3	–	1,989.7	846.9

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 2011, sales of copper and molybdenum concentrate and copper cathodes represented 88.5% of Group turnover and therefore revenues and earnings depend significantly on LME and realised copper prices.

The Group uses futures, min-max instruments and options to manage its exposure to copper prices. These instruments may give rise to accounting volatility due to fluctuations in their fair value prior to the maturity of the instruments. Details of those copper and molybdenum concentrate sales and copper cathode sales which remain open as to final pricing are given in Note 25(d). Details of commodity rate derivatives entered into by the Group are given in Note 25(e).

Commodity price sensitivity

The sensitivity analysis below shows the impact of a movement in the copper price on the financial instruments held as at the reporting date. A movement in the copper forward price as at the reporting date will affect the final pricing adjustment to sales which remain open at that date, impacting the trade receivables balance and consequently the income statement. A movement in the copper forward price will also affect the valuation of commodity derivatives, impacting the hedging reserve in equity if the fair value movement relates to an effective designated cash flow hedge, and impacting the income statement if it does not. The calculation assumes that all other variables, such as currency rates, remain constant.

– If the copper forward price as at the reporting date had increased by 10 cents, net earnings would have decreased by US$13.2 million (2010 – increased by US$6.1 million) and hedging reserves in equity would have decreased by US$14.3 million (2010 – decreased by US$34.9 million).

– If the copper forward price as at the reporting date had decreased by 10 cents, net earnings would have increased by US$3.9 million (2010 – decreased by US$5.4 million) and hedging reserves in equity would have increased by US$24.0 million (2010 – increased by US$29.2 million).

In addition, a movement in the average copper price during the year would impact revenue and earnings. A 10 cents change in the average copper price during the year would have affected net earnings by US$68.3 million (2010 – US$55.7 million) and earnings per share by 6.9 cents (2010 – 5.6 cents), based on production volumes in 2011, without taking into account the effects of provisional pricing and hedging activity. A US$1 change in the average molybdenum price for the year would have affected net earnings by US$9.8 million (2010 – US$8.9 million), and earnings per share by 1.0 cents (2010 – 0.9 cents), based on production volumes in 2011, and without taking into account the effects of provisional pricing. A US$100 change in the average gold price for the year would have affected net earnings by US$10.3 million (2010 – US$1.6 million), and earnings per share by 1.0 cents (2010 – 0.2 cents), based on production volumes in 2011, 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 94.

Currency sensitivity

The sensitivity analysis below shows the impact of a movement in the US dollar/Chilean peso exchange rate on the financial instruments held as at the reporting date.

The impact on profit or loss is as a result of the retranslation of monetary financial instruments (including cash, cash equivalents, liquid investments, trade receivables, trade payables and borrowings). The impact on equity is as a result of changes in the fair value of derivative instruments which are effective designated cash flow hedges, and changes in the fair value of available-for-sale equity investments. The calculation assumes that all other variables, such as interest rates, remain constant.

If the US dollar had strengthened by 10% against the Chilean peso as at the reporting date, net earnings would have decreased by US$7.1 million (2010 – US$2.1 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$8.6 million (2010 – US$2.6 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$10.6 million (2010 – US$19.9 million) and hedging reserves in equity would have increased by US$6.6 million (2010 – US$10.5 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$3.7 million (2010 – US$2.2 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 2011 and 2010, the Group was in a net cash position, as disclosed in Note 34. 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.

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25 Financial instruments and financial risk management continued

At 31 December 2011	Less than 6 months US$m	Between 6 months to 1 year US$m	Between 1–2 years US$m	After 2 years US$m	2011 Total US$m
Corporate loans	(162.1)	(176.1)	(370.9)	(1,324.9)	(2,034.0)
Other loans (including short-term loans)	(31.7)	(0.1)	(1.7)	(230.9)	(264.4)
Finance leases	(2.7)	(2.7)	(5.3)	(50.2)	(60.9)
Preference shares	(0.1)	(0.1)	(0.2)	(*)	(0.4)
Trade and other payables	(502.2)	(0.9)	(6.6)	(3.5)	(513.2)
Derivative financial instruments	(7.2)	(9.7)	(8.3)	(9.7)	(34.9)
	(706.0)	(189.6)	(393.0)	(1,619.2)	(2,907.8)

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)	(1,406.0)	(2,193.9)
Other loans (including short-term loans)	(0.2)	(0.2)	(3.5)	(228.2)	(232.1)
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)

* The preference shares pay an annual dividend of £100,000 (US$160.334) in perpetuity, and accordingly it is not possible to determine total amounts payable for periods without a fixed end date.

(viii) Capital risk management

The Group's objectives are to return capital to shareholders while leaving the Group with sufficient funds to progress its short, medium and long-term growth plans as well as preserving the financial flexibility to take advantage of opportunities as they may arise. This policy remains unchanged. The Group monitors capital on the basis of net cash (defined as cash, cash equivalents and liquid investments less borrowings) which was US$1,139.7 million at 31 December 2011 (2010: US$1,345.1 million), as well as gross cash (defined as cash, cash equivalents and liquid investments) which was US$3,280.0 million at 31 December 2011 (2010: US$3,541.6 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 one to five months after shipment to the customer.

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

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

	Balance sheet net mark-to-market effect on debtors	
	2011 US$m	2010 US$m
Los Pelambres – copper concentrate	(18.0)	124.3
Los Pelambres – molybdenum concentrate	(0.1)	0.3
Esperanza – copper concentrate	4.3	–
Esperanza – gold in concentrate	(1.6)	–
El Tesoro – copper cathodes	(0.2)	4.1
Michilla – copper cathodes	(0.2)	1.4
	(15.8)	130.1

For the year ended 31 December 2011

	Los Pelambres Copper concentrate US$m	Esperanza Copper concentrate US$m	El Tesoro Copper cathodes US$m	Michilla Copper cathodes US$m	Los Pelambres Gold in concentrate US$m	Esperanza Gold in concentrate US$m	Los Pelambres Molybdenum concentrate US$m
Provisionally invoiced gross sales	3,620.7	721.5	836.6	379.8	64.2	248.6	337.4
Effects of pricing adjustments to previous year invoices							
Reversal of mark-to-market adjustments at the end of the previous year	(124.3)	–	(4.1)	(1.4)	–	–	(0.3)
Settlement of copper sales invoiced in the previous year	116.2	–	3.5	1.0	(0.5)	–	0.3
Total effect of adjustments to previous year invoices in the current year	(8.1)	–	(0.6)	(0.4)	(0.5)	–	–
Effects of pricing adjustments to current year invoices							
Settlement of copper sales invoiced in the current year	(194.9)	(51.0)	(8.5)	(8.6)	0.4	5.1	(25.9)
Mark-to-market adjustments at the end of the current year	(18.0)	4.3	(0.2)	(0.2)	–	(1.6)	(0.1)
Total effect of adjustments to current year invoices	(212.9)	(46.7)	(8.7)	(8.8)	0.4	3.5	(26.0)
Total pricing adjustments	(221.0)	(46.7)	(9.3)	(9.2)	(0.1)	3.5	(26.0)
Realised gains/(losses) on commodity derivatives	–	–	0.5	(15.6)	–	–	–
Revenue before deducting tolling charges	3,399.7	674.8	827.8	355.0	64.1	252.1	311.4
Tolling charges	(143.8)	(28.4)	–	–	(0.2)	(0.8)	(17.6)
Revenue net of tolling charges	3,255.9	646.4	827.8	355.0	63.9	251.3	293.8

Financial statements: Notes to the financial statements

25 Financial instruments and financial risk management continued

For the year ended 31 December 2010

	Los Pelambres Copper concentrate US$m	Esperanza Copper concentrate US$m	El Tesoro Copper cathodes US$m	Michilla Copper cathodes US$m	Los Pelambres Gold in concentrate US$m	Esperanza Gold in concentrate US$m	Los Pelambres Molybdenum concentrate US$m
Provisionally invoiced gross sales	2,826.0	–	722.2	317.5	43.3	–	318.0
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)	–	–	1.1
Settlement of copper sales invoiced in the previous year	55.7	–	2.6	0.4	(0.1)	–	8.1
Total effect of adjustments to previous year invoices in the current year	(6.4)	–	0.6	–	(0.1)	–	9.2
Effects of pricing adjustments to current year invoices							
Settlement of copper sales invoiced in the current year	162.2	–	12.7	4.6	0.2	–	(10.9)
Mark-to-market adjustments at the end of the current year	124.3	–	4.1	1.4	–	–	0.3
Total effect of adjustments to current year invoices	286.5	–	16.8	6.0	0.2	–	(10.6)
Total pricing adjustments	280.1	–	17.4	6.0	0.1	–	(1.4)
Realised gains/(losses) on commodity derivatives	–	–	0.1	(81.5)	–	–	–
Revenue before deducting tolling charges	3,106.1	–	739.7	242.0	43.4	–	316.6
Tolling charges	(134.0)	–	–	–	(0.2)	–	(13.1)
Revenue net of tolling charges	2,972.1	–	739.7	242.0	43.2	–	303.5

i) Copper concentrate

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

At 31 December 2011 sales totalling 201,600 tonnes remained open as to price, with an average mark-to-market price of 344.7 cents per pound compared with an average provisional invoice price of 347.9 cents per pound.

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.

ii) Copper cathodes

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

At 31 December 2011, sales totalling 12,600 tonnes remained open as to price, with an average mark-to-market price of 344.5 cents per pound compared with an average provisional invoice price of 345.9 cents per pound.

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.

(iii) Gold concentrates

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

At 31 December 2011, sales totalling 15,300 ounces remained open as to price, with an average mark-to-market price of US$1,536.0 per ounce compared with an average provisional invoice price of US$1,638.6 per ounce.

(iv) Molybdenum concentrate

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

At 31 December 2011, sales totalling 1,100 tonnes remained open as to price, with an average mark-to-market price of US$13.4 per pound compared with an average provisional invoice price of US$13.4 per pound.

At 31 December 2010, sales totalling 1,300 tonnes remained open as to price, with an average mark-to-market price of US$16.1 per pound compared with an average provisional invoice price of US$16.0 per pound.

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 2011

	Impact on income statement			Impact on reserves	Total balance sheet impact of mark-to-market adjustments
	Realised gains/(losses) 2011 US$m	Gains resulting from mark-to-market adjustments on hedging instruments 2011 US$m	Total net gain/(loss) 2011 US$m	Gains/(losses) resulting from mark-to-market adjustments on hedging instruments 2011 US$m	Net financial asset/(liability) 2011 US$m
Commodity derivatives					
El Tesoro	0.5	–	0.5	1.8	0.5
Michilla	(15.6)	49.1	33.5	86.4	58.4
Exchange derivatives					
Michilla	–	–	–	(7.8)	(7.8)
Esperanza	1.1	–	1.1	(1.8)	–
Corporate and other items	(2.0)	–	(2.0)	–	–
Railway and other transport services	(2.4)	–	(2.4)	–	–
Interest derivatives					
Esperanza	(22.4)	–	(22.4)	8.4	(27.0)
	(40.8)	49.1	8.3	87.0	24.1

At 31 December 2011, US$1.1 million of the net realised losses on exchange derivatives relates to a net gain on hedging instruments at Esperanza where hedge accounting has been applied and is recognised in "foreign exchange" within net finance expense (see Note 6). The remaining US$4.4 million net losses on exchange derivatives where hedge accounting has not been applied have been recognised in "foreign exchange derivatives" within net finance expense (see Note 6).

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

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25 Financial instruments and financial risk management continued

For the year ended 31 December 2010

	Impact on income statement			Impact on reserves	Total balance sheet impact of mark-to-market adjustments
	Realised gains/(losses) 2010 US$m	Gains/(losses) resulting from mark-to-market adjustments on hedging instruments 2010 US$m	Total net gain/(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)

At 31 December 2010, 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).

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

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

	2011 US$m	2010 US$m
Analysed between:		
Non-current assets	47.6	–
Current assets	11.4	1.8
Current liabilities	(16.9)	(54.7)
Non-current liabilities	(18.0)	(59.0)
	24.1	(111.9)

(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 31.12.11	For instruments held at 31.12.11			
	Copper production hedged tonnes	Weighted average remaining period from 1 January 2012 Months	Covering a period up to:	Weighted average floor US cents	Weighted average cap US cents
Michilla	84,300	24.2	31-12-14	344.9	448.0

Between 1 January 2012 and 31 January 2012 nil tonnes of additional min-max instruments were entered into, and min-max instruments for 2,775 tonnes of copper production matured. As a result up to 31 January 2012:

(i) 33,300 tonnes of 2012 Group copper production had been hedged with min-max options of which 2,775 tonnes matured by 31 January 2012 and 30,525 tonnes remain outstanding and will mature by the end of the year.

(ii) 33,000 tonnes of 2013 Group copper production has been hedged with min-max options.

(iii) 18,000 tonnes of 2014 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 31.12.11	For instruments held at 31.12.11		
	Copper production hedged tonnes	Weighted average remaining period from 1 January 2012 Months	Covering a period up to:	Weighted average price US cents
El Tesoro	11,000	7.6	31-01-13	361.0

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 31.12.11	For instruments held at 31.12.11		
	Principal value of cross-currency swaps held US$m	Weighted average remaining period from 1 January 2012 Months	Covering a period up to:	Weighted average rate Ch$/US$
Michilla	166.2	9.9	16-09-13	508.2

Between 1 January 2012 and 31 January 2012 US$7.4 million of cross-currency swaps relating to Michilla matured.

Interest derivatives

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

Interest rate swaps

The Group has used interest rate swaps to swap the floating rate interest relating to the Esperanza financing for fixed rate interest. At 31 December 2011 the Group had entered into the contracts outlined below.

	Start date	Maturity date	Maximum notional amount US$m	Weighted average fixed rate %
Esperanza	15-02-2011	15-02-2018	840.0	3.372

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26 Long-term incentive plan

The Group established a long-term incentive plan (the "Plan") at the end of 2011 as part of the remuneration of senior executives in the Group. Directors are not eligible to participate in the Plan. The Plan includes Restricted Share Awards ("RSAs") and Performance Share Awards ("PSAs").

Under the Plan, participants are granted potential awards based on a specified number of Antofagasta plc shares. Upon vesting the participant receives a cash payment based on the number of shares awarded and the market price of Antofagasta plc shares on the date of vesting. There is no exercise price payable by participants in respect of the awards.

RSA participants are required to remain in the employment of the Group for three years from the date the awards are granted in order for them to vest in full, with one third vesting after one year, one third vesting after two years and one third vesting after three years. There are no performance criteria attached to the awards. The fair value of RSAs under the Plan is recorded as compensation expense over the vesting periods, with a corresponding liability recognised for the fair value of the liability at the end of each period until settled. Fair value at the end of each period is determined using a Black Scholes valuation model.

PSA awards vest only if certain performance criteria are met. The performance criteria are based on total shareholder return and a range of operational and financial performance measures. The fair value of PSAs under the Plan is recorded as compensation expense over the vesting period, with a corresponding liability at the end of each period until settled. Fair value at the end of each period is determined using a Black Scholes valuation model.

The first awards were granted on 29 December 2011, with a total of 272,435 potential RSAs and 272,435 potential PSAs granted. The amount of the fair value of the awards which accrued between the grant date of 29 December 2011 and the year end date of 31 December 2011 is estimated to be less than US$0.1 million and therefore disclosure of the related valuation assumptions is not significant to the financial statements.

27 Post-employment benefit obligations

a) Defined contribution schemes

The Group operates defined contribution schemes for a limited number of employees. The amount charged to the income statement in 2011 was US$0.1 million (2010–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 2011 by Ernst & Young, a qualified actuary in Santiago-Chile who is not connected with the Group.

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

	2011	2010
Average nominal discount rate	5.3%	6.6%
Average rate of increase in salaries	3.1%	2.8%
Average staff turnover	4.6%	3.5%

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

	2011 US$m	2010 US$m
Current service cost (charge to operating profit)	(9.8)	(11.1)
Actuarial gains and losses (charge to operating costs)	5.5	(5.0)
Interest cost (charge to interest expenses)	(3.9)	(1.6)
Foreign exchange charge to other finance items	6.6	(4.3)
Total charge to income statement	(1.6)	(22.0)

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

	2011 US$m	2010 US$m
Balance at the beginning of the year	(68.0)	(48.2)
Current service cost	(9.8)	(11.1)
Actuarial gains and losses	5.5	(5.0)
Charge capitalised	–	(3.7)
Interest cost	(3.9)	(1.6)
Paid in the year	8.4	5.9
Foreign currency exchange difference	6.6	(4.3)
Balance at the end of the year	**(61.2)**	(68.0)

28 Deferred tax

The following are the major deferred tax liabilities and assets recognised by the Group and movements thereon during 2011 and 2010.

	Accelerated capital allowances US$m	Temporary differences on provisions US$m	Withholding tax US$m	Short-term differences US$m	Mining tax (Royalty) US$m	Tax losses US$m	Total US$m
At 1 January 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 1 January 2011	(392.7)	41.3	(248.4)	(17.7)	(21.7)	52.9	(586.3)
(Charge)/credit to income	(71.7)	20.0	91.5	29.1	3.4	(50.4)	21.9
Reclassification	7.9	–	–	–	(7.9)	–	–
Charge deferred in equity	–	–	–	(16.9)	–	–	(16.9)
At 31 December 2011	**(456.5)**	**61.3**	**(156.9)**	**(5.5)**	**(26.2)**	**2.5**	**(581.3)**

The credit to the income statement of US$21.9 million (2010 – US$123.1 million charge) includes a credit for foreign exchange differences of US$2.8 million (2010 – includes a charge of US$2.1 million).

Certain deferred tax assets and liabilities have been offset. Deferred tax assets and liabilities are offset where the Group has a legally enforceable right to do so. The following is the analysis of the deferred tax balance (after offset):

	2011 US$m	2010 US$m
Deferred tax assets	83.2	110.0
Deferred tax liabilities	(664.5)	(696.3)
Net deferred tax balances	(581.3)	(586.3)

At 31 December 2011, the Group had unused tax losses of US$ 16.5 million (2010 – US$311.1 million) available for offset against future profits. A deferred tax asset has been recognised in respect of the US$14.9 million of these losses in 2011 (2010 – US$311.1 million). These losses may be carried forward indefinitely.

At 31 December 2011 and 31 December 2010, there were no other deductible temporary differences for which no deferred tax assets were recognised in the balance sheet.

At 31 December 2011, the aggregate amount of temporary differences associated with undistributed earnings of subsidiaries for which deferred tax liabilities have not been recognised was US$4,551.7 million (2010 – US$3,649.9 million). No liability has been recognised in respect of these differences because the Group is in a position to control the timing of the reversal of the temporary differences and it is likely that such differences will not reverse in the foreseeable future.

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

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29 Long-term provisions

	2011 US$m	2010 US$m
Balance at the beginning of the year	(244.4)	(127.9)
Charge to operating profit in the year	(16.5)	(69.6)
Release of discount to net interest in the year	(7.4)	(2.7)
Charge capitalised	–	(1.4)
Capitalised adjustment to provision	(56.7)	(44.4)
Utilised in year	2.6	1.7
Foreign currency exchange difference	1.3	(0.1)
Balance at the end of the year	**(321.1)**	(244.4)

Analysed as follows:

	2011 US$m	2010 US$m
Decommissioning and restoration	(320.0)	(243.4)
Termination of Water concession	(1.1)	(1.0)
Balance at the end of the year	**(321.1)**	(244.4)

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 25 years based on current mine plans.

During the year ended 31 December 2011 the charge to operating profit includes US$ 11.1 million (2010 – US$65.2 million) in relation to increases to the restoration provision and amounts capitalised in property, plant and equipment include US$55.9 million (2010 – US$44.4 million) 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.

30 Share capital and other reserves

(i) Share capital

The ordinary share capital of the Company is as follows:

	2011 Number	2010 Number	2011 US$m	2010 US$m
Authorised				
Ordinary shares of 5p each	1,300,000,000	1,300,000,000	118.9	118.9

	2011 Number	2010 Number	2011 US$m	2010 US$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 2010 or 2011. Details of the Company's preference share capital, which is included within borrowings in accordance with IAS 32, are given in Note 23a(xi).

(ii) Other reserves

Details of the share premium account, hedging, fair value and translation reserves and retained earnings for both 2010 and 2011 are included within the Consolidated statement of changes in equity on page 94.

31 Non-controlling interests

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

	At 01.01.11 US$m	Share of profit for the financial year US$m	Capital increase US$m	Share of dividends US$m	Hedging reserves US$m	At 31.12.11 US$m
Los Pelambres	889.9	724.0	–	(660.8)	–	953.1
El Tesoro	282.5	90.7	–	(75.0)	0.6	298.8
Michilla	0.7	38.2	–	(5.2)	16.7	50.4
Esperanza	157.6	61.0	–	–	1.4	220.0
Twin Metals	9.2	(22.0)	84.9	–	–	72.1
Railway and other transport services	15.3	1.5	–	–	–	16.8
Total	**1,355.2**	**893.4**	**84.9**	**(741.0)**	**18.7**	**1,611.2**

32 Business combinations

Twin Metals Minnesota LLC acquisition in 2010

In 2010 the Group concluded an agreement 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 included no transfer of consideration from Antofagasta to Duluth for the participation in Twin Metals LLC. No goodwill was generated in this transaction. In order to maintain its interest, Antofagasta agreed to fund US$130 million of exploration and feasibility study expenditure over a three-year period and has the option to acquire at fair value an additional 25% of the project company (to own in aggregate 65%) upon completion of a bankable feasibility study. Up to 31 December 2011 the Group has advanced US$90 million to Twin Metals to fund exploration and feasibility study expenditure.

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.

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33 Other transactions

a) Exploration agreements

The Group has entered into new exploration agreements during 2011 with:

– Eurasian Minerals Inc. relating to the Normyran exploration project in Sweden
– Stratex International plc relating to explorations in Turkey
– Avrupa Minerals Ltd., relating to exploration opportunities in Portugal
– Riverside Resources relating to exploration opportunities in Canada
– Codelco in relation to exploration in Chile
– Monax Mining Limited relating to exploration opportunities in South Australia
– Eiseb Exploration & Mining Limited and Manica Minerals Limited, both relating to exploration opportunities in Namibia
– Sipa Resources Limited relating to exploration opportunities in Western Australia.

Additionally, after evaluation of the results of the exploration activities to date, the Group decided in May 2011 not to proceed further with the agreement with Sunridge Gold Corp relating to exploration in Eritrea.

b) Antucoya project

On 14 December 2011, the Group Board of Directors approved the development of Antucoya copper project, with an estimated capital cost of US$1.3 billion. The Group also signed a Memorandum of Understanding with Marubeni Corporation pursuant to which Marubeni will become a 30% partner in the project for a consideration totalling US$350 million. Antofagasta and Marubeni expect to enter into definitive agreements during the first quarter of 2012 and to close the transaction during the second half of 2012. Antucoya is a copper oxide deposit that is expected to produce an average of 80,000 tonnes of copper cathodes per annum through a standard heap-leach process, and is expected to have a mine life of approximately 20 years, with proved and probable Ore Reserves of 642 million tonnes of 0.35% copper.

c) Franconia Minerals Corporation

In August 2011 the Group's subsidiary Twin Metals Minnesota LLC ("Twin Metals") acquired the assets formerly held by Franconia Minerals Corporation ("Franconia"). The Group holds a 40% controlling stake in Twin Metals, with Duluth Metals Limited ("Duluth") holding a 60% non-controlling interest.

Franconia's principal asset was a 70% interest in the Birch Lake Joint Venture ("BLJV") which holds the Birch Lake, Maturi and Spruce Road copper-nickel-platinum and palladium deposits that are contiguous to Twin Metals' existing deposits. Franconia announced in November 2010 its intention to increase its ownership interest to 82% under the terms of the BLJV agreement. This asset was held by Franconia's subsidiary Franconia Minerals Corporation US, which has subsequently been converted into Franconia US LLC ("Franconia US").

In December 2010 the Group entered into arrangements with Duluth in connection with Duluth's proposed acquisition of 100% of Franconia. Duluth and Antofagasta agreed that following the acquisition, Twin Metals would acquire 100% of the membership units of Franconia US from Duluth.

In March 2011 Duluth completed its acquisition of Franconia at a cost of Can$74.8 million (US$76.6 million), in a combination of cash, Duluth shares and other obligations. Antofagasta funded Can$30.0 million (US$30.8 million) of the cash consideration through a loan to Duluth, reflecting its 40% interest in Twin Metals. The principal asset of Franconia, being the interest in the mining properties held via the BLJV, was valued at Can$74.1 million (US$75.9 million) at the date of acquisition by Duluth, along with other sundry net assets with a value of Can$0.7 million (US$0.8 million) at that date. Subsequent to Duluth's acquisition of Franconia, 40% of the membership units of Franconia US were transferred by Duluth to an Antofagasta group company. Duluth also paid Can$1.0 million (US$1.0 million) in cash to the Antofagasta group company, reflecting 40% of the cash distributed by Franconia to Duluth subsequent to Duluth's acquisition of Franconia in March 2011. Accordingly, the Group's net cash outflow as a result of the Franconia transaction has been Can$29.0 million (US$29.8 million).

In August 2011 Twin Metals acquired the Franconia assets, via the acquisition of 100% of the membership units of Franconia US, in consideration for the issuing of additional Twin Metals membership units to Duluth and to the Antofagasta group company holding the Franconia US membership units. The assets acquired by Twin Metals via this transaction were the interest in the mining properties held via the BLJV valued at US$75.9 million along with other sundry net liabilities with a value of US$3.2 million, resulting in a total net value of assets acquired, and Twin Metals membership units issued, of US$72.7 million. The interest in the mining deposits has been reflected as an addition to mining property assets within property, plant and equipment.

As noted above, Franconia announced in November 2010 its intention to increase its ownership interest in the BLJV from 70% to 82%, in accordance with the terms of the BLJV agreement. Under the BLJV agreement Franconia is entitled to increase its interest from 70% to 82% in return for funding 100% of the exploration, evaluation and development expenditures in respect of the mining properties held via the BLJV up to the commencement of commercial production. Franconia is entitled to recover amounts paid plus interest in respect of the 30% carried interest in the BLJV following the commencement of commercial production, from 60% of the cash flow attributable to the 30% carried interest. At 31 December 2011 the Group estimates the amount of the carried interest as US$7.6 million. No amounts have currently been recognised in the financial statements in respect of amounts which could potentially be recovered in respect of this carried interest following the commencement of commercial production from these properties.

34 Notes to the consolidated cash flow statement

a) Reconciliation of profit before tax to net cash inflow from operating activities

	2011 US$m	2010 US$m
Profit before tax	3,076.2	2,573.2
Depreciation and amortisation	431.7	277.0
Loss on disposal of property, plant and equipment	14.9	9.8
Provision against carrying value of assets	140.5	–
Asset impairments – reversal	–	(109.4)
Net finance expense	21.2	18.7
Share of profit of associate	(24.0)	2.6
Increase in inventories	(131.8)	(108.8)
Increase in debtors	(1.4)	(336.7)
Increase in creditors and provisions	25.2	107.5
Cash flows from operations	3,552.5	2,433.9

b) Analysis of changes in net cash

	At 1.1.11 US$m	Cash flows US$m	Other US$m	Exchange US$m	At 31.12.11 US$m
Cash and cash equivalents	2,734.7	(1,387.1)	–	(12.5)	1,335.1
Liquid investments	806.9	1,138.0	–	–	1,944.9
Total cash, cash equivalents and liquid investments	3,541.6	(249.1)	–	(12.5)	3,280.0
Bank borrowings due within one year	(134.8)	104.3	(263.0)	–	(293.5)
Bank borrowings due after one year	(2,014.2)	–	246.3	–	(1,767.9)
Finance leases due within one year	(2.8)	10.2	(15.0)	(0.8)	(8.4)
Finance leases due after one year	(41.6)	–	(28.9)	3.1	(67.4)
Preference shares	(3.1)	–	–	–	(3.1)
Total borrowings	(2,196.5)	114.5	(60.6)	2.3	(2,140.3)

	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)

c) Net cash

	2011 US$m	2010 US$m
Cash, cash equivalents and liquid investments	3,280.0	3,541.6
Total borrowings	(2,140.3)	(2,196.5)
Net cash	1,139.7	1,345.1

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35 Operating lease arrangements

	2011 US$m	2010 US$m
Minimum lease payments under operating leases recognised in income for the year	18.0	12.4

At the balance sheet date, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2011 US$m	2010 US$m
Within one year	13.9	10.2
In the second to fifth years inclusive	24.7	30.9
After five years	5.4	10.5
	44.0	51.6

Operating lease payments relate mainly to rental of plant and equipment by operating subsidiaries of the Group.

36 Concession arrangements

In 2003, the Group was awarded a 30-year concession to operate the water rights and facilities in the Antofagasta Region of Chile previously controlled by the state-owned operator ECONSSA (formerly know as ESSAN). The concession consists of two businesses, one an unregulated business supplying mines and other industrial users and the other a regulated water business supplying domestic customers. The concession contract was signed and control of the assets and operation assumed on 29 December 2003 by Aguas de Antofagasta S.A., a wholly-owned subsidiary of the Group.

Under the concession contract, certain assets and liabilities (mainly certain specific tangible fixed assets and working capital items) were transferred to Aguas de Antofagasta by way of sale. Other assets (mainly water rights and infrastructure) were transferred by way of concession and will devolve to ECONSSA at the end of the 30-year period.

Aguas de Antofagasta will also be required to transfer to ECONSSA any tangible fixed assets and working capital items under its ownership at the end of the 30-year concession period. A provision for the termination of the Water concession has been created for the fixed assets and working capital items under Aguas de Antofagasta's ownership to be transferred to ECONSSA at the end of the concession period. The provision is based on the net present value of the estimated value of these assets and liabilities in existence at the end of the concession. The release of the discount applied in establishing the net present value of future costs is charged to the income statement in each accounting period and is disclosed as a financing cost. Further details of this provision are given in Note 29(b).

The Chilean Water Regulator (Superintendencia de Servicios Sanitarios) sets domestic tariffs every five years following a regulatory review including representations from the operator of the concession. The last regulatory review was completed during 2006, which resulted in an average reduction in tariffs (compared with previous levels) of approximately 5% from July 2006.

37 Exchange rates in US dollars

The principal exchange rates expressed in US dollars used in the preparation of the 2011 financial statements are as follows:

	2011	2010
Year end rates	US$1.5509 = £1; US$1 = Ch$519	US$1.5406 = £1; US$1 = Ch$468
Average rates	US$1.6033 = £1; US$1 = Ch$483	US$1.5442 = £1; US$1 = Ch$510

38 Related party transactions

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note. Transactions between the Group and its associate are disclosed below.

The transactions which Group companies entered into with related parties who are not members of the Group are set out below.

a) Quiñenco S.A.

Quiñenco S.A. ("Quiñenco") is a Chilean financial and industrial conglomerate, the shares of which are traded on the Santiago Stock Exchange. The Group and Quiñenco are both under the control of the Luksic family, and three Directors of the Company, Jean-Paul Luksic, Guillermo Luksic and Gonzalo Menéndez, are also directors of Quiñenco.

The following material transactions took place between the Group and the Quiñenco group of companies, all of which were on normal commercial terms:

- the Group sold copper cathodes during the year for US$0.7 million (2010 – US$5.0 million) to Madeco S.A., a subsidiary of Quiñenco. The balance due from Madeco at the end of the year was less than US$0.1 million (2010 – was nil);
- the Group bought copper wire from Madeco for less than US$0.1 million (2010 – less than US$0.1 million);
- the Group earned interest income of US$0.5 million (2010 – US$0.5 million) during the year on deposits with Banco de Chile S.A., a subsidiary of Quiñenco. Deposit balances at the end of the year were US$23.7 million (2010 – US$1.9 million);
- the Group bought fuel from ENEX S.A. a subsidiary of Quiñenco of US$39.3 million. The balance due from Enex S.A. at the end of the year was US$ 3.6 million. It was not a related party during 2010;
- the Group has contract shipping services from Compañia Sudamericana de Vapores S.A., subsidiary of Quiñenco, of US$9.8 million. It was not a related party during 2010.

b) Compañía de Inversiones Adriático S.A.

In 2011, the Group leased office space on normal commercial terms from Compañía de Inversiones Adriático S.A., a company controlled by the Luksic family, at a cost of US$0.7 million (2010 – US$0.6 million).

c) Compañía Antofagasta Terminal Internacional S.A.

As explained in Note 17, the Group acquired a 30% interest in Antofagasta Terminal Internacional S.A. ("ATI") on 16 December 2004, which has been treated in these financial statements as an associate. During 2011, the Group received a dividend of US$1.2 million from ATI (2010 – US$0.8 million).

d) Antomin Limited, Antomin 2 Limited and Antomin Investors Limited

The Group holds a 51% interest in Antomin 2 Limited ("Antomin 2") and Antomin Investors Limited ("Antomin Investors"), which own a number of copper exploration properties. The Group originally acquired its 51% interest in these properties for a nominal consideration from Mineralinvest Establishment, a company controlled by the Luksic family, which continues to hold the remaining 49% of Antomin 2 and Antomin Investors. Antofagasta has the exclusive right to acquire at fair value under certain conditions the shareholding of Mineralinvest in Antomin 2 and Antomin Investors, or the underlying properties, for a period of five years from August 2008. The Group has also committed to meet in full any exploration costs relating to the properties held by these entities. During the year ended 31 December 2011 the Group incurred US$1.1 million (year ended 31 December 2010 – US$0.1 million) of exploration work at these properties.

e) Tethyan Copper Company Limited

As explained in Note 18(a), during 2006 the Group entered into a joint venture agreement with Barrick Gold Corporation ("Barrick Gold") to establish a 50:50 joint venture over Tethyan Copper Company Limited's ("Tethyan") mineral interests in Pakistan.

During the year the Group contributed US$9.7 million (2010 – US$12.1 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$0.1 million (2010 – US$0.3 million). Details of amounts relating to Tethyan included in the consolidated financial statements of the Group under the proportionate consolidation method are set out in Note 18(a).

f) Energía Andina S.A.

In October 2008 Energía Andina S.A. was formed as a vehicle for the exploration and exploitation of potential sources of geothermal energy. Initially, the company was 60% owned by the Group and 40% owned by Empresa Nacional del Petróleo ("ENAP") of Chile. On 6 May 2011 ENAP sold its 40% shareholding in Energía Andina to Origin Energy Geothermal Chile Limitada for US$12.0 million. The balance due from Energía Andina S.A. to the Group at 31 December 2011 was less than US$0.1 million (31 December 2010 – US$0.3 million). During the year ended 31 December 2011 the Group contributed US$9.0 million to Energía Andina (year ended December 2010 – nil).

g) Minera Cerro Centinela S.A.

Minera Cerro Centinela S.A. ("Centinela"), an entity ultimately controlled by the Luksic family, has an interest of 7.973% in Minera Michilla S.A. ("Michilla"), a shareholding it has held since Michilla was created through the merger of two predecessor companies on 31 December 1993. During the year ended 31 December 2011 Michilla paid dividends of US$1.6 million (year ended 31 December 2010 – US$ 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 82 to 85. Information relating to the remuneration of key management personnel including the Directors is given in Note 8.

i) Inversiones Hornitos S.A.

The Group has acquired a 40% interest in Inversiones Hornitos S.A. from GDF SUEZ, which is accounted for as an associate. During the year ended 31 December 2010 there was a US$57.2 million capital reduction in Inversiones Hornitos. The balance due from Inversiones Hornitos to the Group at 31 December 2011 was US$83.8 million (year ended 31 December 2010 – US$101.1 million). The Group paid US$70.6 million (year ended 31 December 2010 – nil) to Inversiones Hornitos in relation to the energy supply contract at Esperanza.

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.

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.

l) Sale of interest in Antucoya to Marubeni Corporation

On 14 December 2011, the Group signed a Memorandum of Understanding with Marubeni Corporation ("Marubeni") pursuant to which Marubeni will become a 30% partner in the Antucoya project for consideration totalling US$350 million and a commitment to fund its pro rata share of the development costs of the project.

Marubeni holds a 30% interest in Minera Esperanza and Minera El Tesoro. Marubeni is a related party of the Group for the purposes of the Listing Rules of the United Kingdom Listing Authority as it holds a significant interest in these two subsidiaries of the Group. Further details of this transaction are set out in Note 33.

m) El Arrayan

In December 2011, the Group exercised an option to acquire a 30% interest in Parque Eólico El Arrayán S.A. ("El Arrayan") for a consideration of US$4.5 million, and will be responsible for its share of development costs. This interest is accounted for as an associate. El Arrayan will develop and operate a 115MW wind power plant which is expected to begin construction in early 2012 and achieve commercial operation in the second half of 2013.

Financial statements: Notes to the financial statements

39 Litigation

Tethyan Copper Company Limited

Mining lease application, administrative appeal and international arbitration

The Group holds a 50% interest in Tethyan Copper Company Pty. Limited ("Tethyan Australia"), its joint venture with Barrick Gold Corporation ("Barrick"). Tethyan Australia is seeking, with and through its wholly-owned subsidiary Tethyan Copper Company Pakistan (Private) Limited ("Tethyan Pakistan" and, together with Tethyan Australia, "Tethyan") to develop the Reko Diq copper-gold deposit in the Chagai Hills district of the province of Balochistan in south-west Pakistan. Tethyan has held a 75% interest in an exploration licence encompassing the Reko Diq deposit, with the Government of Balochistan (the provincial authority) holding the remaining 25% interest, resulting in an effective interest for the Antofagasta group of 37.5%. The relationship between Tethyan and the Government of Balochistan in respect of their interests in the project is governed by the Chagai Hills Exploration Joint Venture Agreement ("CHEJVA").

Tethyan completed the feasibility study in respect of the project and submitted this to the Government of Balochistan in August 2010. On 15 February 2011, Tethyan submitted an application to the Government of Balochistan in accordance with the Balochistan Mineral Rules for a mining lease. Tethyan's exploration licence had been due to expire on 19 February 2011, but the submission of the mining lease application suspended the expiry of the exploration licence as to the mining area covered in the application. On 15 November 2011, Tethyan was notified by the Government of Balochistan that the Government had rejected the application. In November 2011 Tethyan initiated an administrative appeal with the Government of Balochistan in respect of the mining lease application process. On 3 March 2012 Tethyan was notified that this administrative appeal had been rejected. Tethyan has also commenced two international arbitrations in order to protect its legal rights.

Supreme Court hearings

On 26 June 2007 the High Court of Balochistan at Quetta dismissed a petition which had sought to declare that the Chagai Hills Exploration Joint Venture of 1993 and the exploration licences granted to Tethyan were null and void. It also overturned an injunction passed earlier by the Court. The High Court petition had been filed in November 2006 and was directed at the Government of Pakistan and the Government of Balochistan, although it also named Tethyan Pakistan as a respondent.

The petitioners filed a Civil Petition for Leave to Appeal ("CPLA") against the High Court judgment. The CPLA was allowed by the Supreme Court, converting it into an Appeal. The Supreme Court also agreed to hear new constitutional petitions which were filed in late 2010 and early 2011. These new petitions relate primarily to whether it is in the public interest for Tethyan to receive a mining lease.

On 3 February 2011, the Supreme Court issued an interim order providing, among other things, that the Government of Balochistan could not take any decision in respect of the grant or other disposition of a mining lease to Tethyan until matters before the Supreme Court were decided. On 25 May 2011, the Supreme Court recalled this interim order and instructed the Government of Balochistan to proceed to expeditiously decide on Tethyan's application for the mining lease transparently and fairly in accordance with the law and the rules. The Supreme Court also decided that the petitions should remain pending until the decision on the application by the competent authority.

Following the Government of Balochistan's rejection of Tethyan's mining lease application, the Supreme Court received a number of applications requesting it to re-instigate hearings in respect of these matters. To date, the Supreme Court has held a number of hearings regarding the pending cases.

Tethyan strongly believes that it has complied with the requirements of the Balochistan Mineral Rules and the CHEJVA and is entitled to the grant of the mining lease. However, given the uncertainty caused by the Government of Balochistan's rejection of Tethyan's mining lease application, the Group has recognised a provision against the US$140.5 million carrying value of intangible assets and property, plant and equipment relating to the project.

40 Contingent liabilities

Antofagasta plc or its subsidiaries is subject to various claims which arise in the ordinary course of business. No provision has been made in the financial statements and none of these claims are currently expected to result in any material loss to the Group. Details of the principal claim in existence either during or at the end of the year and the current status is set out below:

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.

41 Ultimate Parent Company

The immediate parent of the Group is Metalinvest Establishment, which is controlled by E. Abaroa Foundation, in which members of the Luksic family are interested.

Both Metalinvest Establishment and the E. Abaroa Foundation are domiciled in Liechtenstein. Information relating to the interest of Metalinvest Establishment and the E. Abaroa Foundation are given in the Directors' report on page 86.

Parent Company financial statements

42 Antofagasta plc – Balance sheet of the Parent Company and related notes

Parent Company balance sheet

At 31 December 2011

	Notes	2011 US$m	2010 US$m
Fixed assets			
Investment in subsidiaries	42D	666.5	666.3
Current assets			
Debtors – amounts falling due within one year			
– Other debtors		–	0.5
– Amounts owed by subsidiaries	42D	661.7	1,203.9
Current asset investments (term deposits)		1.1	7.1
Cash at bank and in hand		1.1	1.0
		663.9	1,212.5
Creditors – amounts falling due within one year			
Other creditors		–	(1.9)
Amounts owed to subsidiaries		(299.5)	(299.5)
		(299.5)	(301.4)
Net current assets		364.4	911.1
Total assets less current liabilities		1,030.9	1,577.4
Creditors – amounts falling due after more than one year			
Preference shares	42E	(3.1)	(3.1)
Total assets less total liabilities		1,027.8	1,574.3
Capital and reserves			
Called up shares capital			
– Ordinary shares – equity	42F	89.8	89.8
Reserves			
– Share premium account	42F	199.2	199.2
– Profit and loss account	42F	738.8	1,285.3
Shareholders' funds (including non-equity interests)		1,027.8	1,574.3

Approved by the Board and signed on its behalf on 12 March 2012.

Jean-Paul Luksic
Chairman

William Hayes
Director

Financial statements: Parent Company financial statements

42A 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 2011.

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$636.5 million (2010 – US$676.8 million).

42B 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 42D, 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.

42C Employee benefit expense

a) Average number of employees

With effect from 1 January 2011 all employees of Antofagasta plc transferred to another Group company, and accordingly the Company had nil employees during 2011 (2010 average – 8).

b) Aggregate remuneration

Given that all employees of Antofagasta plc transferred to another Group company with effect from 1 January 2011, the aggregate remuneration of the Company's employees was nil during 2011.

	2011 US$m	2010 US$m
Wages and salaries	–	(1.6)
Social security costs	–	(0.2)
Post-employment benefits – severance charge in the year	–	(0.1)
	–	(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.

42D Subsidiaries

a) Investment in subsidiaries

	2011 US$m	2010 US$m
Shares in subsidiaries at cost	57.6	57.6
Amounts owed by subsidiaries due after more than one year	608.9	608.7
	666.5	666.3

	Shares US$m	Loans US$m	Total US$m
1 January 2011	57.6	608.7	666.3
Loans made	–	0.2	0.2
31 December 2011	57.6	608.9	666.5

b) Amounts owed by subsidiaries due within one year

At 31 December 2011, amounts owed by subsidiaries due within one year were US$661.7 million. (2010 – US$1,203.9 million).

42E 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 2011 and 31 December 2010. As explained in Note 42B(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(xi)) at any general meeting.

42F 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 2010 (equity)	89.8	199.2	845.1	1,134.1
Profit for the financial year	–	–	676.8	676.8
Dividends paid	–	–	(236.6)	(236.6)
At 31 December 2010 and 1 January 2011	89.8	199.2	1,285.3	1,574.3
Profit for the financial year	–	–	636.5	636.5
Dividends paid	–	–	(1,183.0)	(1,183.0)
31 December 2011 (equity)	89.8	199.2	738.8	1,027.8

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

Production

Given the long-life, capital intensive nature of our mining operations, operating in a manner which is safe and sustainable over the long term is key to delivering value.

Other information: Five year summary

	2011 US$m	2010 US$m	2009 US$m	2008 US$m	2007 US$m
Consolidated balance sheet					
Intangible asset[1]	**155.3**	311.5	311.2	233.6	263.6
Property plant & equipment[1]	**6,443.0**	6,093.4	4,873.2	3,679.7	2,623.9
Investment property	**3.1**	3.7	3.4	2.7	3.5
Investment in associate	**84.8**	58.0	121.3	3.0	2.5
Trade and other receivables	**67.7**	42.9	36.6	34.1	32.0
Derivative financial instruments	**47.6**	–	47.6	–	1.4
Available for sale investments	**36.5**	21.8	1.2	0.7	3.3
Deferred tax assets	**83.2**	110.0	31.1	12.7	14.7
Non-current assets	**6,921.2**	6,641.3	5,425.6	3,966.5	2,944.9
Current assets	**4,784.0**	4,946.5	4,132.5	3,988.4	2,910.6
Current liabilities	**(985.3)**	(930.7)	(995.6)	(974.7)	(366.6)
Non-current liabilities	**(2,912.5)**	(3,131.3)	(1,897.5)	(547.6)	(582.4)
	7,807.4	7,525.8	6,665.0	6,432.6	4,906.5
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)	**5,907.2**	5,881.6	5,049.6	4,977.8	3,776.0
Equity attributable to equity holders of the Company	**6,196.2**	6,170.6	5,338.6	5,266.8	4,065.0
Non-controlling interests	**1,611.2**	1,355.2	1,278.8	1,165.8	841.5
	7,807.4	**7,525.8**	**6,617.4**	**6,432.6**	**4,906.5**

	2011 US$m	2010 US$m	2009 US$m	2008 US$m	2007 US$m
Consolidated income statement					
Group revenue	**6,076.0**	4,577.1	2,962.6	3,372.6	3,826.7
Total profit from operations and associates	**3,097.4**	2,591.9	1,463.5	2,553.2	2,654.8
Profit before tax[2]	**3,076.2**	2,573.2	1,437.6	2,609.5	2,750.2
Income tax expense	**(946.2)**	(752.5)	(317.7)	(519.7)	(638.4)
Non-controlling interests	**(893.4)**	(768.9)	(452.2)	(383.3)	(729.7)
Net earnings (profit attributable to equity holders of the Company)	**1,236.6**	1,051.8	667.7	1,706.5	1,382.1
EBITDA[3]	**3,660.5**	2,771.9	1,680.7	1,899.8	2,824.0

See footnotes on page 145.

	2011 cents	2010 cents	2009 cents	2008 cents	2007 cents
Earnings per share					
Basic and diluted earnings per share	**125.4**	106.7	67.7	173.1	140.2

Dividends to Ordinary Shareholders of the Company

	2011 cents	2010 cents	2009 cents	2008 cents	2007 cents
Dividends per share proposed in relation to the year					
Ordinary dividends (interim and final)	**20.0**	16.0	9.4	9.0	8.6
Special dividends	**24.0**	100.0	14.0	51.0	41.0
	44.0	116.0	23.4	60.0	49.6
Dividends per share paid in the year and deducted from equity	**120.0**	24.0	57.0	49.8	49.2

	2011 US$m	2010 US$m	2009 US$m	2008 US$m	2007 US$m
Consolidated cash flow statement					
Cash flow from operations	**3,552.5**	2,433.9	1,167.8	2,454.3	2,817.7
Interest paid	**(69.3)**	(42.4)	(27.0)	(12.5)	(20.2)
Dividends from associates	**1.2**	0.8	0.7	1.8	2.4
Income tax paid	**(1,018.1)**	(427.9)	(135.2)	(561.4)	(806.0)
Net cash from operating activities	**2,466.3**	1,964.4	1,006.3	1,882.2	1,993.9
Investing activities					
Acquisition and disposal of subsidiaries, joint venture, associates,					
Available for sale investments, investing activities and recovery of VAT	**(1,169.8)**	(188.0)	(226.4)	618.5	36.3
Purchases and disposals of intangible assets, property, plant, and equipment	**(666.6)**	(1,298.3)	(1,376.1)	(1,145.7)	(481.7)
Interest received	**21.7**	26.2	15.8	78.8	111.3
Net cash used in investing activities	**(1,814.7)**	(1,460.1)	(1,586.7)	(448.4)	(334.1)
Financing activities					
Dividends paid to equity holders of the Company	**(1,183.0)**	(236.6)	(561.9)	(491.0)	(485.0)
Dividends paid to preference holders and non-controlling interests	**(741.2)**	(702.9)	(310.2)	(495.8)	(681.4)
New borrowings less repayment of borrowings and finance leases	**(114.5)**	562.2	1,177.1	177.7	(93.2)
Net cash used in financing activities	**(2,038.7)**	(377.3)	305.0	(809.1)	(1,259.6)
Net (decrease)/increase in cash and cash equivalents	**(1,387.1)**	127.0	(275.4)	624.7	400.2

	2011 US$m	2010 US$m	2009 US$m	2008 US$m	2007 US$m
Consolidated net cash					
Cash, cash equivalents and liquid investments	**3,280.0**	3,541.6	3,222.3	3,358.0	2,212.5
Short-term borrowings	**(301.9)**	(137.6)	(431.8)	(319.0)	(101.8)
Medium and long-term borrowings	**(1,838.4)**	(2,058.9)	(1,194.8)	(119.9)	(164.2)
	(2,140.3)	(2,196.5)	(1,626.6)	(438.9)	(266.0)
Net cash at the year end	**1,139.7**	1,345.1	1,595.7	2,919.1	1,946.5

[1] IFRIC 12 Service Concession Arrangements was adopted in 2008, which required that all infrastructure assets relating to the Water concession to be recorded within intangible assets. Previously, certain infrastructure assets were recorded within property, plant and equipment. Accordingly, the 2008 figures have been prepared on this basis, and the comparatives for 2007 have been restated to reclassify these assets.

[2] In 2011 the consolidated income statement included a US$ 140.5 million as a provision against the carrying value of intangible assets and property, plant and equipment relating to the Group's joint venture Tethyan Copper Company Pty. Ltd. Excluding this exceptional item profit before tax was US$3,216.7 million. 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 2011 and 2010 is reconciled to operating profit in the Financial review on page 62.

Other information: Ore reserves and mineral resources estimates At 31 December 2011

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 148 to 150. The totals in the table may include some small apparent differences as the specific individual figures have not been rounded.

Definitions and categories of ore reserves and mineral resources

A 'Mineral Resource' is a concentration or occurrence of material of intrinsic economic interest in or on the Earth's crust in such form, quality and quantity that there are reasonable prospects for eventual economic extraction. The location, quantity, grade, geological characteristics and continuity of a Mineral Resource are known, estimated or interpreted from specific geological evidence and knowledge. Mineral Resources are sub-divided, in order of increasing geological confidence, into Inferred, Indicated and Measured categories.

An 'Inferred Mineral Resource' is that part of a Mineral Resource for which tonnage, grade and mineral content can be estimated with a low level of confidence. It is inferred from geological evidence and assumed but not verified geological and/or grade continuity. It is based on information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes which may be limited or of uncertain quality and reliability.

An 'Indicated Mineral Resource' is that part of a Mineral Resource for which tonnage, densities, shape, physical characteristics, grade and mineral content can be estimated with a reasonable level of confidence. It is based on exploration, sampling and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes. The locations are too widely or inappropriately spaced to confirm geological and/or grade continuity but are spaced closely enough for continuity to be assumed.

A 'Measured Mineral Resource' is that part of a Mineral Resource for which tonnage, densities, shape, physical characteristics, grade and mineral content can be estimated with a high level of confidence. It is based on detailed and reliable exploration, sampling and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes. The locations are spaced closely enough to confirm geological and grade continuity.

An 'Ore Reserve' is the economically mineable part of a Measured and/or Indicated Mineral Resource. It includes diluting materials and allowances for losses, which may occur when the material is mined. Appropriate assessments and studies have been carried out, and include consideration of and modification by realistically assumed mining, metallurgical, economic, marketing, legal, environmental, social and governmental factors. These assessments demonstrate at the time of reporting that extraction could reasonably be justified. Ore Reserves are sub-divided in order of increasing confidence into Probable Ore Reserves and Proved Ore Reserves.

A 'Probable Ore Reserve' is the economically mineable part of an Indicated, and in some circumstances, a Measured Mineral Resource. It includes diluting materials and allowances for losses which may occur when the material is mined. Appropriate assessments and studies have been carried out, and include consideration of and modification by realistically assumed mining, metallurgical, economic, marketing, legal, environmental, social and governmental factors These assessments demonstrate at the time of reporting that extraction could reasonably be justified.

A 'Proved Ore Reserve' is the economically mineable part of a Measured Mineral Resource. It includes diluting materials and allowances for losses which may occur when the material is mined. Appropriate assessments and studies have been carried out, and include consideration of and modification by realistically assumed mining, metallurgical, economic, marketing, legal, environmental, social and governmental factors. These assessments demonstrate at the time of reporting that extraction could reasonably be justified.

Ore reserves

	Tonnage (millions of tonnes)		Copper %		Molybdenum %		Gold (g/tonne)		Attributable tonnage (millions of tonnes)	
Group subsidiaries	**2011**	2010	**2011**	2010	**2011**	2010	**2011**	2010	**2011**	2010
Los Pelambres (see Note (a))										
Proved	**514.6**	548.4	**0.67**	0.67	**0.022**	0.021	**0.03**	0.03	**308.7**	329.1
Probable	**964.2**	884.6	**0.60**	0.63	**0.016**	0.016	**0.03**	0.03	**578.5**	530.8
Total	**1,478.7**	1,433.0	**0.62**	0.64	**0.018**	0.018	**0.03**	0.03	**887.2**	859.8
Esperanza Sulphides (see Note (b))										
Proved	**258.2**	207.6	**0.61**	0.52	**0.008**	0.010	**0.27**	0.21	**180.7**	145.4
Probable	**342.0**	379.4	**0.49**	0.56	**0.012**	0.010	**0.18**	0.23	**239.4**	265.6
Total	**600.2**	587.0	**0.54**	0.55	**0.010**	0.010	**0.22**	0.22	**420.2**	410.9
El Tesoro (see Note (c))										
Tesoro Central, Tesoro North-East, Mirador										
Proved	**70.7**	76.4	**0.91**	0.94	**–**	–	**–**	–	**49.5**	53.5
Probable	**50.5**	53.8	**0.64**	0.67	**–**	–	**–**	–	**35.4**	37.7
Sub-total	**121.2**	130.2	**0.80**	0.83	**–**	–	**–**	–	**84.9**	91.2
El Tesoro ROM (Esperanza Oxides)										
Proved	**9.8**	5.1	**0.31**	0.38	**–**	–	**–**	–	**6.9**	3.6
Probable	**97.1**	97.3	**0.32**	0.35	**–**	–	**–**	–	**67.9**	68.1
Sub-total	**106.9**	102.4	**0.32**	0.35	**–**	–	**–**	–	**74.8**	71.7
Total	**228.1**	232.7	**0.58**	0.62					**159.7**	162.9
Antucoya (see Note (e))										
Proved	**215.1**	–	**0.38**	–	**–**	–	**–**	–	**215.1**	–
Probable	**426.5**	–	**0.34**	–	**–**	–	**–**	–	**426.5**	–
Total	**641.6**	–	**0.35**	–	**–**	–	**–**	–	**641.6**	–
Michilla (see Note (d))										
Proved	**6.7**	1.8	**1.25**	1.56	**–**	–	**–**	–	**5.0**	1.3
Probable	**5.2**	4.0	**1.33**	1.52	**–**	–	**–**	–	**3.9**	3.0
Total	**11.9**	5.8	**1.28**	1.53	**–**	–	**–**	–	**8.8**	4.3
Group total	**2,960.6**	2,258.5	**0.55**	0.62					**2,117.6**	1,437.9

Other information: Ore reserves and mineral resources estimates At 31 December 2011

Mineral resources (including ore reserves)

	Tonnage (millions of tonnes)		Copper %		Molybdenum %		Gold (g/tonne)		Attributable tonnage (millions of tonnes)	
Group subsidiaries	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
Los Pelambres (see Note (a))										
Measured	525.5	613.4	0.66	0.66	0.022	0.021	0.03	0.03	315.3	368.0
Indicated	1,070.3	1,247.0	0.60	0.61	0.016	0.014	0.03	0.03	642.2	748.2
Measured + Indicated	1,595.9	1,860.4	0.62	0.63	0.018	0.016	0.03	0.03	957.5	1,116.3
Inferred	4,410.0	3,957.9	0.47	0.48	0.008	0.006	0.03	0.04	2,646.0	2,374.8
Total	6,005.9	5,818.4	0.51	0.53	0.011	0.010	0.03	0.04	3,603.5	3,491.0
Esperanza Sulphides (see Note (b))										
Measured	275.4	256.7	0.58	0.48	0.008	0.010	0.25	0.18	192.8	179.7
Indicated	631.2	634.0	0.41	0.47	0.012	0.011	0.14	0.17	441.9	443.8
Measured + Indicated	906.7	890.7	0.46	0.47	0.011	0.011	0.18	0.17	634.7	623.5
Inferred	1,112.3	1,031.9	0.28	0.31	0.008	0.008	0.07	0.06	778.6	722.3
Total	2,019.0	1,922.6	0.36	0.39	0.009	0.010	0.12	0.11	1,413.3	1,345.8
El Tesoro (see Note (c))										
Tesoro Central, Tesoro North-East and Mirador										
Measured	82.4	86.5	0.88	0.91	–	–	–	–	57.7	60.5
Indicated	63.1	62.5	0.64	0.66	–	–	–	–	44.2	43.8
Measured + Indicated	145.6	149.0	0.78	0.81	–	–	–	–	101.9	104.3
Inferred	7.0	6.0	0.58	0.62	–	–	–	–	4.9	4.2
Sub-total	152.6	155.0	0.77	0.80	–	–	–	–	106.8	108.5
El Tesoro ROM *(Esperanza Oxides)*										
Measured	9.8	5.3	0.31	0.43	–	–	–	–	6.9	3.7
Indicated	97.3	97.9	0.32	0.32	–	–	–	–	68.1	68.5
Measured + Indicated	107.1	103.1	0.32	0.33	–	–	–	–	75.0	72.2
Inferred	0.6	18.1	0.32	0.30	–	–	–	–	0.4	12.7
Sub-total	107.7	121.3	0.32	0.33	–	–	–	–	75.4	84.9
Total	260.3	276.3	0.58	0.59	–	–	–	–	182.2	193.4
Michilla (see Note (d))										
Measured	27.8	22.7	1.59	1.86	–	–	–	–	20.6	16.8
Indicated	25.2	20.0	1.45	1.69	–	–	–	–	18.7	14.8
Measured + Indicated	53.0	42.7	1.52	1.78	–	–	–	–	39.3	31.7
Inferred	13.7	13.6	1.73	1.76	–	–	–	–	10.2	10.1
Total	66.7	56.2	1.57	1.78	–	–	–	–	49.5	41.7
Antucoya (see Note (e))										
Measured	277.9	497.3	0.34	0.31	–	–	–	–	277.9	497.3
Indicated	737.4	656.0	0.30	0.26	–	–	–	–	737.4	656.0
Measured + Indicated	1,015.3	1,153.3	0.31	0.28	–	–	–	–	1,015.3	1,153.3
Inferred	90.9	355.7	0.28	0.24	–	–	–	–	90.9	355.7
Total	1,106.2	1,509.1	0.31	0.27	–	–	–	–	1,106.2	1,509.1
Telégrafo (see Note (f))										
Oxides										
Measured	8.7	–	0.21	–	–	–	–	–	6.1	–
Indicated	40.6	14.3	0.21	0.19	–	–	–	–	28.4	10.0
Measured + Indicated	49.3	14.3	0.21	0.19	–	–	–	–	34.5	10.0
Inferred	14.9	36.6	0.21	0.22	–	–	–	–	10.4	25.6
Sub-total	64.1	50.8	0.21	0.21	–	–	–	–	44.9	35.6

	Tonnage (millions of tonnes)		Copper %		Molybdenum %		Gold (g/tonne)		Attributable tonnage (millions of tonnes)	
Group subsidiaries	**2011**	2010	**2011**	2010	**2011**	2010	**2011**	2010	**2011**	2010
Sulphides										
Measured	**181.7**	–	**0.43**	–	**0.013**	–	**0.18**	–	**127.2**	–
Indicated	**1,103.9**	1,137.7	**0.39**	0.40	**0.013**	0.015	**0.13**	0.13	**772.7**	796.4
Measured + Indicated	**1,285.5**	1,137.7	**0.40**	0.40	**0.013**	0.015	**0.14**	0.13	**899.9**	796.4
Inferred	**1,615.8**	1,539.3	**0.30**	0.32	**0.008**	0.007	**0.09**	0.08	**1,131.0**	1,077.5
Sub-total	**2,901.3**	2,677.0	**0.34**	0.36	**0.010**	0.010	**0.11**	0.10	**2,030.9**	1,873.9
Total	**2,965.4**	2,727.9	**0.34**	0.35	**–**	–	**–**	–	**2,075.8**	1,909.5
Caracoles (see Note (g))										
Oxides										
Measured	**0.6**	–	**0.45**	–	**–**	–	**–**	–	**0.6**	–
Indicated	**204.5**	–	**0.40**	–	**–**	–	**–**	–	**204.5**	–
Measured + Indicated	**205.2**	–	**0.40**	–	**–**	–	**–**	–	**205.2**	–
Inferred	**7.1**	132.4	**0.25**	0.50	**–**	–	**–**	–	**7.1**	132.4
Sub-total	**212.2**	132.4	**0.40**	0.50	**–**	–	**–**	–	**212.2**	132.4
Sulphides										
Measured	**187.4**	7.8	**0.59**	0.68	**0.016**	0.017	**0.22**	0.35	**187.4**	7.8
Indicated	**753.8**	676.0	**0.39**	0.47	**0.014**	0.016	**0.14**	0.18	**753.8**	676.0
Measured + Indicated	**941.2**	683.8	**0.43**	0.48	**0.015**	0.016	**0.16**	0.18	**941.2**	683.8
Inferred	**148.1**	312.7	**0.27**	0.38	**0.010**	0.014	**0.10**	0.18	**148.1**	312.7
Sub-total	**1,089.2**	996.5	**0.41**	0.45	**0.014**	0.015	**0.15**	0.18	**1,089.2**	996.5
Total	**1,301.5**	1,128.9	**0.41**	0.45	**–**	–	**–**	–	**1,301.5**	1,128.9
Measured + Indicated	**6,304.7**	6,035.1	**0.47**	0.48	**–**	–	**–**	–	**4,904.4**	4,591.4
Inferred	**7,420.4**	7,404.2	**0.40**	0.41	**–**	–	**–**	–	**4,827.6**	5,028.0
Group Subsidiaries total	**13,725.1**	13,439.3	**0.43**	0.44	**–**	–	**–**	–	**9,732.1**	9,619.4
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	**5,867.9**	5,867.9	**0.41**	0.41	**–**	–	**0.22**	0.22	**2,200.4**	2,200.4
Total Group										
Measured + Indicated	**9,287.5**	9,017.9	**0.47**	0.48	**–**	–	**–**	–	**6,023.0**	5,710.0
Inferred	**10,305.4**	10,289.3	**0.39**	0.39	**–**	–	**–**	–	**5,909.5**	6,109.9
Total	**19,592.9**	19,307.1	**0.43**	0.43	**–**	–	**–**	–	**11,932.5**	11,819.9

Other information: Ore reserves and mineral resources estimates At 31 December 2011

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 240 cents per pound (220 cents per pound in 2010), US$12.00 per pound molybdenum (US$12.00 per pound in 2010) and US$900 per gold ounce (US$850 per gold ounce in 2010), 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 300 cents per pound (250 cents per pound in 2010). 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 2011 the mineral resource model has been updated with 60 in-fill drill holes for a total of 15,877 metres. In this model, criteria for resource categorisation have been modified, incorporating recommendations included in a pre-audit report conducted by AMEC (October 2009). Metallurgical models have also been updated.

The net increase of 46 million tonnes (after depletion of 64 million tonnes) in ore reserves is mainly related to the inclusion in the database of the in-fill drillholes, which have lifted some inferred resources into the indicated or measured category, as well as the modification in resource categorisation criteria. The final pit design has not been modified significantly for the 2011 ore reserve estimate.

Mineral resources increased overall by a net 187 million tonnes, after depletion. Mineral resources in the measured and indicated categories decreased by 265 million tonnes (mostly outside the designed reserve pit) while resources in the inferred category increased by 452 million tonnes. A portion of the inferred category increase is a result of re-categorisation of measured and indicated resources while the remainder is due to increased information from drill holes at depth and an increase in the price of copper used for defining resources. Mineral resources are defined as those contained within an un-smoothed, optimised pit shell, using all resource categories and a copper price of 300 cents per pound (250 cents per pound in 2010), discounting those resources falling within the Las Tigresas concessions (which are 100% owned by the Group, not directly by Los Pelambres), adjacent to the concessions owned by Los Pelambres. The western portion of the Las Tigresas concessions was transferred to Los Pelambres in 2011.

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. For 2011 the mineral resource model has been updated with 101 in-fill drill holes for a total of 43,997 metres.

Despite depletion of 24 million tonnes, ore reserves increased by a net 13 million tonnes. This is a result of re-categorisation of inferred resources from the in fill drilling programme. The final pit design has not been modified for the 2011 ore reserve estimate.

Mineral resources increased by a net 96 million tonnes, after depletion. This is due to new information from the in-fill drilling campaign as well as adjustments to the geological and estimation models. Mineral resources have been limited to those contained within an un-smoothed, optimised pit shell using a copper price of 300 cents per pound (250 cents per pound in 2010). The optimised pit shell used to limit mineral resources is based on an integrated block model that estimates the Esperanza and Telégrafo mineral deposits together in one model. This is a change from 2010 when the two deposits were modelled separately and then the two models were joined to form an integrated 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 Central, Tesoro North-East and Mirador deposits, which are processed by heap-leaching, and the Run-of-Mine (ROM) Oxide ore reserves and mineral resources from the Esperanza Mine, located five kilometres south-east of El Tesoro. An agreement was entered into in 2008 whereby the Esperanza Oxide mineral resources were purchased by El Tesoro for a one-time payment. Esperanza delivers the ROM ore released during the pre-stripping and operating phases of the Esperanza operation to a permanent leach pad constructed and operated by the El Tesoro mine. At the request of El Tesoro, some of the higher grade Esperanza oxide ore is sent directly to the El Tesoro heap-leach pads.

The cut-off grade used for estimation of ore reserves and mineral resources for the Tesoro Central and Tesoro North-East deposits is 0.41% copper. The cut-off grade used for estimation of ore reserves and mineral resources for the Mirador deposit is 0.30% copper, reflecting higher projected recoveries and lower acid consumption for the Mirador deposit.

Proved and probable ore reserves for the El Tesoro open pits were depleted by 7.0 million tonnes as plant feed (the remainder of plant feed came from higher grade Esperanza oxides). Total ore reserves were reduced by 9.0 million tonnes, with the difference due to adjustments to pit designs.

Proved and probable ore reserves for the Esperanza oxides increased by a net 4.5 million tonnes, after depletion of 2.1 million tonnes. This is a result of the effects of the in-fill drill campaign in the Esperanza resource model upgrading inferred resources to the measured or indicated category (see note (b) above).

Total mineral resources for the El Tesoro open pits increased by a net 2.4 million tonnes. This is a combination of depletion of 7.0 million tonnes offset by an increase in the copper price used to optimise the resource pits. Mineral resources are defined as those contained within an un-smoothed, optimised pit shell using all resource categories and a copper price of 300 cents per pound (250 cents per pound in 2010).

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, 21.9 million tonnes of oxide mineral resources were extracted from the Esperanza pit, of which 2.1 million tonnes of higher grade oxide ore were delivered directly to the El Tesoro heap-leach pads and subsequently depleted. A total of 63.5 million tonnes are in the ROM leach pads and have been partially leached, and another 17.6 million tonnes have been delivered to the ROM leach pads or stockpiles and have not yet been put under leach.

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 0.36 to 0.40% copper for open pits (0.40% in 2010), 1.2% copper for the Estefanía underground mine and 0.8% copper for other workings (a change from 1.0% in 2010).

Ore reserves increased by a net 6.1 million tonnes, after depletion of 4.0 million tonnes. Plant feed was 4.6 million tonnes, with the difference coming from additional ore not considered in the mine plan. The ore reserve estimate for 2011 is based on a mine plan that extends the mine life to 2015 (from 2012 previously). This mine plan includes incorporation of ore reserves in the Aurora pit, opening up another phase in the Lince pit and returning to the Núcleo X pit with a push-back, as well as extensions to the cut-and-fill sections of the Estefanía underground operation and developments in the third-party satellite deposits. During 2011 in-fill and exploration drilling was carried out on the Estefanía/Lince deposits and on several other satellite deposits for a total of 36,780 metres in 253 drill holes.

Mineral resources have increased by a net 10.5 million tonnes, after depletion. Additional resources are related to the incorporation of the Viruca deposit as a potential open pit and a significant increase in the Polo deposit, both of which are within an economic radius of the existing plant. The open pit mineral resource estimates include those resources contained within an un-smoothed, optimised pit shell using all resource categories and a copper price of 300 cents per pound (250 cents per pound in 2010) and applying a cut-off grade of 0.40% copper within the pit shell. The mineral resources estimate for Michilla includes several resource block models, incorporating the multiple deposits on the property. A portion of the extensive drilling programme carried out in 2010 and continuing in 2011 has been included in resource block model updates for the 2011 mineral resources estimates, except for the Lince/Estefanía deposit. The Lince/Estefanía resource model was last updated in March 2010, with a significant resource model update expected in 2012.

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 continued and modest production from spent ore was realised in 2011, with significant production projected for 2012 and beyond.

e) Antucoya

Antucoya is 100% owned by the Group as of end-2011. As explained in Note 33 to the financial statements, a Memorandum of Understanding was signed in December 2011 whereby Marubeni Corporation (the Group's partner in El Tesoro and Esperanza) agreed to become a 30% partner in this project. Definitive agreements are expected to be signed during the first quarter of 2012 and closing of the transaction is expected during the second half of 2012. A feasibility study was completed in 2011 and a decision was made in December to construct the project. The concept for processing has now been confined to heap-leaching on dynamic pads (Run-of-Mine (ROM) leaching on permanent pads was previously considered but rejected during the feasibility study). The cut-off grade for mineral resources has therefore been increased to 0.15% (from 0.10% in 2010), consistent with the heap-leaching process.

Ore reserves for Antucoya were originally published on December 14th, 2011 and are based on a cut-off grade of 0.21% copper.

Mineral resources for Antucoya have decreased by 403 million tonnes, mostly related to the increase in cut-off grade. Mineral resources include those contained within an un-smoothed, optimised pit shell using a copper price of 300 cents per pound (250 cents per pound in 2010).

f) Telégrafo (Esperanza Sur)

Telégrafo is owned 70% by the Group and is adjacent to the Esperanza deposit. A cut-off grade of 0.15% copper is used for determining mineral resources. For 2011 the mineral resource model has been updated with 168 in-fill drill holes for a total of 48,767 metres.

Total mineral resources have increased by 238 million tonnes with the measured and indicated categories increasing by 183 million tonnes. This is due to new information from the in-fill drilling campaign as well as adjustments to the geological and estimation models. Mineral resources have been limited to those contained within an un-smoothed, optimised pit shell using a copper price of 300 cents per pound (250 cents per pound in 2010). The optimised pit shell used to limit mineral resources is based on an integrated block model that estimates the Esperanza and Telégrafo mineral deposits together in one model. This is a change from 2010 when the two deposits were modelled separately and then the two models were joined to form an integrated model. From 2012 on the Telégrafo deposit will be referred to as Esperanza Sur, in order to better reflect the more continuous nature of the mineralization.

g) Caracoles (Encuentro)

Caracoles is 100% owned by the Group. The cut-off grade applied to the determination of mineral resources for both oxides and sulphides is 0.15% copper (0.20% copper in 2010). For 2011 the mineral resource model has been updated with 86 in-fill drill holes for a total of 46,019 metres.

Total mineral resources have increased by 286 million tonnes, with a 290 million tonne decrease in inferred resources category more than offset by a 463 million tonne increase in measured and indicated categories, as a result of the extensive in-fill drilling campaign carried out prior to updating the resource model for 2011 and the change in cut-off grade. Mineral resources include those contained within an un-smoothed, optimised pit shell using a copper price of 300 cents per pound (250 cents per pound in 2010). From 2012 on the Caracoles deposit will be referred to as Encuentro.

h) Reko Diq

As explained in Note 39 to the financial statements, the Group has held an effective 37.5% interest in the Reko Diq copper-gold deposit in the Chagai Hills district of the province of Balochistan in south-west Pakistan through its joint venture entity Tethyan Copper Company Pty. Limited ("Tethyan").

On 15 February 2011, Tethyan submitted an application to the Government of Balochistan in accordance with the Balochistan Mineral Rules for a mining lease. Tethyan's exploration licence had been due to expire on 19 February 2011, but the submission of the mining lease application suspended the expiry of the exploration licence as to the mining area covered in the application. On 15 November 2011, Tethyan was notified by the Government of Balochistan that the Government had rejected the application.

Tethyan has initiated an administrative appeal with the Government of Balochistan in respect of the mining lease application process, and has also commenced two international arbitrations in order to protect its legal rights. Tethyan strongly believes that it has complied with the requirements of the Balochistan Mineral Rules and the CHEJVA and is entitled to the grant of the mining lease. Further details are given in Note 39.

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 un-smoothed optimised pit shell using the same prices.

Other information: Ore reserves and mineral resources estimates At 31 December 2011

Notes to ore reserves and mineral resources estimates continued

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 Centinela District (formerly as the Sierra Gorda District)

In the Centinela Mining District (ex-Sierra Gorda) the Group has two operations (El Tesoro and Esperanza) and others in exploration or under study, such as: Llano-Paleocanal (70% owned by the Group); 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 610 to 872 million tonnes with grades in the range of 0.49% to 0.41% 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	460	632	0.45	0.37	236	85,177	100.0
Total	**610**	**872**	**0.49**	**0.41**	**351**	**112,177**	

(ii) In the Michilla District

In the Michilla District there are several satellite deposits to the main Michilla ore body that have been included in the Mineral Resources Table. However, there is at least one other deposit within a potentially economic radius of the Michilla mine: Rencoret, owned 100% by the Group.

Mineral deposit	Tonnes range (million tonnes)		Grade range (% Cu)		Number drill holes	Total metres	Ownership interest (%)
Rencoret	15	25	1.22	1.00	31	8,300	100.0
Total	**15**	**25**	**1.22**	**1.00**	**31**	**8,300**	

(iii) In the El Abra District

The Group has two mineral deposits within a few kilometres of the El Abra ore body, located near Calama in the Antofagasta Region of Chile. Conchi is a porphyry copper mineral deposit (with oxide and sulphide mineralisation), while Brujulina is an exotic-style mineral deposit (oxide mineralisation only). The Mineral Inventory of these deposits is estimated to be in the range of 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 38(d) to the financial statements.

k) Twin Metals Minnesota LLC

The Group has a 40% controlling interest in Twin Metals Minnesota LLC ("Twin Metals"), with the remaining 60% held by Duluth Metals Limited ("Duluth"). Twin Metals was formed in 2010 as the operating company for the Nokomis project, a copper-nickel-platinum group metal ("PGM") deposit located in northeastern Minnesota, USA. As explained in Note 33(c) to the financial statements, in August 2011 Twin Metals completed the acquisition of the assets formerly held by Franconia Minerals Corporation ("Franconia"). Franconia's principal asset was a 70% interest in the Birch Lake Joint Venture ("BLJV") which holds the Birch Lake, Maturi and Spruce Road copper-nickel-platinum and palladium deposits that are contiguous to Twin Metals' existing deposits. Franconia announced in November 2010 its intention to increase its ownership interest to 82% under the terms of the BLJV agreement.

The contiguous Nokomis-Maturi deposits and the nearby Birch Lake deposit are the subjects of an ongoing pre-feasibility study being undertaken by Twin Metals. The engineering firm AMEC was contracted in 2011 to consolidate all of the previous and current drilling information to develop updated and consolidated geological models and a mineral resource estimate to support the pre-feasibility study. Twin Metals and its predecessor, Duluth conducted extensive exploration programmes on the project in 2010 and 2011. Nokomis-Maturi was explored with 349 modern drill holes and 99 legacy holes for a total of 372,000 metres. Birch Lake was explored by Franconia from 2000 to 2010 with 214 holes drilled, while 36 legacy holes were drilled by numerous previous operators for a total of 176,000 metres.

At the time of reporting, the geological models and resource estimate were in an advanced stage of development, but not yet finalised.

Mining production and sales, transport and water statistics

Production and sales volumes, realised prices and cash cost by mine	Production 2011 '000 tonnes	Production 2010 '000 tonnes	Sales 2011 '000 tonnes	Sales 2010 '000 tonnes	Cash costs 2011 US cents	Cash costs 2010 US cents	Realised prices 2011 US cents	Realised prices 2010 US cents
Copper								
Los Pelambres	411.8	384.6	415.5	379.1	78.3	79.3	371.1	371.7
Esperanza	90.1	–	86.3	–	83.2	–	354.7	–
El Tesoro	97.1	95.3	96.0	95.3	171.6	169.2	391.1	351.9
Michilla	41.6	41.2	42.2	41.6	213.3	183.8	381.6	263.8
Group total	640.5	521.1	640.0	516.0				
Group weighted average (net of by-products)					101.9	104.0	372.6	359.3
Group weighted average (before deducting by-products)					155.2	137.3		
Group weighted average (before deducting by-products and excluding tolling charges from concentrate)					141.5	124.3		
Cash cost at Los Pelambres comprise								
On-site and shipping costs					110.0	106.8		
Tolling charges for concentrates					18.0	17.6		
Cash cost before deducting by-product credits					128.0	124.4		
By-product credits (principally molybdenum and gold)					(49.7)	(45.1)		
Cash cost (net of by-product credits)					78.3	79.3		
Cash cost at Esperanza comprise								
On-site and shipping costs					219.4	–		
Tolling charges for concentrates					15.5	–		
Cash cost before deducting by-product credits					234.9	–		
By-product credits (gold)					(151.7)	–		
Cash cost (net of by-product credits)					83.2	–		
LME average							399.7	342.0
Gold	'000 ounces	'000 ounces	'000 ounces	'000 ounces			US	US
Los Pelambres	39.8	35.1	39.8	35.1			1,610.6	1,236.5
Esperanza	157.1	–	153.4	–			1,643.4	–
Group total	196.8	35.1	193.2	35.1			1,636.6	1,236.5
Market average price							1,572.4	1,226.3
Molybdenum	'000 tonnes	'000 tonnes	'000 tonnes	'000 tonnes			US	US
Los Pelambres	9.9	8.8	9.4	8.9			15.1	16.2
Market average price							15.5	15.7
Silver	'000 ounces	'000 ounces	'000 ounces	'000 ounces				
Los Pelambres	1,774.3	1,470.8	1,774.3	1,470.8			35.9	20.4
Esperanza	724.3	–	724.3	–			35.2	–
Group total	2,498.6	1,470.8	2,498.6	1,470.8			35.7	20.4
Market average price							35.1	20.2

Other information: Mining production and sales, transport and water statistics

Quarterly information	Q1	Q2	Q3	Q4	2011 Year	2010 Year
Group total						
Total copper production volume ('000 tonnes)	129.80	158.70	165.00	187.00	**640.5**	521.1
Total copper sales volume ('000 tonnes)	120.80	168.70	143.60	206.90	**640.0**	516.0
Total gold production volume ('000 ounces)	22.10	48.60	54.30	71.80	**196.8**	35.1
Total gold sales volume ('000 ounces)	9.80	55.80	40.80	86.80	**193.2**	35.1
Total molybdenum production volume ('000 tonnes)	2.30	2.60	2.40	2.60	**9.9**	8.8
Total molybdenum sales volume ('000 tonnes)	1.80	2.60	2.80	2.20	**9.4**	8.9
Weighted average realised copper price (cents per pound)	427.70	419.00	288.00	361.40	**372.6**	359.3
Realised molybdenum price (dollars per pound)	17.80	16.20	13.70	12.80	**15.1**	16.2
Weighted average cash costs (cents per pound)						
– excluding by-product credits and tolling charges	140.80	146.10	140.40	138.90	**141.5**	124.3
– excluding by-product credits	155.80	159.40	155.10	151.30	**155.2**	137.3
– net of by-product credits	107.80	103.80	100.50	97.30	**101.9**	104.0
Los Pelambres (60% owned)						
Daily average ore treated ('000 tonnes)	171.30	175.50	174.60	184.70	**176.6**	159.4
Average ore grade (%)	0.68	0.73	0.76	0.77	**0.74**	0.76
Average recovery (%)	89.30	89.90	89.00	90.60	**89.7**	90.0
Concentrate produced ('000 tonnes)	274.80	308.30	318.20	326.70	**1,228.0**	1,160.7
Payable copper in concentrate – production volume ('000 tonnes)	91.20	101.20	104.90	114.40	**411.8**	384.6
Payable copper in concentrate – sales volume ('000 tonnes)	88.00	108.20	90.70	128.60	**415.5**	379.1
Payable gold in concentrate – production volume ('000 ounces)	7.20	10.90	8.80	12.90	**39.8**	35.1
Payable gold in concentrate – sales volume ('000 ounces)	7.20	10.90	8.80	12.90	**39.8**	35.1
Average moly ore grade (%)	0.02	0.02	0.02	0.02	**0.019**	0.019
Average moly recovery (%)	82.40	82.70	82.60	81.70	**82.3**	81.3
Payable moly in concentrate – production volume ('000 tonnes)	2.30	2.60	2.40	2.60	**9.9**	8.8
Payable moly in concentrate – sales volume ('000 tonnes)	1.80	2.60	2.80	2.20	**9.4**	8.9
Copper realised price (cents per pound)	428.40	419.80	266.00	365.20	**371.1**	371.7
On-site and shipment costs (cents per pound)	110.50	113.20	108.40	108.20	**110.0**	106.8
Tolling charges for concentrates (cents per pound)	20.30	17.50	19.40	15.30	**18.0**	17.6
Cash costs (before by-product) (cents per pound)	130.80	130.70	127.80	123.50	**128.0**	124.4
By-product credits (cents per pound)	(55.60)	(55.50)	(45.30)	(44.00)	**(49.7)**	(45.1)
Cash costs (cents per pound)	75.20	75.20	82.50	79.50	**78.3**	79.3
Esperanza (70% owned)						
Daily average ore treated ('000 tonnes)	27.10	53.30	65.30	76.50	**55.7**	–
Average ore grade (%)	0.54	0.54	0.53	0.60	**0.56**	–
Average recovery (%)	80.90	84.70	86.00	86.50	**85.3**	–
Concentrate produced ('000 tonnes)	43.50	83.80	101.00	139.00	**367.2**	–
Payable copper in concentrate – production volume ('000 tonnes)	7.40	21.90	25.20	35.60	**90.1**	–
Payable copper in concentrate – sales volume ('000 tonnes)	1.40	25.70	17.70	41.50	**86.3**	–
Average gold ore grade (%)	0.41	0.34	0.34	0.38	**0.36**	–
Average gold recovery (%)	69.00	71.90	73.80	74.00	**72.8**	–
Payable gold in concentrate – production volume ('000 ounces)	15.00	37.70	45.50	58.90	**157.1**	–
Payable gold in concentrate – sales volume ('000 ounces)	2.60	44.90	32.10	73.80	**153.4**	–
Copper realised price (cents per pound)	424.40	423.10	239.10	359.30	**354.7**	–
On-site and shipment costs (cents per pound)	287.00	244.60	226.00	185.40	**219.4**	–
Tolling charges for concentrates (cents per pound)	15.40	15.50	15.30	15.60	**15.5**	–
Cash costs (before by-product) (cents per pound)	302.30	260.10	241.30	201.00	**234.9**	–
By-product credits (cents per pound)	(157.40)	(146.00)	(168.90)	(141.90)	**(151.7)**	–
Cash costs (cents per pound)	144.90	114.10	72.40	59.10	**83.2**	–

Quarterly information	Q1	Q2	Q3	Q4	2011 Year	2010 Year
El Tesoro (70% owned)						
Daily average ore treated ('000 tonnes)	25.20	26.00	23.90	20.20	**23.8**	26.4
Average ore grade (%)	0.97	1.10	1.31	1.75	**1.26**	1.10
Average recovery (%)	68.90	72.20	71.20	72.10	**71.0**	71.7
Copper cathodes – production volume ('000 tonnes)	20.30	24.90	24.50	27.40	**97.1**	95.3
Copper cathodes – sales volume ('000 tonnes)	20.80	23.10	24.90	27.20	**96.0**	95.3
Copper realised price (cents per pound)	437.00	418.60	372.70	349.50	**391.1**	351.9
Cash costs (cents per pound)	195.20	173.00	161.90	161.40	**171.6**	169.2
Michilla (74.2% owned)						
Daily average ore treated ('000 tonnes)	14.90	12.50	10.40	12.10	**12.5**	14.1
Average ore grade (%)	1.03	1.31	1.34	1.08	**1.18**	1.03
Average recovery (%)	76.20	74.80	75.20	75.30	**75.6**	77.6
Copper cathodes – production volume ('000 tonnes)	11.00	10.70	10.30	9.60	**41.6**	41.2
Copper cathodes – sales volume ('000 tonnes)	10.60	11.70	10.30	9.60	**42.2**	41.6
Copper realised price (cents per pound)	404.00	402.80	361.10	353.00	**381.6**	263.8
Cash costs (cents per pound)	192.20	192.70	205.60	268.50	**213.3**	183.8
Transport (100% owned)						
Rail tonnage transported ('000 tonnes)	1,524.00	1,651.00	1,618.00	1,627.00	**6,419**	6,184
Road tonnage transported ('000 tonnes)	461.00	473.00	481.00	481.00	**1,896**	1,919
Water (100% owned)						
Water volume sold – potable and untreated ('000m^3)	12,296.00	11,689.00	11,765.00	12,545.00	**48,296**	46,302

Notes

(i) The production and sales figures represent the actual amounts produced and sold, not the Group's share of each mine. The Group owns 60% of Los Pelambres, 70% of Esperanza, 70% of El Tesoro and 74.2% of Michilla.

(ii) Los Pelambres produces copper and molybdenum concentrates and Esperanza produces copper concentrate. The figures for Los Pelambres and Esperanza are expressed in terms of payable metal contained in concentrate. Los Pelambres and Esperanza are also credited for the gold and silver contained in the copper concentrate sold. El Tesoro and Michilla produce cathodes with no by-products.

(iii) Cash costs are a measure of the cost of operational production expressed in terms of cents per pound of payable copper produced. Cash costs are stated net of by-product credits and include tolling charges for concentrates at Los Pelambres and Esperanza. Cash costs exclude depreciation, financial income and expenses, hedging gains and losses, exchange gains and losses and corporation tax for all four operations.

(iv) Realised copper prices are determined by comparing revenue from copper sales (grossing up for tolling charges for concentrates) with sales volumes for each mine in the period. Realised molybdenum and gold prices are calculated on a similar basis. In the current year realised prices reflect gains and losses on commodity derivatives, which are included within revenue.

(v) Water volumes include water transportation of 15,000 m^3 in Q1; 0 m^3 in Q2; 0 m^3 in Q3, 0 m^3 in Q4 and total for 2011 of 15,000 m^3 (185,000 m^3 in Q1 2010; 253,000 m^3 in Q2 2010; 318,000 m^3 in Q3 2010; 299,000 m^3 in Q4 and total for 2010 of 1,055,000 m^3).

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

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 2011 of Antofagasta plc.
Antomin	Antomin Limited, a wholly-owned subsidiary of the Group incorporated in Jersey (a 51%-owned subsidiary until 25 August 2008).
Antucoya	Copper project located approximately 45 km east of Michilla. The project is 70% owned by the Group (wholly-owned by the Group until the Marubeni transaction on 14 December 2011).
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.
Cash costs	A measure of the cost of operational production expressed in terms of cents per pound of payable copper produced. Cash costs are stated net of by-product credits and include tolling charges for concentrates for Los Pelambres and Esperanza. Cash costs exclude depreciation, financial income and expenses, hedging gains and losses, exchange gains and losses and corporation tax.
Centinela	Copper district located in the Antofagasta Region of Chile, where El Tesoro and Esperanza are located. Formerly known as the Sierra Gorda district.
CCU	Compañía de Cervecerías Unidas S.A., an associate of Quiñenco.
CGU	Cash-Generating Unit.
Chilean peso	Chilean currency.
2008 Combined Code	The revised Combined Code on Corporate Governance published by the Financial Reporting Council in June 2008 which was applicable to listed companies for reporting years beginning on or after 29 June 2008. The Combined Code has been replaced with the 2010 UK Corporate Governance Code.
Compañía Minera Milpo	Compañía Minera Milpo S.A.A. of Peru is a former owner of a 18.5% interest in Caracoles, acquired by the Group in February 2009.
Companies Act 2006	Principal legislation for United Kingdom company law.
Company	Antofagasta plc.
Corporate Governance Code	The UK Corporate Governance Code published by the Financial Reporting Council in May 2010 and applicable to listed companies for reporting years beginning on or after 29 June 2010. The code replaces the 2008 Combined Code on Corporate Governance.
Desalant	Desalant S.A., former owner of a desalination plant located in Antofagasta and acquired by the Group through ADASA.
Directors	The Directors of the Company.
Duluth	Duluth Metals Limited, incorporated in Canada which has a 60% non-controlling interest in the Group's subsidiary Twin Metals.
EBITDA	Earnings Before Interest, Tax, Depreciation and Amortisation.
ECONSSA	Empresa Concesionaria de Servicios Sanitarios S.A., the Chilean state-owned company which previously operated the regulated and non-regulated water distribution business in Chile's Antofagasta Region (formerly known as ESSAN).
El Tesoro	Minera El Tesoro, a 70%-owned subsidiary of the Group incorporated in Chile (a wholly-owned subsidiary of the Group until 25 August 2008, before the Marubeni transaction).
ENAP	Empresa Nacional del Petróleo, the 40% joint venture partner of the Group in Energía Andina S.A.
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.
ESSAN	Empresa de Servicios Sanitarios S.A., former name of ECONSSA.
EU	European Union.
FCA	Empresa Ferroviaria Andina S.A., a 50%-owned subsidiary of the Group incorporated in Bolivia.
FCAB	Ferrocarril de Antofagasta a Bolivia, the Chilean name for the Antofagasta Railway Company plc, a wholly-owned subsidiary of the Group incorporated in the United Kingdom and operating a rail network in Chile's Antofagasta Region.
FSA	Financial Services Authority.
FTSE 100 Index	A market-capitalisation weighted index representing the performance of the 100 largest UK-domiciled blue chip companies.
FTSE All-Share Index	A market-capitalisation weighted index representing the performance of all eligible companies listed on the London Stock Exchange's main market.
GAAP	Generally Accepted Accounting Practice or Generally Accepted Accounting Principles.
Government	The Government of the Republic of Chile.
Group	Antofagasta plc and its subsidiary companies.
Hedge accounting	Accounting treatment for derivatives financial instrument permitted under IAS 39 "Financial Instruments: Recognition and Measurement", which recognises the offsetting effects on profit or loss of changes in the fair values of a hedging instrument and the hedged item.

IAS	International Accounting Standards.
IASB	International Accounting Standards Board.
IFRIC	International Financial Reporting Interpretations Committee.
IFRS	International Financial Reporting Standards.
Inversiones Hornitos	Inversiones Hornitos S.A., a 40%-owned associate of the Group incorporated in Chile which owns the 150MW Hornitos thermoelectric power plant in Mejillones in Chile's Antofagasta Region.
IVA	Impuesto al Valor Agregado, or Chilean Value Added Tax (Chilean VAT).
Key Management Personnel	Persons with authority and responsibility for planning, directing and controlling the activities of the Group.
KPI	Key performance indicator.
LIBOR	London Inter Bank Offer Rate.
LME	London Metal Exchange.
Los Pelambres	Minera Los Pelambres, a 60%-owned subsidiary of the Group incorporated in Chile.
LSE	London Stock Exchange.
LTIFR	Lost Time Injury Frequency Rate.
Madeco	Madeco S.A., a subsidiary of Quiñenco.
Marubeni	Marubeni Corporation, the Group's 30% minority partner in El Tesoro, Esperanza and Antucoya.
Metallica Resources Chile Limitada	Minera Metallica Resources Chile Limitada, a subsidiary of New Gold Inc. (formerly Metallica Resources Inc.), a company with exploration interests in the Río Figueroa Project.
Michilla	Minera Michilla S.A., a 74.2%-owned subsidiary of the Group incorporated in Chile.
Mirador	Copper oxide deposit which forms part of the El Tesoro operation.
Mulpun	Coal gasification project located near Valdivia in southern Chile.
Provisional pricing	A sales term in several copper and molybdenum concentrate sale agreements and cathodes sale agreements which provides for provisional pricing of sales at the time of shipment, with final pricing being based on the monthly average LME copper price or monthly average molybdenum price for specific future periods, normally ranging from 30 to 180 days after delivery to the customer. For the purposes of IAS 39, the provisional sale is considered to contain an embedded derivative (i.e. the forward contract for which the provisional sale is subsequently adjusted) which is separated from the host contract (i.e. the sale of metals contained in the concentrate or cathode at the provisional invoice price less tolling charges deducted).
Quiñenco	Quiñenco S.A., a Chilean financial and industrial conglomerate under the control of the Luksic family and listed on the Santiago Stock Exchange.
Realised prices	Effective sale price achieved comparing revenues (grossed up for tolling charges for concentrate) with sales volumes.
Reko Diq	Reko Diq is a substantial copper-gold porphyry district in south-west Pakistan. The Group's interest is held through Tethyan Copper Company Limited, a 50-50 joint venture with Barrick Gold Corporation of Canada.
Río Figueroa	Río Figueroa, an exploration project located in Chile's Atacama Region.
Sterling	United Kingdom currency.
SVS	Superintendencia de Valores y Seguros de Chile, the Chilean securities regulator.
Telégrafo	Copper prospect located in the Centinela 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.
2010 UK Corporate Governance Code	The UK Corporate Code published by the Financial Reporting Council in May 2010 and applicable to listed companies for reporting years beginning on or after 29 June 2010. The code replaces the 2008 Combined Code on Corporate Governance.
UKLA	United Kingdom Listing Authority.
US	United States.
US dollars	United States currency.

Other information: Glossary and definitions

Mining industry

Brownfield project	A development or exploration project in the vicinity of an existing operation.
By-products (credits in copper concentrates)	Products obtained as result of copper processing. Los Pelambres and Esperanza receive credit for the gold and silver content in the copper concentrate sold. Los Pelambres also produces molybdenum concentrate.
Concentrate	The product of a physical concentration process, such as flotation or gravity concentration, which involves separating ore minerals from unwanted wasted rock. Concentrates require subsequent processing (such as smelting or leaching) to break down or dissolve the ore minerals and obtain the desired elements, usually metals.
Contained copper	The proportion or quantity of copper contained in a given quantity of ore or concentrate.
Copper cathode	Refined copper produced by electrolytic refining of impure copper by electro-winning.
Cut-off grade	The lowest grade of mineralised material considered economic to process and used in the calculation of ore reserves and mineral resources.
Flotation	A process by which chemicals are added to materials in a solution which are attracted to bubbles and float, while other materials sink, resulting in the production of concentrate.
Grade A copper cathode	Highest quality copper cathode (LME registered and certificated in the case of El Tesoro and Michilla).
Greenfield project	The development or exploration of a new project not previously examined.
Heap-leaching	A process for the recovery of copper from ore. The crushed material is laid on a slightly sloping, impermeable pad and leached by uniformly trickling (gravity fed) chemical solution through the beds to ponds. The metal is then recovered from the solution through the SX-EW process.
JORC	Joint Ore Reserves Committee of Australia.
Leaching	The process by which a soluble mineral can be economically recovered by dissolution.
LOM or Life of Mine	The remaining life of a mine expressed in years, calculated by reference to scheduled production rates (i.e. comparing the rate at which ore is expected to be extracted from the mine to current defined reserves).
Mineral resources	Material of intrinsic economic interest occurring in such form and quantity that there are reasonable prospects for eventual economic extraction. Mineral resources are stated inclusive of ore reserves, as defined by JORC.
MW	Megawatts (one million watts).
Open pit	Mine working or excavation which is open to the surface.
Ore	Rock from which metal(s) or mineral(s) can be economically and legally extracted.
Ore grade	The relative quantity, or the percentage, of metal content in an ore body or quantity of processed ore.
Ore reserves	Part of Mineral Resources for which appropriate assessments have been carried out to demonstrate at a given date extraction could be reasonably justified and which include consideration of and modification by realistically assumed mining, metallurgical, economic, marketing, legal, environmental, social and governmental factors.
Oxide and Sulphide ores	Different kinds of ore containing copper. Oxide ore occurs on the weathered surface of ore-rich lodes and normally results in the production of cathode copper through a heap-leaching process. Sulphide ore comes from an unweathered parent ores process and normally results in the production of concentrate through a flotation process which then requires smelting and refining to produce cathode copper.
Payable copper	The proportion or quantity of contained copper for which payment is received after metallurgical deduction.
Porphyry	A large body of rock which contains disseminated chalcopyrite and other sulphide minerals. Such a deposit is mined in bulk on a large scale, generally in open pits, for copper and its by-product molybdenum.
Price participation	Part of the tolling charges for copper concentrate under a sales agreement, usually in addition to TC/RCs and calculated as a percentage of the difference between the copper price at final pricing and an agreed reference copper price, and which may result in an increase or decrease to TC/RCs.
Price sharing	Tolling charges calculated under a sales agreement as an agreed percentage of the price for the metal contained in copper concentrate, as an alternative to TC/RCs and/or price participation.
Run-of-Mine (ROM)	A process for the recovery of copper from ore, typically used for low-grade ores. The mined, uncrushed ore is leached with a chemical solution. The metal is then recovered from the solution through the SX-EW process.
Stockpile	Material extracted and piled for future use.
SX-EW	Solvent-Extraction and Electro-Winning. A process for extracting metal from an ore and producing pure metal. First the metal is leached into solution; the resulting solution is then purified in the solvent-extraction process; the solution is then treated in an electro chemical process (electro-winning) to recover cathode copper.
Tailings dam	Construction used to deposit the rock waste which remains as a result of the concentrating process after the recoverable minerals have been extracted in concentrate form.
TC/RCs	Treatment and refining charges, being terms used to set the smelting and refining charge or margin for processing copper concentrate and normally set either on an annual basis or on a spot basis.
Tolling charges	Charges or margins for converting concentrate into finished metal. These include TC/RCs, price participation and price sharing for copper concentrate and roasting charges for molybdenum concentrate.
Tpd	Tonnes per day, normally with reference to the quantity of ore processed over a given period of time expressed as a daily average.
Underground mine	Natural or man-made excavation under the surface of the Earth.

Currency abbreviations

US cents	Cents of US dollars.
US$	US dollar.
US$'000	Thousand US dollars.
US$m	Million US dollars.
£	Pounds sterling.
£'000	Thousand pounds sterling.
£m	Million pounds sterling.
p	pence.
C$m	Million Canadian dollars.
Ch$	Chilean peso.
CH$'000	Thousand Chilean pesos.
Ch$m	Million Chilean pesos.
A$	Australian dollars.
A$'000	Thousand Australian dollars.
A$m	Million Australian dollars.

Definitions and conversion of weights and measures

g/t	grammes per tonne.
lb	pound.
Ounce or oz	a troy ounce.
'000 m^3	thousand cubic metres.
'000 tonnes	thousand tonnes.
1 kilogramme =	2.2046 pounds.
1 metric tonne =	1,000 kilogrammes.
1 kilometre =	0.6214 miles.
1 troy ounce =	31.1 grammes.

Chemical symbols

Cu	Copper.
Mo	Molybdenum.
Au	Gold.
Ag	Silver.

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, 13 June 2012.

Shareholder calendar 2012

3 May 2012	Quarterly production report – Q1 2012
9 May 2012	Ex-Dividend date for 2011 Final Dividend
11 May 2012	Record date for 2011 Final Dividend
14 May 2012	Final date for receipt of 2011 Final Dividend currency elections
17 May 2012	Pound Sterling/Euro rate for 2011 Final Dividend
17 May 2012	Quarterly financial report – Q1 2012
13 Jun 2012	Annual General Meeting
14 Jun 2012	Payment date for 2011 Final Dividend
1 Aug 2012	Quarterly production report – Q2 2012
29 Aug 2012	Interim results announcement – Half year 2012
12 Sep 2012	Ex-Dividend date for 2012 Interim Dividend
14 Sep 2012	Record date for 2012 Interim Dividend
17 Sep 2012	Final date for receipt of Interim Dividend currency elections
20 Sep 2012	Pound Sterling/Euro rate for 2012 Interim Dividend
4 Oct 2012	Payment date for 2012 Interim Dividend
31 Oct 2012	Quarterly production report – Q3 2012
15 Nov 2012	Quarterly financial report – Q3 2012

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 86, and in Note 12 to the financial statements.

Dividends are declared in US Dollars, which is the default currency for payment. In addition, Antofagasta has now made arrangements for shareholders to elect to receive dividend payments in Pounds Sterling or Euro. Shareholders who do not elect will be paid by a cheque denominated in US Dollars. Any shareholder who elects to receive their dividend in Euro will be paid by a cheque denominated in Euro. Any shareholder who elects to receive their dividend in Pounds Sterling may instruct the Company's registrar to pay the dividends by bank transfer directly into a Pounds Sterling bank account; otherwise that shareholder will receive a cheque denominated in Pounds Sterling. Should a shareholder wish to change their current election, the Company's registrar must receive any such election before the currency election date for the relevant dividend.

If approved at the Annual General Meeting, the final dividend of 36 cents per ordinary share will be paid on 14 June 2012 to shareholders on the register at the close of business on 11 May 2012. The final currency election date for the final dividend will be 14 May 2012.

The conversion rate for final dividends to be paid in Pounds Sterling or Euro will be set on 17 May 2012.

Share capital

Details of the Company's share capital are given in Note 30 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

Jean-Paul Luksic	Chairman
Gonzalo Menéndez	Non-Executive
Ramon Jara	Non-Executive
Guillermo Luksic	Non-Executive
Juan Claro	Non-Executive
William Hayes	Non-Executive
Hugo Dryland	Non-Executive
Tim Baker	Non-Executive
Manuel Lino Silva De Sousa-Oliveira (Ollie Oliveira)	Non-Executive

Company Secretary

Petershill Secretaries Ltd
Plumtree Court, London EC4A 4HT

Auditor

Deloitte 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.