Preliminary Results Announcement for the year ended 31 December 2011

13 March 2012

		2011	2010	% Change
Group revenue	US$'m	**6,076.0**	4,577.1	32.7%
EBITDA	US$'m	**3,660.5**	2,771.9	32.1%
Earnings per share (excluding exceptional items) (1)	cents	**139.7**	100.6	38.9%
Earnings per share	cents	**125.4**	106.7	17.5%
Net cash at year end (2)	US$'m	**1,139.7**	1,345.1	(15.3%)
Total dividend per share for the year	cents	**44.0**	116.0	(62.1%)
(Ordinary: 2011 – 20.0 cents; 2010 – 16.0 cents) (Special: 2011 – 24.0 cents; 2010 – 100.0 cents)				
Average LME copper price (per pound)	cents	**399.7**	342.0	16.9%
Group copper production	'000 tonnes	**640.5**	521.1	22.9%
Group weighted average cash costs (3) (net of by-product credits)	cents	**101.9**	104.0	(2.0%)
Group weighted average cash costs (3) (excluding by-product credits)	cents	**155.2**	137.3	13.0%
Group gold production	'000 ounces	**196.8**	35.1	460.7%
Group molybdenum production	'000 tonnes	**9.9**	8.8	12.5%

(See footnotes on page 3)

- **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. This predominantly reflected the impact of the start-up of Esperanza. Molybdenum production at Los Pelambres also increased by 12.5% to reach 9,900 tonnes.

- **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). Net finance expense remained largely unchanged at US$21.2 million (2010 – US$18.7 million), with Esperanza's interest costs, which started to be expensed following the start-up of that operation, largely offset by gains relating to derivative mark-to-market adjustments and foreign exchange.

  Earnings per share (excluding exceptional items) were 139.7 cents in 2011, compared with 100.6 cents in 2010.

- **Total dividend for the year of 44 cents per share**, comprising a special dividend of 24 cents per share and ordinary dividend of 20 cents per share (final – 12 cents, interim – 8 cents). The combined interim and final dividend equates to a total distribution to shareholders of US$433.8 million, and represents an overall payout ratio for the year 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.** 2012 production forecast of between 160,000 to 175,000 tonnes of copper, and between 240,000 to 260,000 ounces of gold, based on plant throughput of between 80,000 to 86,000 tonnes per day. This compares with 2011 production of 90,100 tonnes of copper and 157,100 ounces of gold during the first year of operation.

- **Further production growth forecast 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.

- **Stable net cost position**, with forecast 2012 weighted average cash costs (net of by-product credits) of approximately 105 cents per pound (2011 - 101.9 cents, 2010 – 104.0 cents). The relatively stable net cash costs, despite on-going industry cost pressures, reflect 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.

- **Antucoya project approved in December 2011**, and Memorandum of Understanding signed with Marubeni Corporation whereby they will become 30% partner in the project. Construction is expected to commence in 2012 with first production in the second half of 2014. When in full production, Antucoya is expected to produce approximately 80,000 tonnes of copper cathode per year.

- **Major growth potential from the Group's core areas of the Centinela Mining District (formerly known as the Sierra Gorda district) and Los Pelambres**, where feasibility and pre-feasibility studies respectively were initiated during 2011 which could potentially result in significant additional production through the second half of this decade. The feasibility study at the Centinela Mining District, for which expenditure of approximately US$109 million was approved, is examining the construction of new facilities to process ores from the Telegrafo and Caracoles deposits, each of which could support a plant similar in size to Esperanza. The pre-feasibility study at Los Pelambres is examining a large scale expansion which could eventually more than double the existing processing capacity.

- **Twin Metals project potential further extended**, with the acquisition of Franconia assets significantly increasing the existing land and mineral position. A pre-feasibility study for an eventual underground operation of this copper-nickel-PGM project was initiated during 2011 following the completion of a conceptual study.

- **Continued focus on exploration and evaluation activities,** with expenditure (including expenditure on the prefeasibility studies discussed above) of US$215.4 million incurred in 2011, and approximately US$300 million approved for 2012. This includes exploration to identify further potential in the highly prospective Centinela Mining District, exploration both in Chile and internationally, as well as the Los Pelambres and Twin Metals pre-feasibility studies.

- **Continued strong performance from the transport and water divisions,** with total transport volumes increasing to 8.3 million tonnes (2010 - 8.1 million tonnes), and total volumes in the water division increasing to 48.3 million cubic metres (2010 - 46.3 million cubic metres).

- **Strong financial position.** The Group had cash (including liquid investments) of US$3.3 billion and net cash of US$1.1 billion at 31 December 2011. This leaves the Group well placed to progress with its medium and long-term growth plans and to continue to deliver good returns to shareholders, while preserving the financial flexibility to take advantage of opportunities which may arise.

Jean-Paul Luksic, Chairman of Antofagasta plc, commented:

"2011 was a solid year for the Group, in terms of both production and profitability, mainly reflecting the impact of the start-up of Esperanza. Copper production of 640,500 tonnes increased by 22.9% and gold production of 196,800 tonnes more than fivefold compared with 2010, and 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, contributing 90,100 tonnes in its first year of production. Nevertheless, as we have reported, 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 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 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.

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, and the Twin Metals project in the United States.

As previously announced, Marcelo Awad stepped down as chief executive officer of Antofagasta Minerals S.A. on 7 March 2012. 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. Our strategy remains unchanged and we will continue to pursue profitable growth, supported by our strong financial position and low-cost and profitable operations.

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. 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."

(1) Earnings in 2011 include a provision against the carrying value of assets relating to the Group's joint venture Tethyan Copper Company Pty. Ltd, resulting in a charge to operating profit of US$140.5 million and a charge to earnings per share of 14.3 cents. Earnings in 2010 included a reversal of an impairment charge relating to property, plant and equipment at El Tesoro, resulting in a credit to operating profit of US$109.4 million and a credit to earnings per share of 6.1 cents. Further details of these exceptional items are set out in Note 3 to the preliminary results announcement.

(2) Cash refers to the total of cash, cash equivalents and liquid investments, as analysed in Note 23 to the preliminary results announcement.

(3) Cash cost is a method used by the mining industry to express the cost of production in cents per pound of copper, and is further explained in Note 30(b)(iii) to the preliminary results announcement.

Enquiries

London

Investor relations - Antofagasta plc
Tel: +44 20 7808 0988
www.antofagasta.co.uk

Desmond O'Conor - doconor@antofagasta.co.uk
Hussein Barma - hbarma@antofagasta.co.uk
Philip Holden - pholden@antofagasta.co.uk

Media enquiries - Bankside Consultants
Tel: +44 20 7367 8888

Simon Rothschild – simon.rothschild@bankside.com

Santiago

Antofagasta Minerals S.A.
Tel: +562 798 7145

Alejandro Rivera - arivera@aminerals.cl
Eduardo Tagle - etagle@aminerals.cl
Luis Eduardo Bravo - lbravo@aminerals.cl

DIRECTORS' COMMENTS FOR THE YEAR TO 31 DECEMBER 2011

Overview

The Group achieved record production and profits in 2011, with copper production of 640,500 tonnes reflecting a 22.9% increase on 2010, and EBITDA of US$3,660.5 million, a 32.1% increase on 2010 levels. The key driver in this was the ramp-up of Esperanza during the year. Cash flows from operations were US$3,552.5 million, a 46.0% increase compared with 2010, mainly reflecting the increased profits. 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.

The total dividend for the year is 44 cents per share, comprising a special dividend of 24 cents per share and ordinary dividend of 20 cents per share (final – 12 cents, interim – 8 cents). The combined interim and final dividend equates to a total distribution to shareholders of US$433.8 million, and represents an overall payout ratio for the year of 35% of net earnings.

Group copper production was 640,500 tonnes, compared with 521,100 tonnes in 2010. This increase mainly reflected 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. Molybdenum production at Los Pelambres increased by 12.5% to reach 9,900 tonnes. The transport and water divisions also performed well, with total transport volumes increasing to 8.3 million tonnes (2010 - 8.1 million tonnes), and total volumes in the water division increasing to 48.3 million cubic metres (2010 - 46.3 million cubic metres).

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 during the ramp-up, with remaining remedial measures relating to the performance and reliability of the plant under review. The main focus during 2011 was on improving the efficiency of the milling process and building up the overall reliability of the plant. This was 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. 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 on-going process to further optimise the reliability and performance of the operation, as well as looking at 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, completion of testing of the characteristics of the top layer of the ore body that will be mined and processed in the next two to three years, and secondly the performance of the tailings thickeners. The anticipated plant throughput of between 80,000 to 86,000 tonnes per day during 2012 is forecast to result in production of between 160,000 to 175,000 tonnes of copper, and between 240,000 to 260,000 ounces of gold.

The LME copper price averaged 400 cents per pound over 2011, which was an all-time high (2010 – 342 cents). The price fell sharply in mid-September, but soon found good support above the 325 cent level. The spot price ended the year at 343 cents per pound and as explained in the Outlook section below has since improved significantly. The Group's average realised copper price in 2011 was 373 cents, reflecting negative provisional pricing adjustments due to the declining price in the second half of the year (2010 – 359 cents). Gold performed strongly in 2011, averaging US$1,572 per ounce over the course of the year (2010 – US$1,226), and trading at around US$1,900 in late August and early September, before closing the year at US$1,563. Molybdenum averaged US$15.5 per pound during 2011 (2010 - US$15.7), although the price generally declined during the course of 2011, ending the year at US$13.4.

Weighted average Group cash costs (net of by-product credits) were 101.9 cents per pound in 2011, compared with 104.0 cents per pound for 2010. The slight decrease mainly reflected the impact of Esperanza where net costs were below the Group's weighted average due to its significant gold by-product credits. Weighted average Group cash costs before by-product credits were 155.2 cents per pound (2010 – 137.3 cents). The increase was mainly due to high pre-credit costs at Esperanza which averaged 234.9 cents per pound during its ramp-up year. Excluding Esperanza, weighted average pre-credit cash costs of the Group's other three mines were 142.2 cents per pound.

The Group made significant advances with its growth projects during 2011. The Group's investment in its future growth is reflected in its increasing exploration and evaluation expenditure (which includes both early-stage exploration expenditure and the costs of conceptual and pre-feasibility studies which are expensed). This expenditure increased from US$99.0 million in 2010 to US$215.4 million in 2011, mainly reflecting work in respect of the Centinela Mining District (formerly known as the Sierra Gorda district) and Los Pelambres in Chile and the Twin Metals project in the United States. Exploration and evaluation expenditure (which will be expensed) is budgeted to increase further in 2012, to approximately US$300 million.

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. When in full production, Antucoya is expected to produce an average of 80,000 tonnes of copper cathode a year, over a mine life of just over 20 years. The capital cost estimated under the feasibility study is US$1.3 billion. The finalisation of the key construction contracts which is underway will allow a final estimate of the likely development costs. In December the Group entered into a Memorandum of Understanding with Marubeni Corporation, whereby they will become a 30% partner in the project for an initial consideration of US$350 million and a commitment to fund their pro-rata share of the project development costs. Definitive agreements in respect of this agreement are expected to be signed in the first quarter of 2012 and completion is expected in the second half of 2012.

In terms of the Group's slightly longer-term, but significantly larger scale opportunities, the key focus is on the Group's two existing core areas in Chile – the Centinela Mining District and Los Pelambres.

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, which is expected to cost US$109 million and to conclude during 2013. 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. 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. 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. First production from the sulphide deposit at Caracoles is likely to be somewhat later, reflecting the process for mining the oxide deposit, the higher levels of pre-stripping, and also the desirability of phasing key engineering and construction stages of the two projects, in order to ensure the most efficient process and to minimise the duplication of resources between the projects.

The Group is also undertaking significant amounts of earlier stage exploration elsewhere in the Centinela Mining District, in particular at Centinela and Polo Sur to the south of the district, and in the area between Telégrafo and Caracoles, and also looking at potential sulphide resource below the existing oxide pit at Mirador. It also has an active exploration programme throughout Chile to identify further growth prospects, including a number of earn-in agreements.

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 (6.0 billion tonnes at 0.51% copper plus 0.011% molybdenum and 0.03 g/tonne gold) could support a large scale expansion of the operation, potentially more than doubling the current plant capacity. Key considerations are likely to include water supply, tailings disposal, community engagement and environmental impact. Current plans are assessing a possible staggered development, with the first incremental production potentially coming through at some point from 2019 onwards.

In Pakistan, Tethyan - the Group's joint venture with Barrick Gold Corporation - is seeking to develop the Reko Diq deposit. In November 2011 the Government of Balochistan rejected Tethyan's application for a mining lease. 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.

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 Metal's 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 in September 2011 The Group also entered into nine new earn-in agreements for exploration during 2011 with junior companies in different parts of the world, and currently has active agreements in place in North America, Latin America, Europe, Africa and Australia.

Dividends

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

	US dollars			
	2011 cents	2010 cents	2009 cents	2008 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
	Percentage			
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.

Board composition and management changes

During 2011, three new Directors, Hugo Dryland, Tim Baker and Ollie Oliveira, all of whom bring considerable experience of the international mining sector, joined the Board. During the year, two Directors, Daniel Yarur and Charles Bailey, retired after several years of valuable service to the Group. Following these changes, the Board comprises an Executive Chairman and eight non-executive Directors, of whom five are considered by the Board to be independent.

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 Jean-Paul Luksic assume these responsibilities on an interim basis, while also continuing in his role as Chairman of Antofagasta plc. The Board would like to take this opportunity to thank Marcelo for his leadership of Antofagasta Minerals - his commitment and contribution to the Group over the years has been widely appreciated and to wish him every success in the future.

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. The market fundamentals remain positive for copper, with inventories remaining at low levels by historic standards, and this is reflected in the current market consensus forecasts which average approximately 380 cents for 2012. In terms of copper concentrate treatment and refining charges, 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 and molybdenum have also performed well, with gold increasing from $1,563 per ounce at the start of the year to over $1,700 per ounce through February, and molybdenum increasing from $13.4 per pound to $14.8 per pound by the end of February.

As previously announced, 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 principally reflects the first full-year of operation at Esperanza following the completion of the main ramp-up activities, partly offset by lower production at Los Pelambres due to lower expected ore grades in the year. Also as previously announced, 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 net cash costs, despite on-going industry cost pressures, again reflect the increased production from Esperanza, with its low net cost position given its significant gold by-product 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.

During 2012, the Group expects to advance with its growth projects. These include the feasibility study in the Centinela Mining District and pre-feasibility studies at Los Pelambres and Twin Metals, which are expected to be completed 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.

The Group's strong financial position, with cash (including liquid investments) of US$3.3 billion and net cash of US$1.1 billion at 31 December 2011, leaves it well placed to progress with its medium and long-term growth plans, take advantage of opportunities as they arise and to continue to deliver good returns to shareholders.

BUSINESS REVIEW

Review of operations

Mining division

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			
411,800	**9,900**	**39,800**	**78.3**
Payable copper (tonnes)	**Payable molybdenum (tonnes)**	**Payable gold (ounces)**	**Cash costs (US cents per pound)**

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

2011 Performance

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).

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).

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.

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

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.

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		
90,100	**157,100**	**83.2**
Payable copper (tonnes)	**Payable gold (ounces)**	**Cash costs (US cents per pound)**

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

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.

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.

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 was 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.

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

Outlook

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 on-going 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.

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.

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	
97,100	**171.6**
Copper cathode (tonnes)	**Cash costs (US cents per pound)**

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

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.

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.

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.

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.

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

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.

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.

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	
41,600	**213.3**
Copper cathode (tonnes)	**Cash costs (US cents per pound)**

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

2011 Performance

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.

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.

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.

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.

Outlook

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.

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 Nucleo 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$508/US$.

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 commenced to analyse in detail the growth opportunities. A pre-feasibility study is underway 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.

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.

Reserves and resources

The Group's commitment to organic exploration has been rewarded over recent years through the major increase in the resource base. The total resource tonnage of the Group's subsidiaries has increased more than four-fold over the past five years, from 3.2 billion tonnes in 2006 to 13.7 billion tonnes in 2011.

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 kilometres. 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 resources 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

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 0.11 g/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 increase 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.

Caracoles

The Caracoles deposit is situated approximately 10 kilometres 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 0.15 g/tonne gold) and the oxide deposit represents 212 million tonnes at 0.40% copper. During 2011 an extensive program 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.

On-going 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 underway. 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

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 0.03 g/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.

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

Antucoya is a copper oxide deposit located in Chile's Antofagasta region approximately 45 kilometres 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 underway 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 seawater 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.

United States – Twin Metals

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 Metal's 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 hydrometallurgical process to recover the base and precious metals from the bulk copper-nickel concentrate.

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 underway 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, 0.239 g/t platinum, 0.515 g/t palladium, 0.117 g/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, 0.210 g/t platinum, 0.431 g/t palladium, 0.103 g/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, 0.25 g/t palladium, 0.09 g/t Platinum and 0.04 g/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 on-going 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.

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 0.22 g/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 Opportunities

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.

Energia 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 Energia 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 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 40 MW 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 165 MW 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.

Transport Division

In Chile, the Antofagasta Railway Company’s (“FCAB”) main business continues to be the transport of copper cathodes from and sulphuric acid to mines in the Antofagasta Region. FCAB’s trucking service, Train Ltda., is a key part of FCAB’s bi-modal transport service. In Bolivia, FCAB has a 50% controlling interest in the Ferrocarril Andino, which connects to the Chilean network at Ollague. These services are typically provided to customers under long-term contracts, often with agreed pricing levels which are subject to adjustments for inflation and movements in fuel prices.

2011	
6,419	**1,896**
Rail tonnage Transported (’000 tonnes)	**Road tonnage Transported (’000 tonnes)**

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

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.

Water Division

Aguas de Antofagasta ("ADASA") operates a 30-year concession for the distribution of water in Chile's Antofagasta Region which it acquired from the state-owned Empresa Concesionaria de Servicios Sanitarios S.A. ("ECONSSA") in 2003. ADASA's operation consists of two main businesses, a regulated water business supplying domestic customers and an unregulated business serving mines and other industrial users. 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
48.3
Water volume sold (million cubic metres)

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.

FINANCIAL COMMENTARY FOR THE YEAR ENDED 31 DECEMBER 2011

Results

A detailed segmental analysis of the components of the income statement is contained in Note 4 to the preliminary results announcement.
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 in2011	(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 31.12.2011 US$m	Year ended 31.12.2010 US$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.

(i) 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 Business Review on pages 8 to 13. 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.

(ii) 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 5(a) to the preliminary results announcement.

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 5(b) to the preliminary results announcement.

The movement in the LME copper price during the year is described in the Directors' Comments on page 4.

(iii) 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 US321.0 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 2010. 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 Business Review on pages 8 to 13.

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 benefitted from smaller increases in revenues from construction and engineering services.

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 Business Review on pages 8 to 13.

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 is 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 in 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 26 to the preliminary results announcement.

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	Year ended 31.12.10
	US$'m	US$'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 slight 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.

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	Year ended 31.12.10
	US cents	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 3 to the preliminary results announcement) were 139.7 cents in 2011 compared with 100.6 cents in 2010, an increase of 38.9%.

Dividends

Details of dividends proposed in relation to 2011, and the Board's policy regarding dividends, are set out in the Directors' comments on page 6.

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 24 to the preliminary results announcement 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 5(b) to the preliminary results announcement.

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
		US$m	US cents/share
Copper	US$c10/Lb	141.3	6.9
Molybdenum	US$1/Lb	21.8	1.0
Gold	US$100/ounce	19.7	1.0

Cash Flows

The Group cash flow statement is presented on page 34. The key features are summarised in the following table.

	Year ended 31.12.11	Year ended 31.12.10
	US$'m	US$'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 29)	**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 15 to the preliminary results announcement.

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

	At 31.12.11	At 31.12.10
	US$'m	US$'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 28 to the preliminary results announcement.

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.

Going Concern

The Group's business activities, together with those factors likely to affect its future performance, are set out in the Directors' Comments. 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 preliminary results announcement includes details of the Group's cash, cash equivalent and liquid investment balances in Note 23 to the preliminary results announcement, and details of borrowings are set out in Note 17 to the preliminary results announcement.

In assessing the Group's going concern status the Directors have taken into account the above factors, including the financial position of the Group and in particular its significant balance of cash, cash equivalents and liquid investments, the borrowing facilities in place and their terms, the current copper price and market expectations in the medium-term, the Group's expected operating cost profile and the 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 preliminary results announcement.

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.

Consolidated Income Statement

	Notes	Year ended 31.12.11 US$'m	Year ended 31.12.10 US$'m
Group revenue	2,4	**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	2,4	**3,073.4**	2,594.5
Share of income/(loss) from associates	2,13	**24.0**	(2.6)
Total profit from operations and associates	2	**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	6	**(21.2)**	(18.7)
Profit before tax		**3,076.2**	2,573.2
Income tax expense	7	**(946.2)**	(752.5)
Profit for the financial year		**2,130.0**	1,820.7
Attributable to:			
Non-controlling interests		**893.4**	768.9
Equity holders of the Company (net earnings)		**1,236.6**	1,051.8
		US cents	US cents
Basic and diluted earnings per share	8	**125.4**	106.7
Dividends to ordinary shareholders of the Company			
Per share		US cents	US cents
Dividends per share proposed in relation to the year	9		
- 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		US$'m	US$'m
Dividends proposed in relation to the year	9	**78.9**	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 3.

Consolidated Statement of Comprehensive Income

	Notes	**Year ended 31.12.11 US$'m**	Year ended 31.12.10 US$'m
Profit for the financial year		**2,130.0**	1,820.7
Net gains/(loss) on cash flow hedges	5	**73.0**	(93.7)
Net (loss)/gain in fair value of available for sale investments	15	**(12.3)**	6.8
Net (loss)/gain currency translation adjustment		**(25.1)**	27.1
Deferred tax effects arising on cash flow hedges	5	**(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	5	**14.0**	81.4
Deferred tax effects arising on cash flow hedges transferred to the income staten	5	**(2.8)**	(13.8)
Total gain transferred to the income statement or balance sheet		**11.2**	67.6
Total comprehensive income for the year		**2,162.7**	1,846.3
Attributable to:			
Non-controlling interests		**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**
Balance at 1 January 2011	89.8	199.2	(55.3)	4.2	57.2	5,875.5	**6,170.6**	1,355.2	**7,525.8**
Total comprehensive income/(loss) for the year	-	-	51.4	(12.3)	(25.1)	1,236.6	**1,250.6**	912.1	**2,162.7**
Capital 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)**
Balance 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**

For the year ended 31 December 2010

	Share capital US$'m	Share premium US$'m	Hedging reserves US$'m	Fair value reserves US$'m	Translation reserves US$'m	Retained earnings US$'m	**Net equity US$'m**	Non-controlling interests US$'m	**Total US$'m**
Balance 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)**
Balance at 31 December 2010	89.8	199.2	(55.3)	4.2	57.2	5,875.5	**6,170.6**	1,355.2	**7,525.8**

Consolidated Balance Sheet

		At 31.12.11	At 31.12.10
Non-current assets	**Notes**	**US$'m**	US$'m
Intangible assets	10	**155.3**	311.5
Property, plant and equipment	11	**6,443.0**	6,093.4
Investment property	12	**3.1**	3.7
Investment in associates	13	**84.8**	58.0
Trade and other receivables		**67.7**	42.9
Derivative financial instruments	5	**47.6**	-
Available-for-sale investments	15	**36.5**	21.8
Deferred tax assets	20	**83.2**	110.0
		6,921.2	6,641.3
Current assets			
Inventories	16	**540.5**	385.0
Trade and other receivables		**924.9**	973.7
Current tax assets		**27.2**	44.4
Derivative financial instruments	5	**11.4**	1.8
Liquid investments	23	**1,944.9**	806.9
Cash and cash equivalents	23	**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	17	**(301.9)**	(137.6)
Derivative financial instruments	5	**(16.9)**	(54.7)
Trade and other payables		**(503.9)**	(504.8)
Current tax liabilities		**(162.6)**	(233.6)
		(985.3)	(930.7)
Non-current liabilities			
Medium and long-term borrowings	17	**(1,838.4)**	(2,058.9)
Derivative financial instruments	5	**(18.0)**	(59.0)
Trade and other payables		**(9.3)**	(4.7)
Post-employment benefit obligations	18	**(61.2)**	(68.0)
Long-term provisions	19	**(321.1)**	(244.4)
Deferred tax liabilities	20	**(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	21	**89.8**	89.8
Share premium	21	**199.2**	199.2
Hedging, translation and fair value reserves		**20.1**	6.1
Retained earnings		**5,887.1**	5,875.5
Equity attributable to equity holders of the Company		**6,196.2**	6,170.6
Non-controlling interests		**1,611.2**	1,355.2
Total equity		**7,807.4**	7,525.8

The preliminary information was approved by the Board of Directors on 12 March 2012.

Consolidated Cash Flow Statement

	Notes	Year ended 31.12.11 US$'m	Year ended 31.12.10 US$'m
Cash flows from operations	22	**3,552.5**	2,433.9
Interest paid		**(69.3)**	(42.4)
Dividends from associates	13	**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 associates		**(4.5)**	-
Acquisition of available for sale investments	15	**(27.3)**	(12.9)
Net increase in liquid investments		**(1,138.0)**	(175.1)
Purchases of property, plant and equipment		**(666.6)**	(1,301.8)
Disposal of intangible assets		**-**	3.5
Interest received		**21.7**	26.2
Net cash used in investing activities		**(1,814.7)**	(1,460.1)
Financing activities			
Dividends paid to equity holders of the Company		**(1,183.0)**	(236.6)
Dividends paid to preference shareholders of the Company		**(0.2)**	(0.2)
Dividends paid to non-controlling interests		**(741.0)**	(702.7)
Net proceeds from issue of new borrowings	23	**200.0**	1,022.0
Repayments of borrowings	23	**(304.3)**	(447.0)
Repayments of obligations under finance leases		**(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	23	**(1,387.1)**	127.0
Effect of foreign exchange rate changes	23	**(12.5)**	17.2
Cash and cash equivalents at end of the year	23	**1,335.1**	2,734.7

Notes

1. General information and accounting policies

a) General information

This preliminary results announcement is for the year ended 31 December 2011. While the financial information contained in this preliminary results announcement has been computed in accordance with International Financial Reporting Standards ("IFRS"), this announcement does not itself contain sufficient information to comply with 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. The Group will send its full financial statements that comply with IFRS to shareholders in April 2012.

The financial information contained in this preliminary results announcement has 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 28 of the Financial Review.

This preliminary results announcement does not constitute the Group's statutory accounts as defined in section 434 of the Companies Act 2006 (the "Act") but is derived from those accounts. The statutory accounts for the year ended 31 December 2011 have been approved by the Board and will be delivered to the Registrar of Companies following the Company's Annual General Meeting which will be held on 8 June 2011. The auditors have reported on those accounts and their report was unqualified, with no matters by way of emphasis, and did not contain statements under section 498(2) of the Act (regarding adequacy of accounting records and returns) or under section 498(3) (regarding provision of necessary information and explanations).

The information contained in this announcement for the year ended 31 December 2010 also does not constitute statutory accounts. A copy of the statutory accounts for that year has been delivered to the Registrar of Companies. The auditors' report on those accounts was unqualified, with no matters by way of emphasis, and did not contain statements under sections 498(2) or (3) of the Companies Act 2006.

The information contained in Note 31 of this preliminary results announcement is not derived from the statutory accounts for the years ended 31 December 2010 and 2011 and is accordingly not covered by the auditor's reports.

b) Accounting policies and adoption of new accounting standards

This preliminary results announcement is derived from the statutory accounts for the year ended 31 December 2011, which have been prepared on the basis of accounting policies consistent with those applied in the financial statements for the year ended 31 December 2010, except as set out below.

In the current financial year the Group has adopted the following new standards:

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.

There are no other Standards or Interpretations which apply or are expected to apply for the first time for the year ended 31 December 2011 which are expected to have any material impact on the Group.

2. Total profit from operations and associates

	Year ended 31.12.11 US$'m	Year ended 31.12.10 US$'m
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	**(140.5)**	-
Exploration and evaluation costs	**(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

Detail of exceptional items are given in Note 3. 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.

3. Exceptional items

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	
	Year ended 31.12.11 US$'m	Year ended 31.12.10 US$'m	Year ended 31.12.11 US$'m	Year ended 31.12.10 US$'m	Year ended 31.12.11 US cents	Year ended 31.12.10 US cents
Before exceptional item	**3,213.9**	2,485.1	**3,216.7**	2,463.8	**139.7**	100.6
Provision against the 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 the 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 are set out in Note 26.

2010 – reversal of impairment

In the year ended 31 December 2010 the reversal of the remaining US$109.4 million impairment originally recognised at El Tesoro in the year ended 31 December 2008 has been recorded as a credit within total operating costs, following a review undertaken in light of the 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%).

4. Segmental analysis

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	Esperanza	El Tesoro	Michilla	Exploration and evaluation	Corporate and other items	**Mining**	**Railway and other transport services**	**Water concession**	**Total**
	US$'m	US$'m	US$'m	US$'m	US$'m	US$'m	**US$'m**	**US$'m**	**US$'m**	**US$'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)/profit on disposals	(12.0)	-	(5.3)	(0.1)	-	-	(17.4)	2.9	(0.4)	**(14.9)**
Provision against the 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	Esperanza	El Tesoro	Michilla	Exploration and evaluation	Corporate and other items	**Mining**	**Railway and other transport services**	**Water concession**	**Total**
	US$'m	US$'m	US$'m	US$'m	US$'m	US$'m	**US$'m**	**US$'m**	**US$'m**	**US$'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 associates	-	-	-	-	-	(2.5)	(2.5)	(0.1)	-	**(2.6)**
Investment income	2.3	-	1.8	0.4	-	8.5	13.0	3.3	0.2	**16.5**
Interest expense	(14.0)	-	(1.4)	-	-	(2.6)	(18.0)	(0.3)	-	**(18.3)**
Other finance items	(3.7)	-	-	(15.1)	-	3.1	(15.7)	(1.3)	0.1	**(16.9)**
Profit/(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 3).

(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 5(a).

(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 5(b).

(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 5(a).

(vi) Exceptional item affecting operating profit in 2011 related to impairment of Reko Diq (2010 relate to a reversal of the impairment at El Tesoro) (see Note 3).

(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 11) 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 150MW 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 other 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 project in Chile.

b) Entity wide disclosures

Revenue by product

	Year ended 31.12.11 US$'m	Year ended 31.12.10 US$'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

	Year ended 31.12.11 US$'m	Year ended 31.12.10 US$'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 asset

	Year ended 31.12.11 US$'m	Year ended 31.12.10 US$'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

Notes to geographical information

(i) Non-current assets balance disclosed by location of asset excludes financial instruments, available for sale investments and deferred tax assets.

5. Derivatives and embedded derivatives

a) 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 month average prices for molybdenum concentrate sales due to the absence of a futures market in the market price references 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 year are as follows:

	Balance sheet net mark to market effect on debtors	
	At 31.12.11 US$'m	At 31.12.10 US$'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

	US$'m	US$'m	US$'m	US$'m	US$'m	US$'m	US$'m
	Los Pelambres	Esperanza	El Tesoro	Michilla	Los Pelambres	Esperanza	Los Pelambres
	Copper concentrate	Copper concentrate	Copper cathodes	Copper cathodes	Gold in concentrate	Gold in concentrate	Molybdenum concentrate
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

For the year ended 31 December 2010

	US$'m	US$'m	US$'m	US$'m	US$'m	US$'m	US$'m
	Los Pelambres	Esperanza	El Tesoro	Michilla	Los Pelambres	Esperanza	Los Pelambres
	Copper concentrate	Copper concentrate	Copper cathodes	Copper cathodes	Gold in concentrate	Gold in concentrate	Molybdenum concentrate
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

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 347.8 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.

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.

Gold in concentrate

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.

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.

b) 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". 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 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 profit or loss 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

	Income statement impact for the year ended 31.12.11			Impact on reserves at 31.12.11	Total balance sheet impact of mark-to-market adjustments at 31.12.11
	Realised gains/(losses)	Gains resulting from mark-to-market adjustments on hedging instruments	Total net gain/(loss)	Gains/(losses) resulting from mark-to-market adjustments on hedging instruments	Net financial asset/(liability)
	US$'m	US$'m	US$'m	US$'m	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**.**

For the year ended 31 December 2010

	Income statement impact for the year ended 31.12.10			Impact on reserves at 31.12.10	Total balance sheet impact of mark-to-market adjustments at 31.12.10
	Realised gains/(losses)	Gains resulting from mark-to-market adjustments on hedging instruments	Total net gain/(loss)	Gains/(losses) resulting from mark-to-market adjustments on hedging instruments	Net financial asset/(liability)
	US$'m	US$'m	US$'m	US$'m	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 6). The remaining US$6.6 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**.**

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

	At 31.12.11	At 31.12.10
	US$'m	US$'m
Analysed between:		
Current assets	**11.4**	1.8
Non-current assets	**47.6**	-
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.

- **Min/max instruments**

	At 31.12.11	For instruments held at 31.12.11			
	Copper production hedged	Weighted average remaining period from 1 January 2012	Covering a period up to:	Weighted average floor	Weighted average cap
	000 tonnes	Months		US cents	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.

- **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	Weighted average remaining period from 1 January 2012	Covering a period up to:	Weighted average price
	000 tonnes	Months		US cents
El Tesoro	11,000	7.6	31-01-13	361.0

(iii) 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	Weighted average remaining period from 1 January 2012	Covering a period up to:	Weighted average rate
	US$'m	Months		Ch$/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.

(iv) 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	Weighted Average Fixed Rate
			US$'m	%
Esperanza	15/02/2011	15/02/2018	840.0	3.372

6. Net finance expense

	Year ended 31.12.11 US$'m	Year ended 31.12.10 US$'m
Investment income		
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 during the year, and is consequently not included within the above table.

7. Taxation

The tax charge for the year comprised the following:

	Year ended 31.12.11 US$'m	Year ended 31.12.10 US$'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 (losses)/gains on corporate tax balances	**(2.1)**	0.6
	(965.3)	(631.5)
Deferred tax (charge)/credit		
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 corporation 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, 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 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.

	Year ended 31.12.11		Year ended 31.12.10	
	US$'m	**%**	US$'m	%
Profit before tax	**3,076.2**		2,573.2	
Tax at the Chilean corporation tax rate of 20% for the 2011 (17% -2010)	**(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**	-	-
Effect of deferred tax rates differing from current year first category tax rate and items not subject to or deductible from first category tax	**21.2**	**(0.6)**	3.3	(0.1)
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 tax rate was 30.8%. This rate varies from the standard rate principally due to the 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 principally due to the withholding tax of US$160.9 million and the effect of the mining tax which resulted in a charge of US$157.7 million.

8. Basic and diluted earnings per share

Basic and diluted earnings per share is calculated on profit after tax and non-controlling interest giving net earnings of US$1,236.6 million (2010 – US$1,051.8 million) and based on 985,856,695 ordinary shares. There was no potential dilution of ordinary shares in either year.

Basic and diluted earnings per share excluding exceptional items was 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 (2010 - US$991.3 million).

9. Dividends

The Board has recommended a final dividend of 36.0 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 business on 11 May 2012. This final dividend comprises an ordinary dividend of 12.0 cents per share and a special dividend of 24.0 cents per share. 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.

The final dividend proposed in relation to 2010 was 112.0 cents, which comprised an ordinary dividend of 12.0 cents per share and a special dividend of 100.0 cents per share. Together with the interim dividend that year of 4.0 cents per share which was an ordinary dividend this gave total dividends proposed in relation to 2010 of 116.0 cents per share.

Dividends per share actually paid in the year and recognised as a deduction from net equity under IFRS were 120.0 cents (2010 – 24.0 cents) being the interim dividend for the year and the final dividend proposed in respect of the previous year.

Dividends are declared and paid gross. 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.

10. Intangible assets

	Concession right US$'m	Exploration licenses US$'m	**Year ended 31.12.11** US$'m	Year ended 31.12.10 US$'m
Balance at the beginning of the year	190.8	120.7	**311.5**	311.2
Reclassification - property, plant and equipment	-	-	**-**	5.3
Disposal	-	-	**-**	(5.0)
Amortisation	(14.7)	-	**(14.7)**	(14.7)
Provision against the carrying value of assets	-	(120.7)	**(120.7)**	-
Foreign currency exchange difference	(20.8)	-	**(20.8)**	14.7
Balance at the end of the year	155.3	-	**155.3**	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.

As explained in Notes 3 and 26, 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.

11. Property, plant and equipment

	Mining US$'m	**Railway and other transport** US$'m	**Water concession** US$'m	**Year ended 31.12.11** US$'m	Year ended 31.12.10 US$'m
Balance at the beginning of the year	5,870.7	191.0	31.7	**6,093.4**	4,873.2
Additions	746.0	20.5	6.4	**772.9**	1,381.7
Acquisition of subsidiary	-	-	-	-	4.1
Reclassification	-	-	-	-	(21.3)
Decommissioning provisions capitalised	56.7	-	-	**56.7**	44.4
Depreciation	(398.0)	(16.1)	(2.9)	**(417.0)**	(262.3)
Depreciation capitalised	(23.9)	-	-	**(23.9)**	(35.9)
Provision against the carrying value of assets	(19.8)			**(19.8)**	-
Asset disposals	(17.4)	(1.0)	(0.4)	**(18.8)**	(4.8)
Impairment reversal	-	-	-	-	109.4
Foreign currency exchange difference	-	0.4	(0.9)	**(0.5)**	4.9
Balance at the end of the year	6,214.3	194.8	33.9	**6,443.0**	6,093.4

At 31 December 2011 nil (2010 – US$23.2 million) of 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 4(a).

As explained in Notes 3 and 26, 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. and reversal of impairment of US$109.4 million in 2010 relates to property, plant and equipment at El Tesoro.

Future capital commitments at 31 December 2011 were US$126.1 million (2010 – US$60.6 million).

12. Investment property

	Year ended 31.12.11	Year ended 31.12.10
	US$'m	US$'m
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 held at cost.

13. Investment in associates

	Inversiones Hornitos	**ATI**	**El Arrayan**	**Year ended 31.12.11**	Year ended 31.12.10
	US$'m	**US$'m**	**US$'m**	**US$'m**	US$'m
Balance at the beginning of the year	53.1	4.9	-	**58.0**	121.3
Acquisitions	-	-	4.5	**4.5**	-
Disposal	-	-	-	**-**	(2.3)
Capital reduction	-	-	-	**-**	(57.2)
Interes expense capitalised by associate payable to subsidiary	(0.5)	-	-	**(0.5)**	(0.4)
Share of 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 associate	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 165 MW Hornitos thermoelectric power plant in Mejillones, in Chile's Antofagasta Region.

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

(iii) The Group´s 30% interest in El Arrayan Project, which will develop and operate an 115MW wind-farm project. The plant is expected to be constructed in early 2012 and achieve commercial operation in the second half of 2013.

14. Joint venture agreements

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) of which 50% is attributable to the Group. 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 are set out in Note 26.

Energía Andina S.A.

In October 2008 Energía Andina S.A. ("Energia Andina") was formed as a vehicle for the exploration and exploitation of potential sources of geothermal energy. 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.

15. Available for sale investments

	Year ended 31.12.11	Year ended 31.12.10
	US$'m	US$'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 suscribed 10.3 million shares in Stratex International plc for a subscription price of US$1.3 million, representing 3% of Stratex Internaltional's enlarged issued share capital.

In October 2011, Antofagasta suscribed 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 shares in Stratex International plc.
(v) US$0.8 million relating to the market value of shares in Sipa Resources Limited.
(vi) US$0.1 million relating to the market value of other investments.

16. Inventories

	Year ended 31.12.11	Year ended 31.12.10
	US$'m	US$'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 twelve 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$27.4l) relating long-term inventories at Esperanza.

17. Borrowings

	Notes	**At 31.12.11**	At 31.12.10
		US$'m	US$'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)
Subodinated 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 (see Note 23)		**(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 leases 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 6 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 8 years and weighted average interest rate of LIBOR six-months plus 3.75%.

(v) Short-term loans at Esperanza comprises US$30 million from local banks with an average duration of 12 months and weighted average interest rate fixed of 0.99%.

(vi) Finance leases at Esperanza are US dollar denominated, with a maximun remaining duration of 3 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 4 years remaining, with an interest rate over the life of the loan of LIBOR six-month plus 1.2%.

(viii) Finance leases at El Tesoro in 2010 were US dollar denominated, and were 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 an average interest 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 4 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.

Maturity of borrowings

	At 31.12.11 **US$'m**	At 31.12.10 US$'m
Short-term borrowings	**(301.9)**	(137.6)
Medium and long-term borrowings	**(1,838.4)**	(2,058.9)
Total (see Note 23)	**(2,140.3)**	(2,196.5)

At 31 December 2011 US$67.3 million (2010 – US$53.8 million) of the borrowings has fixed rate interest and US$2,073.0 million (2010 – US$2,142.7 million) has floating rate interest. The Group periodically enters into interest rate derivative contracts to manage its exposure to interest rates. Details of any derivative instruments held by the Group are given in Note 5.

18. Post-employment benefit obligation

	Year ended 31.12.11 **US$'m**	Year ended 31.12.10 US$'m
Balance at the beginning of the year	**(68.0)**	(48.2)
Charge to operating profit in the year	**(4.3)**	(16.1)
Release of discount to net interest in year	**(3.9)**	(1.6)
Charge capitalised	**-**	(3.7)
Utilised 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)

The post employment benefit obligation relates to the provision for severance indemnities which are payable when an employment contract comes to an end, in accordance with normal employment practice in Chile and other countries in which the Group operates. The severance indemnity obligation is treated as an unfunded defined benefit plan, and the calculation is based on valuations performed by an independent actuary.

19. Long-term provisions

	Year ended 31.12.11	Year ended 31.12.10
	US$'m	US$'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 the 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:		
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)

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.

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 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.

20. Deferred tax assets and liabilities

	Year ended 31.12.11	Year ended 31.12.10
	US$'m	US$'m
Net position at the beginning of the year	**(586.3)**	(478.7)
Charge to tax on profit in year	**19.1**	(121.0)
Deferred tax recognised directly in reserves and non-controlling interest	**(16.9)**	4.0
Deferred tax capitalised	**-**	11.5
Foreign currency exchange difference	**2.8**	(2.1)
Net position at the end of the year	**(581.3)**	(586.3)
Analysed between:		
Deferred tax assets	**83.2**	110.0
Deferred tax liabilities	**(664.5)**	(696.3)
Net position	**(581.3)**	(586.3)

21. Share capital and share premium

There was no change in share capital or share premium in the year ended 31 December 2011 or 2010.

22. Reconciliation of profit before tax to net cash inflow from operating activities

	Year ended 31.12.11	Year ended 31.12.10
	US$'m	US$'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 impairment reversal	**-**	(109.4)
Net finance expense	**21.2**	18.7
Share of (profit)/loss of associates	**(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

23. Analysis of changes in net cash

	At 1.1.11	Cash flows	Other	Exchange	At 31.12.11
	US$'m	US$'m	US$'m	US$'m	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)**
Net cash	1,345.1	(134.6)	(60.6)	(10.2)	**1,139.7**

Net cash

Net cash at the end of each year was as follows:

	At 31.12.11	At 31.12.10
	US$'m	US$'m
Cash and cash equivalents	**3,280.0**	3,541.6
Total borrowings	**(2,140.3)**	(2,196.5)
	1,139.7	1,345.1

24. 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.

25. 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 their current status are 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.

26. 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 license 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.

27. Related party transactions

(a) Joint ventures

In September 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 ended 31 December 2011 the Group contributed US$9.7 million (year ended 31 December 2010 - US$12.1 million) to Tethyan to provide funds for Tethyan's on-going work programme. The balance due from Tethyan to Group companies at 31 December 2011 was US$0.1 million (31 December 2010 - US$0.3 million).

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 Energia Andina (year ended 31 December 2010 - nil).

(b) Associates

The Group has a 30% interest in Antofagasta Terminal Internacional S.A. ("ATI"), which is accounted for as an associate. During the year ended 31 December 2011 the Group received dividends of US$1.2 million (year ended 31 December 2010 – US$0.8 million), as disclosed in the Consolidated Cash Flow Statement.

The Group has acquired 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.

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.

(c) Other related parties

The ultimate parent company of the Group is Metalinvest Establishment, which is controlled by the E. Abaroa Foundation, in which members of the Luksic family are interested. The Company"s subsidiaries, in the ordinary course of business, enter into various sale and purchase transactions with companies also controlled by members of the Luksic family, including Banco de Chile S.A., Madeco S.A. and Compañía Cervecerías Unidas S.A., which are subsidiaries of Quiñenco S.A., a Chilean industrial and financial conglomerate the shares of which are traded on the Santiago Stock Exchange. These transactions, all of which were on normal commercial terms, are in total not considered to be material.

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.

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.

As set out in note 24, the Group has entered into arrangements with Duluth Metals Limited ("Duluth") in connection with Duluth's acquisition of 100% of Franconia Minerals Corporation ("Franconia"). 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. Antofagasta has contributed 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. As set out in Note 15, 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.

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.

28. Currency translation

The principal exchange rates expressed in US dollars used in the preparation of the 2011 financial statements are as follows:

	2011	2010
Year end rate	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

29. Distribution

The Annual Report and Financial Statements for the year ended 31 December 2011, together with the Notice of the 2012 Annual General Meeting, will be posted to all shareholders in April 2012. The Annual General Meeting will be held at Church House Conference Centre, Dean's Yard, Westminster, London SW1P 3NZ at 10:30 a.m. on Wednesday, 13 June 2012.

30. Production and Sales Statistics (not subject to audit or review)

(See notes following Note 30(b).)

a) Production and sales volumes for copper, gold, molybdenum and silver

	Production		Sales	
	Year ended 31.12.11	Year ended 31.12.10	**Year ended 31.12.11**	Year ended 31.12.10
	000 tonnes	000 tonnes	**000 tonnes**	000 tonnes
Copper				
Los Pelambres	**411.8**	384.6	**415.5**	379.1
Esperanza	**90.1**	-	**86.3**	-
El Tesoro	**97.1**	95.3	**96.0**	95.3
Michilla	**41.6**	41.2	**42.2**	41.6
Group total	**640.5**	521.1	**640.0**	516.0
Gold	**000 ounces**	000 ounces	**000 ounces**	000 ounces
Los Pelambres	**39.8**	35.1	**39.8**	35.1
Esperanza	**157.1**	-	**153.4**	-
Group total	**196.8**	35.1	**193.2**	35.1
Molybdenum	**000 tonnes**	000 tonnes	**000 tonnes**	000 tonnes
Los Pelambres	**9.9**	8.8	**9.4**	8.9
Silver	**000 ounces**	000 ounces	**000 ounces**	000 ounces
Los Pelambres	**1,774.3**	1,470.8	**1,774.3**	1,470.8
Esperanza	**724.3**	-	**724.3**	-
Group total	**2,498.6**	1,470.8	**2,498.6**	1,470.8

b) Cash costs per pound of copper produced and realised prices per pound of copper, gold, molybdenum and silver sold

	Cash costs		Realised prices	
	Year ended 31.12.11	Year ended 31.12.10	**Year ended 31.12.11**	Year ended 31.12.10
	US cents	US cents	**US cents**	US cents
Copper				
Los Pelambres	**78.3**	79.3	**371.1**	371.7
Esperanza	**83.2**	-	**354.7**	-
El Tesoro	**171.6**	169.2	**391.2**	351.9
Michilla	**213.3**	183.8	**381.6**	263.8
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 concentrates)	**141.5**	124.3		
Cash costs at Los Pelambres comprise:				
On-site and shipping costs	**110.0**	106.8		
Tolling charges for concentrates	**18.0**	17.6		
Cash costs before deducting by-product credits	**128.0**	124.4		
By-product credits (principally molybdenum)	**(49.7)**	(45.1)		
Cash costs (net of by-product credits)	**78.3**	79.3		
Cash costs at Esperanza comprise:				
On-site and shipping costs	**219.4**	-		
Tolling charges for concentrates	**15.5**	-		
Cash costs before deducting by-product credits	**234.9**	-		
By-product credits (principally gold)	**(151.7)**	-		
Cash costs (net of by-product credits)	**83.2**	-		
LME average			**399.7**	342.0
			US$	US$
Gold				
Los Pelambres			**1,610.6**	1,236.5
Esperanza			**1,643.4**	-
			1,636.6	1,236.5
Market average price			**1,572.4**	1,226.3
Molybdenum				
Los Pelambres			**15.1**	16.2
Market average price			**15.5**	15.7
Silver				
Los Pelambres			**35.9**	20.4
Esperanza			**35.2**	-
			35.7	20.4
Market average price			**35.1**	20.2

Notes to the production and sales statistics

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

(vi) The production information in Note 30(a) and the cash cost information in Note 30(b) are derived from the Group's production report for the fourth quarter of 2011, published on 1 February 2012.