ANTOFAGASTA PLC

Half yearly financial report for the six months ended 30 June 2011

23 August 2011

HIGHLIGHTS

SIX MONTHS TO 30 JUNE		2011	2010	% Change
Group turnover	US$'m	**3,054.3**	1,761.3	73.4%
Cash flows from operations	US$'m	**1,715.2**	1,087.7	57.7%
Net earnings	US$'m	**696.2**	451.2	54.3%
Earnings per share	cents	**70.6**	45.8	54.1%
Net cash at period end	US$'m	**686.7**	1,401.2	(51.0%)
Dividend per share	cents	**8.0**	4.0	100.0%
Group copper production	'000 tonnes	**288.5**	252.9	14.1%
Average LME copper price (per pound)	cents	**426.3**	323.4	31.8%
Group weighted average cash costs* (net of by-product credits)	cents	**105.6**	91.5	15.4%
Group weighted average cash costs* (excluding by-product credits)	cents	**157.8**	126.5	24.7%
Group gold production	'000 ounces	**70.7**	15.5	356.1%
Average market gold price (per ounce)	US$	**1,445**	1,152	25.4%
Group molybdenum production	'000 tonnes	**4.8**	4.4	9.1%
Average market molybdenum price (per pound)	US$	**17.0**	16.1	5.6%

** Cash costs are 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).*

- **Net earnings of US$696.2 million represent a 54.3% increase on the 2010 half year,** reflecting both higher average commodity prices and also the increase in production volumes.

- **Ordinary interim dividend of 8.0 cents declared, an increase of 100% over the 2010 interim of 4.0 cents**. This reflects the rebasing of the ordinary dividend which began with the 2010 final dividend, which was increased from 6.0 cents in 2009 to 12.0 cents. The total of the 2010 final ordinary dividend and the 2011 interim ordinary dividend is therefore 20.0 cents. This rebasing of the ordinary dividend reflects the increased production base of the Group.

- **Continued progress with ramp-up at Esperanza,** currently planned to complete by the end of the year. The focus of the ramp-up process has been on maximising the efficiency of the milling process and on the reliability of the sea-water pumping system. 2011 full year copper production expected to be in the range of 80,000 to 100,000 tonnes.

  Recognition of income and expenses at Esperanza from 1 January 2011 has increased the Group depreciation (US$56.1 million relating to Esperanza in the period) and net finance costs (US$29.5 million relating to Esperanza in the period).

- **Antucoya project feasibility study substantially complete.** The Antucoya project is situated in northern Chile close to the Michilla operation. The feasibility study considers average production of approximately 80,000 tonnes of copper cathodes per annum over a mine life of more than 20 years, with average cash costs of approximately 145 cents per pound over the first five years and 155 cents over the mine life. Subject to internal review and board approval, development is expected to take about two years, mainly during 2012 and 2013, followed-by a ramp-up of production during 2014. The capital cost is currently estimated at US$1.35 billion.

- **Strong continued production growth.** 2011 first half copper production of 288,500 tonnes was 14.1% above the first half of 2010. Forecast production for the 2011 full year in the range of 620,000 to 640,000 tonnes of copper, compared with 521,100 tonnes in 2010, mainly due to the contribution of Esperanza. 2011 gold production is expected to be in the range of 200,000 to 215,000 ounces compared with 35,100 ounces in 2010 also as a result of Esperanza, while molybdenum production at Los Pelambres is expected to be 10,600 tonnes, ahead of the original forecast for the year and compared with 8,800 tonnes in 2010.

Over the period from 2012 to 2015 average annual Group copper production is expected to be approximately 720,000 tonnes, reflecting the full-year impact of Esperanza from 2012, but before including any potential production from Antucoya. In this period, annual Group gold production is expected to be over 250,000 ounces and molybdenum production at Los Pelambres is expected to average over 8,000 tonnes.

- **Weighted average cash costs (net of by-product credits) of 105.6 cents per pound,** compared with 91.5 cents per pound in the first half of 2010, reflecting increased on-site costs at the operations including higher costs during Esperanza's ramp-up period, partly offset by increased by-product credits due to the start of gold production from Esperanza and increased molybdenum volumes and prices at Los Pelambres. The forecast for the 2011 full year weighted average cash costs (net of by-product credits) is for approximately 110 cents per pound.
- **El Tesoro progressing well with the Mirador deposit.** The first ore from the pit was sent to the crusher ahead of schedule in early August 2011, and production will commence during the second half of the year.
- **Significant investment in exploration and evaluation studies**, with expenditure of US$83.0 million (2010 half year - US$39.0 million). The increase is mainly due to expenditure in respect of the Sierra Gorda pre-feasibility study and the Twin Metals project. In May 2011, the Board also approved the initiation of pre-feasibility study at Los Pelambres, to analyse in detail the opportunities for longer-term large-scale further development of the operation.
- **Strong financial position.** The Group had cash (including liquid investments) of US$3.1 billion and net cash of US$0.7 billion at 30 June 2011 following the payment in June of the 2010 final dividend, including the special dividend. 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.

Marcelo Awad, Chief Executive Officer of Antofagasta Minerals S.A., commented:

"The first half of 2011 has been a very significant period for the Antofagasta Group, with the first production and shipments from Esperanza taking place at the start of the year. The commissioning of Esperanza represents a major step in the growth of the Antofagasta group. The feasibility study at Antucoya is substantially complete, which along with the pre-feasibility studies in progress at the Sierra Gorda District and now at Los Pelambres, together with other overseas opportunities, underline the considerable potential we have to build further on this solid base. Our strong financial position will allow us to take advantage of these opportunities and continue to deliver good returns to shareholders through the commodity cycle. Our total ordinary dividend (2010 final and 2011 interim) is now more than double the level of two years ago.

"Recent events have shown the volatility of commodity prices, and the industry is also continuing to see relatively strong cost pressures. However, I believe that Antofagasta, with its low average net cost position, is well placed to deal with these challenges. While markets are likely to remain volatile, especially in the near-term, we remain confident that copper fundamentals will remain supportive of a strong pricing environment."

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DIRECTORS' COMMENTS FOR THE HALF YEAR TO 30 JUNE 2011

Overview

The Group has achieved significant growth in both its production volumes and its earnings in the first half of 2011. The commissioning of the Esperanza mine, which began in November 2010, has been a major milestone in the growth of the Company. The ramp-up of the operation, while slower than initially envisaged, is currently planned to be completed by the end of the year. Copper production is expected to be in the range of 620,000 to 640,000 tonnes this year, compared with 521,100 tonnes in 2010, with the increase predominantly reflecting the contribution of Esperanza. Over the period from 2012 to 2015 average annual copper production from the Group's four mining operations is expected to be approximately 720,000 tonnes, with the further increase from 2011 levels reflecting the full-year impact from Esperanza. Gold production, which was 35,100 ounces in 2010, is expected to be in the range of 200,000 to 215,000 ounces this year, increasing to over 250,000 ounces from 2012 to 2015 when Esperanza is in full production. Molybdenum production this year is expected to be 10,600 tonnes, ahead of the original forecast, compared with 8,800 tonnes in 2010.

Net earnings were US$696.2 million, an increase of 54.3% compared with the US$451.2 million in the first six months of 2010, reflecting both the higher average commodity prices and also the increase in production volumes. Cash flows from operations were US$1,715.2 million, compared with US$1,087.7 million in the first half of 2010. Following the payment of the 2010 final dividend of US$1,104.2 million in June 2011, at 30 June 2011 the Group had a net cash position of US$686.7 million.

Metal prices during the first six months of 2011 were significantly higher than the 2010 comparative period. The LME copper price averaged 426.3 cents per pound, compared with 323.4 cents in the first half of 2010. The gold price averaged US$1,445 per ounce (2010 half-year – US$1,152), and the molybdenum price averaged US$17.0 per pound (2010 half-year – US$16.1). As explained in "Outlook" section below, the copper price has weakened subsequent to the period end during August, reflecting macro-economic uncertainties, whereas gold has strengthened. Given continuing concerns over the macro-economic environment and the increased role of financial investment in commodity markets in recent years, prices are likely to remain subject to volatility.

Copper production in the first six months of 2011 was 288,500 tonnes, a 14.1% increased compared with the 252,900 tonnes produced in the first half of 2010, mainly reflecting the start of production at Esperanza. Gold production was 70,700 ounces, compared to 15,500 ounces in 2010, again due to the start-up of Esperanza. Molybdenum production at Los Pelambres increased by 9.1% to 4,800 tonnes (2010 half year – 4,400 tonnes), mainly due to higher plant throughput. The transport and water divisions performed well with both divisions achieving growth in their overall volumes and earnings.

Weighted average cash costs (net of by-product credits) were 105.6 cents per pound compared with 91.5 cents per pound in the first half of 2010. This reflected increased on-site costs at the operations, partly offset by increased by-product credits due to the start of gold production from Esperanza and increased molybdenum volumes and prices at Los Pelambres. Weighted average cash costs excluding by-product credits were 157.8 cents per pound compared with 126.5 cents per pound in the first half of 2010. The increase reflected the impact on average cash costs of the ramp-up process at Esperanza, the impact of temporary lower grades at Los Pelambres and El Tesoro, and general cost pressure across the operations, including the impact of the stronger Chilean peso and increased sulphuric acid costs at El Tesoro and Michilla.

At Esperanza, current plans are for the ramp-up process to continue over the second half of 2011, and to be complete by the end of the year. In July throughput averaged 62,900 tonnes per day, with daily peaks of over 80,000 tonnes per day being achieved during that month. The focus of the ramp-up process has been on maximising the efficiency of the milling process and on the reliability of the sea-water pumping system. It is currently planned for the majority of the ramp-up to be completed during the third quarter of 2011. During the fourth quarter it should therefore be possible to assess the level of throughput achieved in a steady-state of operation, in the context of the current ore characteristics, and to determine whether further refinements are required.

El Tesoro is progressing well with work in respect of the Mirador deposit. Following the commencement of pre-stripping in December 2010, the first ore from the pit was sent to the crusher ahead of schedule in early August 2011, and consequently first production from Mirador is expected during the second half of the year.

The Environmental Impact Assessment for the Antucoya project was approved in June 2011, and the feasibility study is now substantially complete. This considers average production of approximately 80,000 tonnes of copper cathodes per annum, over a mine life of more than 20 years. Cash cost are expected to average approximately 145 cents over the first five years and 155 cents over the mine life. The capital cost of the construction of the project is currently estimated at US$1.35 billion. Subject to internal review and Board approval, it is expected that the construction will take approximately two years, mainly during 2012 and 2013, followed-by a ramp-up of production during 2014.

The Group has continued to invest heavily in developing its existing projects and identifying new opportunities. The Group's primary focus in terms of its medium-term, large-scale growth potential is focused on its existing core districts of Sierra Gorda and Los Pelambres. Of the total resource base for the Group's subsidiaries of 13.4 billion tonnes, 11.9 billion tonnes or 88% relates to the Sierra Gorda and Los Pelambres districts. These districts provide the potential to significantly increase the scale of the Group during the course of this decade. The Group is also conducting a wide range of early-stage exploration activities, both through its in-house exploration team and also through partnerships with third-parties, to build a portfolio of longer-term growth opportunities across an increasingly diversified geographical area. The Group incurred US$83.0 million of exploration and evaluation expenditure in the first six months of 2011, compared with US$39.0 million in the first half of 2010. The increase was principally due to increased spend in respect of the Sierra Gorda district in Chile (US$39.0 million), and the Twin Metals project in the United States (US$12.7 million).

The pre-feasibility study in respect of the Sierra Gorda district is progressing well, and is expected to be completed during the second half of the year. In the Los Pelambres district, the Group has approved just under US$100 million of expenditure over the next 2 years on a pre-feasibility study to analyse in detail the opportunities for longer-term large-scale further development of the operation.

Drilling work and preliminary work relating to the pre-feasibility study has been undertaken at the Twin Metals project in the United States. In March the Group's partner in the project, Duluth Metals Limited, completed its acquisition of Franconia Minerals Corporation, which holds a number of deposits which are contiguous to Twin Metals' deposits. Following the completion of Duluth's acquisition, it is expected that Twin Metals will acquire Franconia's assets from Duluth during the second half of 2011.

At Reko Diq in Pakistan the Supreme Court ruled in May 2011 that the Balochistan provincial government should decide on the application for the grant of the required mining licence on an expeditious basis, in accordance with the Balochistan Mineral Rules. The court suspended the hearing of the petitions which were before the court until the mining licence application process has been completed. Work in respect of the mining licence application and associated Project and Mineral Agreements are expected to continue in the second half of 2011.

The Group has also continued with its other early stage opportunities and prospects, both in Chile and internationally. The Group entered into new agreements in Sweden, Turkey, Portugal and Canada, and is continuing with work on these and its other early-stage international projects in the United States, Spain, and Australia.

Dividends

The Board has declared an ordinary interim dividend of 8.0 cents per share for the 2011 half-year (2010 half year – 4.0 cents). This reflects the rebasing of the ordinary dividend which began with the 2010 final ordinary dividend, which was increased from 6.0 cents to 12.0 cents. The total of the 2010 final ordinary dividend and the 2011 interim ordinary dividend is therefore 20.0 cents. This rebasing of the ordinary dividend reflects the increased production base of the Group. The Board expects to continue with its policy of an ordinary dividend which can be maintained or progressively increased at conservative long-term copper prices and through the economic cycle from this new base.

As in previous years, the Board intends to determine an appropriate level of the total final dividend when the full year results are announced in March 2012. In previous years the Board has recommended special dividends when it considered 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 interim dividend of 8.0 cents will be paid on 6 October 2011 to ordinary shareholders on the register at the close of business on 16 September 2011. Dividends are payable in either US dollars or sterling, and the exchange rate to be applied to dividends to be paid in sterling will be set on 21 September 2011.

Market review

LME copper prices remained strong during the first half of 2011, registering a record average for a calendar half-year of 426 cents per pound, and trading through most of the period in a relatively narrow range of between 395 to 460 cents. After a dip in May to a low point of 387 cents per pound prices recovered back to a level of 422 cents by 30 June 2011, based on market tightness, supply shortfalls, weakness in the US dollar and renewed investment interest in copper. However, subsequent to the period-end, prices have fallen during the first half of August 2011, reflecting the weaker macro-economic conditions, reaching approximately 400 cents in mid-August.

It is estimated that total copper inventories experienced a reduction of more than half a million tonnes during the first half of 2011, despite visible exchange inventories showing a small increase. Higher prices, cash flow pressures and credit restrictions have been an incentive for smelters, refineries, fabricators and downstream producers to reduce their working stocks. Material held by speculators has also been reducing, particularly in China where copper previously held as collateral or as a financing tool has been consumed, resulting in a significant reduction of copper held in Chinese bonded warehouses from approximately 700,000 tonnes at the start of the year to less than 300,000 tonnes at the end of June.

Demand, particularly from China, has remained strong throughout the year to date. While 2011 imports of refined copper and copper concentrates into China have been below 2010 levels this reflects the running down of stocks built up over the past two years, and a higher level of scrap consumption. Demand in the United States has been recovering, although European demand has been below original expectations due to the effects of the Euro zone sovereign debt crisis on investment levels. Japanese demand is expected to recover during the second half of the year as a result of reconstruction work and recovering industrial activity affected by the earthquake.

The supply side has been unable to perform as expected with nearly nil growth in mine production during the first half of the year, with higher than anticipated levels of disruptions, with production from both Chile and Peru down more than 2% year-on-year. Total mine disruptions have accounted for a loss of close to 8% of potential production in the first half of 2011, compared with forecasts at the start of the year for between 5% to 6% of production losses. This has been caused by a number of factors, including sharper than anticipated declines in ore grades, technical failures, slow ramp-up of new projects, bad weather conditions and strike action due to increasing labour unrest fuelled by the higher copper price environment.

Consensus estimates are for a full year deficit of approximately 500,000 tonnes, with a copper price averaging more than 420 cents per pound during the second half of 2011, although prices are likely to remain subject to volatility with down-side risks, given continuing concerns over the macro-economic environment and the increased role of financial investment in commodity markets in recent years.

The copper concentrate market remains in a balanced state at present due to a low smelter utilisation rate, ample scrap supply and reduction of inventories, albeit in the context of an industry where available smelting capacity continues to significantly exceed mine supply. It is expected that the market could soon enter into deficit once again and remain tight for the coming years, given the further expansion of smelter capacity, particularly in China, which is likely to outstrip the growth in mine supply. Mid-year contracts are reported as having been settled at US$85 per dry metric tonne for smelting and 8.5 cents per pound of copper for refining. The spot market has been improving in favour of miners due to the restart of the Onahama smelter in Japan which had been closed following the earthquake, a tighter scrap market and mine production disruptions. Miner-trader spot terms for clean concentrates have been reported at the level of US$40/4.0 cents.

Gold prices have remained strong, averaging US$1,445 per ounce compared with US$1,152 per ounce in the first half of 2010. With the slower pace of economic recovery in Western economies, monetary easing by central banks, geopolitical concerns, sovereign debt issues and US dollar weakness, gold has continued to attract investment interest. At 30 June 2011, the gold price was just over US$1,500 per ounce and has continued to strengthen reaching over US$1,800 per ounce during August. Consensus estimates are that fundamentals could continue to support the gold price in the near-term.

The molybdenum market has been very stable with a nearly balanced market, and prices averaging US$17.0 per pound during the first half of 2011. China became a net exporter of approximately eight million pounds of molybdenum during the first half of the year, after being a net importer during 2009 and 2010. The market has reported important destocking from traders and producers that together with the Chinese material being exported reduced the price to a level of US$14.5 per pound. In general the fundamentals for the molybdenum market appear strong, and with good demand, low stock levels and limited new supply in the near-term prices are expected to recover in the second half of the year, especially if there is a reduction in Chinese exports.

Board composition

During the first six months of 2011, two new Directors, Mr. Hugo Dryland and Mr. Tim Baker, both of whom bring considerable experience of the international mining sector, joined the Board. During this period two Directors, Mr. Daniel Yarur and Mr. Charles Bailey, retired after several years of valuable service to the Group. Following these changes, the Board comprises an Executive Chairman and seven non-executive Directors, of whom four are considered by the Board to be independent. As announced on 17 June 2011, the Board conducted a review of its committees which resulted in changes to the composition of the Audit, Remuneration and Nomination Committees and the appointment of Mr. William Hayes to succeed Mr. Charles Bailey as Senior Independent Director.

The Board notes the recommendations of Lord Davies' report "Women on Boards" published in February 2011. the Board aims to have a balance of skills, experience, length of service and knowledge of the Company. In making future appointments, the Board intends to continue to carry out its candidate search on the basis of merit, with due regard for the recommendations of the Davies Report and the benefits of diversity on the Board.

Production and cost outlook

Group copper production in the 2011 full year is expected to be in the range of 620,000 to 640,000 tonnes, compared with 521,100 tonnes in 2010, with the increase predominantly reflecting the contribution of Esperanza. Gold production is expected to be in the range of 200,000 to 215,000 ounces and molybdenum production is forecast to be approximately 10,600 tonnes. Weighted average cash costs before by-product credits for the full year are expected to be approximately 160 cents per pound, and costs net of by-products are forecast to be approximately 110 cents.

Over the period from 2012 to 2015 average annual Group copper production is expected to average approximately 720,000 tonnes, with some annual variability depending upon the particular ore grades and other ore characteristics in each year. This increase from 2011 levels, which does not include any potential production from Antucoya, reflects the full-year impact from Esperanza.

Review of operations

Mining division

Securing and strengthening the core business

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

Los Pelambres (60% owned)

Los Pelambres produced 192,500 tonnes of payable copper in the first half of 2011, 3.4% higher than the comparable period in 2010. The increase was mainly due to higher plant throughput as a result of the plant expansion which was completed at the end of Q1 2010, partly offset by lower grades during the first quarter of 2011. Plant throughput averaged 173,400 tonnes per day during the period, compared with 156,200 tonnes per day in the first half of 2010. Copper ore grades averaged 0.71% in the first half of the year, compared with 0.77% in the first six months of 2010. This was largely due to a short-term period of lower grades mined during Q1 2011, when grades were 0.68%. Grades increased to 0.73% in the second quarter of 2011, and are expected to improve in the second half of the year to levels comparable with 2010.

Molybdenum production was 4,800 tonnes in the first half of the year, a 9.1% increase compared with the first half of 2010. The higher production was mainly due to the higher plant throughput as a result of the plant expansion, partly offset by lower grades of 0.018% (2010 half year – 0.020%).

Realised copper prices at Los Pelambres were 423.7 cents per pound (2010 half year – 304.1 cents per pound), reflecting the effect of the higher average LME copper price compared with the first half of 2010, marginally offset by the impact of slight negative provisional pricing adjustments in the period. Realised molybdenum prices were US$17.0 per pound, in line with average market prices, slightly above the US$16.8 per pound realised price in the first half of 2010.

Cash costs, which are stated net of by-product credits and include tolling charges, were 75.2 cents per pound in the first six months of 2011, compared with 68.1 cents per pound in the first half of 2010. The increase in net costs was mainly due to an increase in on site costs, partly offset by increased by-product credits due to higher molybdenum and silver production and the increase in silver prices. The increase in on site costs was mainly due to the stronger Chilean peso and the impact of lower grades on unit costs partly offset by decreased energy costs under the terms of Los Pelambres' energy supply contract. Depreciation charges at Los Pelambres were US$85.7 million in the first half of 2011, slightly above the US$78.9 million depreciation in the first six months of 2010.

Consequently, Los Pelambres' operating profit was US$1,390.0 million in the 2011 half year, compared with US$773.6 million in the first six months of 2010, mainly reflecting the higher realised copper price, partly offset by the impact of higher on-site costs.

Total capital expenditure during the first six months of 2011 was US$100.4 million, partly relating to replacement mine site equipment and vehicles.

As previously announced, 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. This was concluded in advance of the expiry of the existing agreement, which ran until November 2011. During the prior year Los Pelambres 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.

As announced in May 2011, the full year production forecast is for approximately 407,000 tonnes of payable copper, compared to the initial forecast for the year of 419,000, with the decrease reflecting the temporary reduction in ore grades during the first quarter of 2011. Molybdenum production is expected to be approximately 10,600 tonnes, compared with the original forecast of 9,300 tonnes, reflecting higher grades. Gold production is expected to be approximately 37,000 ounces.

The full year cost forecast is for pre-credit cash costs of approximately 132 cents per pound, compared with the original forecast for the year of 124 cents per pound, mainly due to the impact of the lower expected production volumes on unit costs, as well as the stronger Chilean peso. By-product credits for the 2011 full year are now expected to be approximately 51 cents, compared with an original forecast of 45 cents, reflecting the higher than anticipated molybdenum production. Accordingly, the forecast for 2011 full year net cash costs, after by-product credits, is broadly in line with the original estimate at approximately 81 cents.

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)

Construction of Esperanza was substantially completed by the final quarter of 2010, and commissioning of the plant commenced in November 2010. The first shipment of copper concentrate took place in January 2011, and the ramp-up of the operation is continuing over the remainder of this year. Esperanza produced 29,300 tonnes of payable copper in the first six months of 2011. Plant throughput averaged 27,100 tonnes per day in the first quarter of the year, increasing to 53,300 tonnes per day in the second quarter, resulting in an average throughput for the first half of 2011 of 40,200 tonnes per day. In July throughput averaged 62,900 tonnes per day, with daily peaks of over 80,000 tonnes per day being achieved during that month. Copper ore grades averaged 0.54% in the first half of the year, with recoveries averaging 83.4% over the period. The recoveries improved over the course of the period, from 80.9% in Q1 to 84.7% in Q2, and it is expected the recoveries will continue to improve as the ramp-up progresses. Gold production was 52,700 ounces in the half year. Cash costs before by-product credits averaged 270.8 cents per pound and, after accounting for the by-products, net cash costs for the half year were 121.9 cents. The high level of costs during the period reflected the expenses associated with the ramp-up process, and the impact on unit costs of the plant operating at significantly below capacity during the ramp-up process.

The focus of the ramp-up process has been on maximising the efficiency of the milling process and on the reliability of the sea-water pumping system. Work on optimising the milling process has included fine tuning of the control system, 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. Much of this work was completed towards the end of the first half of 2011, and so the impact of these adjustments will be assessed during the second half of the year. Further refinements of the milling process will continue during the remainder of the year, including fitting new lifters with modified configurations to the SAG mill, which is planned to take place during scheduled maintenance in the fourth quarter of 2011. Some of the pumps in the sea-water pumping system suffered mechanical issues during the period, resulting in temporary down-time and limitations to plant capacity as the necessary repair work was undertaken, which was completed by the end of July. Over the course of the final quarter of 2011 and the start of 2012 additional stand-by pumps will be installed to provide further head-room in the case of any future potential mechanical issues.

On average over its first ten years of operation Esperanza is projected to produce approximately 190,000 tonnes of payable copper per year based on an average throughput level of 97,000 tonnes per day, with annual variability depending upon the ore grades and other ore characteristics in each year. It is currently planned for the majority of the ramp-up to be completed during the third quarter of 2011. During the fourth quarter it should therefore be possible to assess the level of throughput achieved in a steady-state of operation, in the context of the current ore characteristics, and to determine whether further refinements are required.

Capital expenditure in the half year was US$155 million, taking cumulative capital expenditure on the project to US$2,431 million. Including some final costs to be incurred in the second half of 2011, the total capital cost of the development is expected to be US$2.7 billion (including financing costs).

As previously announced the final production figure for 2011 will depend on the exact timing of the completion of the ramp-up process, but current estimates are for 2011 production to be in the range of 80,000 to 100,000 tonnes of copper and for gold production to be in the range of 160,000 to 175,000 ounces.

The current full year cost forecast is for pre-credit cash costs of approximately 260 cents per pound, compared with the original forecast for the year of 145 cents per pound, mainly due to the impact of the ramp-up process taking longer than initially anticipated. Current estimates of full year net cash costs, including the gold by-product, are for approximately 120 cents per pound.

El Tesoro (70% owned)

Copper cathode production at El Tesoro was 45,100 tonnes during the first half of 2011, compared with 47,300 tonnes in the comparable period of 2010. The decrease reflects reduced ore grades and recoveries, particularly in the first quarter of 2011. El Tesoro comprises a main heap-leach operation, fed by ore from the Tesoro Central and Tesoro North-East pits as well as ore from the Esperanza oxide cap, along with a run-of-mine ("ROM") leaching operation which processes lower-grade ore from the Esperanza oxide cap. As explained below, El Tesoro is in the process of developing the Mirador pit.

In August 2010 operations at the Tesoro North-East open pit were temporarily suspended, to allow geotechnical studies to be undertaken to ensure the safety of certain walls of that pit. During this suspension of operations the Tesoro plant processed lower-grade ore from the Tesoro Central pit and stockpiles in place of material from the North-East pit. After the completion of the geotechnical studies mining gradually resumed from the North-East pit in late 2010, continuing to have some impact on production during the first months of 2011. Ore grades improved in the second quarter of 2011, as production from the Tesoro North-East pit increased. As a consequence, the ore grade for material processed via the heap-leach operation averaged 1.04% during the first half of 2011, compared with 1.20% in the 2010 half year. Recoveries also decreased as a result of processing this lower-grade material, averaging 70.7% in the period (2010 half year – 74.2%). As a result, the heap-leach operation produced 33,100 tonnes of cathodes in the first half of 2011, compared with 40,200 tonnes in the first six months of 2010. Production from the run-of-mine ("ROM") operation, which processes low-grade ore from the Esperanza oxide cap, has increased to 12,000 tonnes from the 7,100 tonnes produced in the first half of 2010.

Realised copper prices at El Tesoro were 427.4 cents per pound compared with 319.7 cents per pound in the first half of 2010, broadly in line with the increase in the average LME price.

Cash costs in the first half of 2011 were 183.0 cents per pound, compared with 146.6 cents in the comparable period in 2010. The increase in costs was mainly as a result of higher sulphuric acid and energy prices, and the lower ore grades and recoveries. Costs decreased in the second quarter of 2011, as production from the Tesoro North-East pit increased and ore grades improved.

Operating profit at El Tesoro increased to US$182.9 million from US$144.0 million in the first half of 2010, reflecting the higher realised copper prices, partly offset by the higher cash costs, increased depreciation and reduced production volumes. Depreciation increased from US$30.7 million in the first six months of 2010, to US$42.9 million in the 2011 first half. This partly reflected the impact of the reversal in the second half of 2010 of the remainder of an impairment provision originally recorded in 2008, which has the impact of increasing the annual depreciation charge at El Tesoro by approximately US$25 million.

Capital expenditure in the first six months of 2011 was US$55.9 million (2010 half year: US$14.1 million), with the increased expenditure largely relating to the pre-stripping of the Mirador deposit as described below. Initial work is being undertaken in respect of a solar-powered water-heating plant to service the SX-EW plant, which is anticipated to be completed during 2012, and should reduce the oil consumption and carbon emissions of the operation.

Work is progressing well in respect of the Mirador deposit. Following the commencement of pre-stripping in December 2010, the first ore from the pit was sent to the crusher ahead of schedule in early August 2011, and consequently production from Mirador will commence during the second half of the year. During the next three years from 2012 to 2014 El Tesoro's production is expected to come primarily from the Mirador pit. El Tesoro is currently undertaking work to de-bottleneck the SX-EW plant, and when this is completed during 2012 this is expected to lift the maximum capacity of the plant from the current level of just under 100,000 tonnes of cathode production per year, to an annual production capacity of 105,000 tonnes of copper. The relatively higher grade ore which will therefore be mined during this period should allow the El Tesoro plant to operate close to this full capacity of approximately 105,000 tonnes of production per year between 2012 to 2014. The higher grade material is also expected to result in decreased operating cash costs during this three year period. The total capital expenditure in respect of developing the Mirador deposit is expected to be approximately US$42 million, of which US$37 million has been incurred up to 30 June 2011.

As announced in March, full year production is expected to be approximately 96,000 tonnes. Cash costs for the full year are currently forecast to be approximately 168 cents per pound, compared with the original budget of 161 cents, reflecting the higher than anticipated costs in the first quarter of the year due to the final impact of the temporary suspension of operations at the Tesoro North East pit.

Michilla (74.2% owned)

Michilla produced 21,700 tonnes of copper cathode during the first half of the year, compared with the 19,500 tonnes produced in the 2010 half year, due to improved average ore grades of 1.16% (2010 half year - 0.99%).

Cash costs in the first half of 2011 were 192.5 cents per pound compared with 180.4 cents per pound in the first six months of 2010 mainly due to the stronger Chilean peso and higher sulphuric acid costs, partially offset by the impact of increased production on unit costs and the reduction in the amount of ore purchased from ENAMI, the cost of which is linked to the copper price.

Realised copper prices in the period were 403.4 cents per pound compared with 244.2 cents in the first six months of 2010. The increase mainly reflected the increase in average LME prices, but in both periods the realised price was impacted by realised losses on commodity hedging instruments, particularly in the prior year. In the 2011 half year realised losses of US$12.4 million were recognised, equivalent to a 25.2 cent negative adjustment to the realised price, and in the first half of 2010 a realised loss of US$34.7 million was recognised, equivalent to a negative adjustment to the realised price of 77.6 cents. Details of outstanding commodity hedges are given on page 18 of the Financial Commentary.

Operating profit at Michilla was US$96.4 million compared with US$23.0 million in the first half of 2010, reflecting the higher realised copper prices and production volumes, partly offset by the increased cash costs. Capital expenditure in the period was US$10.5 million.

The full year production forecast, as originally announced in March, is for approximately 40,000 tonnes of copper cathodes. Cash costs for the full year are currently forecast to be approximately 212 cents per pound, compared with the original budget of 198 cents, mainly reflecting the stronger Chilean peso and higher sulphuric acid costs.

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, and engineering studies and mine planning to demonstrate viability. Studies are continuing in respect of a further possible extension to 2018.

Growth opportunities

The Group has a strong portfolio of growth opportunities, and is investing heavily in developing its existing projects and identifying new opportunities. The feasibility study in respect of the 80,000 tonnes per year Antucoya cathode project is substantially complete, and subject to internal review and Board approval could start contributing to Group production during 2014. The Group's primary focus in terms of its medium-term, large-scale growth potential is focused on its existing core districts of Sierra Gorda and Los Pelambres. Of the total resource base for the Group's subsidiaries of 13.4 billion tonnes, 11.9 billion tonnes or 88% relates to the Sierra Gorda and Los Pelambres districts. These districts provide the potential to significantly increase the scale of the Group during the course of this decade.

The Group is also conducting a wide range of early-stage exploration activities, both through its in-house exploration team and also through partnerships with third-parties, to build a portfolio of longer-term growth opportunities, across an increasingly diversified geographical area.

The Group incurred US$83.0 million of exploration and evaluation expenditure in the first six months of 2011, compared with US$39.0 million in the first half of 2010. The increase was principally due to increased spend in respect of the Sierra Gorda district in Chile (US$39.0 million), and the Twin Metals project in the United States (US$12.7 million).

Organic and sustainable growth of the core business

The second aspect of the Group's strategy is to achieve sustainable, organic growth from further developing the areas around our existing asset base in Chile, in particular in the Sierra Gorda and Los Pelambres districts.

Sierra Gorda district

The Sierra Gorda district is the area encompassing the Esperanza and El Tesoro operations, along with a number of other mining properties owned by the Group, containing both sulphide and oxide resource. The existing Esperanza concentrator plant and the El Tesoro SX-EW operation mean that the Group is well placed to develop this area as a wider mining district. A total of US$39.0 million of exploration and evaluation expenditure was incurred during the first half of 2011, the majority of which related to the pre-feasibility work at the Telégrafo and Caracoles deposits, as well as other work across the district.

A pre-feasibility study into the growth options in the district was begun in mid-2010, with an initial budget of US$70 million. An additional US$13 million of expenditure was approved in July 2011. The study, which is analysing options to best utilise the Telégrafo and Caracoles deposits, is expected to be completed during the second half of the year. Telégrafo is an extension of the Esperanza deposit, and Caracoles is a separate deposit located approximately 10 kilometres south-east of Esperanza. The mineral resource at the Telégrafo deposit is 2.7 billion tonnes at an average copper grade of 0.35%, and at Caracoles is 1.1 billion tonnes at an average copper grade of 0.45%. Together with the Esperanza resource of 1.9 billion tonnes at an average copper grade of 0.39%, this gives a combined resource for the three deposits of 5.8 billion tonnes at an average copper grade of 0.38%. In addition, all three deposits contain a significant gold by-product.

The range of options being evaluated under the pre-feasibility study range from a base-case of using these resources to extend the life of the existing Esperanza plant, to the possibilities of expanding the Esperanza plant and constructing a further stand-alone operation at Caracoles. These latter options could potentially double or treble the Group's sulphide processing capacity in the district compared with the existing Esperanza plant. Following the completion of the pre-feasibility study it is likely that a detailed feasibility study will commence, possibly in late 2011, and is likely to continue through 2012. Drilling has been undertaken during the period in respect of the Telégrafo and Caracoles deposits, both of which are well advanced for the feasibility resource models. Depending upon satisfactory conclusion of the necessary evaluations and permitting process, production from the expanded or additional operations could potentially commence from approximately 2016.

Los Pelambres district

Following the completion of the initial scoping study looking at opportunities for longer-term large-scale further development at Los Pelambres in the first half of 2011, the Group has approved just under US$100 million of expenditure by Los Pelambres over the next 2 years on a pre-feasibility study to analyse in detail these growth opportunities. The combination of the very large resource base at Los Pelambres, and the number of key infrastructure bottlenecks which are likely to preclude more incremental expansion of the operation, support a large scale expansion of the operation, potentially doubling the size of the current plant. The size and complexity of such a development means that it is likely to be late in this decade before a significant increase in production could be achieved.

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.

When operating in its areas of deepest experience, namely Chile and Peru, the Group has typically conducted exploration through its own in-house exploration team. When operating outside of those territories the Group has typically entered into partnerships with companies already established in those locations or otherwise with significant international experience.

Beyond its existing core districts, the Group has three relatively advanced projects – Antucoya in Chile, Reko Diq in Pakistan and Twin Metals in the United States. The Group also has an active and diverse early-stage green-field exploration programme.

Antucoya (100% owned)

Antuocoya is an oxide deposit located approximately 45 kilometres east of Michilla. The feasibility study in respect of the project is now substantially complete. The Environmental Impact Assessment for the project was approved in June 2011.

The feasibility study considers average production of approximately 80,000 tonnes of copper cathodes per annum, over a mine life of more than 20 years, using a standard heap-leach process. The capital cost of the construction of the project is currently estimated at US$1.35 billion. Subject to internal review and Board approval, it is expected that the construction will take approximately two years, mainly during 2012 and 2013, followed-by a ramp-up of production during 2014. It is currently estimated that cash costs over the first five years of operations will be approximately 145 cents over the first five years and 155 cents over the mine life.

While the project will be one of the lowest-grade green-field projects to be developed in Chile, there are a number of beneficial factors which help to compensate for this low grade. The deposit is relatively shallow, reducing the duration and cost of the pre-stripping. The operational stripping ratio is also low, with a waste to ore ratio of approximately 1:1. The deposit is also located within a well developed mining area, with good pre-existing infrastructure. The feasibility study has considered the possibility of the construction of a dedicated sulphur burning plant to supply sulphuric acid to the operation, which could reduce the risk of exposure to volatility in the cost of acid.

Reko Diq (37.5% owned)

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

Further progress on this project will be dependent on the grant of a mining licence, for which an application was submitted in February 2011, and successful conclusion of litigation which has been before the Pakistan Supreme Court. The Pakistan Supreme Court ruled in May 2011 that the Balochistan provincial government should decide on Tethyan's application for the grant of the required mining licence on an expeditious basis, in accordance with the Balochistan Mineral Rules. The court suspended the hearing of the petitions which were before the court until the mining licence application process has been completed. Work in respect of the mining licence application and associated Project and Mineral Agreements are expected to continue in the second half of 2011. At 30 June 2011, a total of US$140.7 million is capitalised, mainly in respect of the original acquisition cost.

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. Twin Metals' copper-nickel-platinum group metal deposit is located in north-eastern Minnesota, USA. Under the terms of the agreement with Duluth, the Group will provide 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. During the first half of 2011 Twin Metals incurred US$12.7 million of exploration and evaluation expenditure, relating to drilling work and preliminary work relating to conceptual studies. It is expected that work will shortly commence on the pre-feasibility study.

The Group has entered into arrangements with Duluth in connection with the acquisition of 100% of Franconia Minerals Corporation of Canada ("Franconia"). Franconia's principal assets are a 70% interest in the Birch Lake Joint Venture ("BLJV") which holds the Birch Lake, Maturi and Spruce Road copper-nickel-platinum and palladium deposits that are contiguous to Twin Metals' deposits, assets that are held by a US subsidiary of Franconia ("Franconia US"). Franconia announced in November 2010 its intention to increase its ownership at the Birch Lake Project to 82% under the terms of the BLJV Agreement. Duluth completed the acquisition of Franconia in March 2011 at a cost of CAD$77 million (approximately US$77 million), in a combination of cash and shares. Duluth and Antofagasta agreed that following the acquisition, Twin Metals would acquire 100% of the ownership units of Franconia US from Duluth. In the first half of 2011 Antofagasta has contributed approximately CAD$30 million (approximately US$30 million) in cash to Duluth's acquisition of Franconia in order to, in part, maintain the 40% and 60% interests of Antofagasta and Duluth, respectively, in Twin Metals. Following the completion of Duluth's acquisition, it is expected that Twin Metals will acquire 100% of the ownership units of Franconia US from Duluth during the second half of 2011.

Other exploration and evaluation activities

During the first half of 2011 the Group's in-house exploration team continued to perform exploration work in Chile, in areas beyond the existing core districts of Sierra Gorda and Los Pelambres. A total of US$3.5 million was spent in the first six months of 2011 on this in-house exploration activity in Chile. As well as this in-house exploration in Chile, the Group also continued to fund work at Rio Figueroa, the exploration project located in the Atacama Region in which the Group holds a 30% stake, spending US$2.1 million during the period.

Outside of Chile, the Group entered into new agreements in Sweden, Turkey, Portugal and Canada. The Group incurred US$9.5 million of exploration expenditure in the half-year in respect of early-stage exploration projects outside of Chile. After evaluation of the results of the exploration activities to date, the Group decided not to proceed further with a project in Eritrea.

Opportunities in geothermal and coal exploration and generation

The Group has continued to progress with its exploration and development activities relating to geothermal and coal energy prospects.

Energía Andina S.A is continuing with its activities for the exploration and development of geothermal energy prospects in Chile. In May 2012 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 has been granted 15 concessions to date, grouped into eight projects, and is engaged in the bidding process to acquire a number of further concessions. In January 2011 exploration drilling was initiated at the Tinguiririca project, situated close to Santiago, which demonstrated the existence of an active geothermal system. It is expected that drilling at the Pampa Lirima project in northern Chile will begin during September 2011. The Group incurred US$5.1 million during the first half of 2011 in respect of its share of this geothermal exploration work.

Work is continuing on the potential underground coal gasification project at the Mulpun coalfield, situated near Valdivia in southern Chile, along with the Group's partner in the project, Carbon Energy Limited of Australia. Engineering studies in relation to a pilot scheme are continuing, and the drilling campaign for the monitoring wells is now 25% complete. US$5.5 million of expenditure was capitalised during the period in respect of this work.

Railway and other transport services (100% owned)

Total transport volumes in the first six months of 2011 were 4.1 million tonnes compared with 4.0 million tonnes in the first half of 2010, comprising 3.2 million tonnes of rail volumes (2010 half year – 3.0 million tonnes) and 0.9 million tonnes of road volumes (2010 half year – 1.0 million tonnes).

Turnover increased by 20.3% to US$87.1 million (2010 half year – US$72.4 million), largely reflecting tariff adjustments in line with costs including fuel, inflation and exchange. This increase in revenues was also reflected in higher operating profits, which increased to US$30.4 million (2010 half year – US$21.5 million).

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 150 MW Hornitos thermoelectric power plant in Mejillones in Chile's Antofagasta Region. The Group was responsible for its 40% share of the approximately US$400 million total development costs of the power plant. As at 30 June 2011 the cumulative funding provided to Inversiones Hornitos, comprising a combination of equity contributions and loans, was US$148.6 million.

Aguas de Antofagasta S.A. (100% owned)

The water business continued to perform well, with volumes for the first half of 2011 of 24.0 million cubic metres, a 5.4% increase on the comparative period in 2010, as a result of increased demand from both regulated and unregulated clients.

Turnover increased by 31.1% to US$56.5 million, 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 20.4% increase in operating profits to US$27.1 million.

FINANCIAL COMMENTARY FOR THE SIX MONTHS ENDED 30 JUNE 2011

Results

Revenue

	Six months ended 30.06.11	Six months ended 30.06.10	Year ended 31.12.10
	US$'m	US$'m	US$'m
Revenue	**3,054.3**	1,761.3	4,577.1

Group revenue in the first half of 2011 was US$3,054.3 million, 73.4% above the US$1,761.3 million achieved in the first half of 2010. This mainly reflected increased copper revenues at the mining division.

Revenue from the mining division

Revenue from copper concentrate and copper cathodes

Revenue from copper concentrate and copper cathode sales from the Group's four mines increased by 77.8% to US$2,615.8 million, compared with US$1,471.5 million in the first half of 2010. The increase mainly reflected the impact of higher realised prices as well as higher copper volumes.

(i) Realised copper prices

The Group's average realised copper price increased by 40.0% to 422.7 cents per pound (first half of 2010 – 301.9 cents per pound), mainly reflecting the higher average LME copper price, which increased by 31.8% to 426.3 cents per pound (first half of 2010 – 323.4 cents per pound), partly offset by the negative adjustments to provisionally priced sales and the impact of realised hedging losses. Realised copper prices in the first half of 2011 were marginally lower than the average LME copper price for the period of 426.3 cents per pound, mainly due to a negative adjustment relating to sales invoiced in 2010 which were finally priced in 2011. In the first half of 2010 the realised copper price was significantly lower than the average LME price of 323.4 cents per pound, mainly because the decrease in the copper price at the period-end resulted in a negative mark-to-market adjustment. Further details of provisional pricing adjustments are given in Note 5(a) to the half yearly financial report.

In the first half of 2011 revenue also included a net loss of US$12.3 million (first half of 2010 – net loss of US$34.7 million) on commodity derivatives principally at Michilla which matured during the period. Further details of hedging activity in the year are given in Note 5(b) to the half yearly financial report.

Realised prices are analysed by mine in the Review of Operations on pages 6 to 9. The movement in the LME copper price during the period is described in the Review of Operations on page 4.

(ii) Copper volumes

Copper sales volumes increased by 26.3% from 229,300 tonnes in the first half of 2010 to 289,500 tonnes this year, reflecting the start-up of Esperanza. Sales volumes differed slightly from production each year mainly due to differences in shipping and loading schedules.

Production volumes are analysed by mine in the Review of Operations on pages 6 to 9. The increased production volumes in the period were mainly due to the impact of the Esperanza start-up.

(iii) Tolling charges

Tolling charges for copper and molybdenum concentrates increased from US$61.6 million in the first half of 2010 to US$89.3 million in the first half of 2011. Tolling charges at Los Pelambres increased from US$61.6 million in the first half of 2010 to US$80.1 million in 2011, reflecting the increased level of annual treatment and refining charges (partly mitigated by the "brick system" under which terms are often averaged over two years), the impact of increased realised copper prices on certain contracts and the marginally higher copper concentrate volumes. The 2011 annual benchmark terms were US$56 per dry metric tonne of concentrate and for smelting and 5.6 cents per pound of copper for refining in comparison to the 2010 annual benchmark terms of US$46.5 and 4.65 cents. Tolling charges are deducted from concentrate sales in reporting revenue and hence the increase in these charges has had a negative impact on revenue compared with 2010. There were tolling charges of US$9.2 million at Esperanza in the first half of 2011 (first half of 2010 – nil).

Revenue from gold, molybdenum and silver

Revenue from by-products at Los Pelambres and Esperanza, which relate mainly to gold and molybdenum and to a lesser extent silver, increased by 69.2% to US$294.9 million in the first half of 2011 compared with US$174.3 million in the first half of 2010, mainly due to the contribution of gold sales from Esperanza. Molybdenum revenues (net of roasting charges) were US$157.4 million (first half of 2010 – US$145.3 million), gold revenues (net of tolling charges) were US$97.5 million (first half of 2010 – US$17.8 million) and silver revenues (net of tolling charges) were US$40.0 million (first half of 2010 – US$11.2 million).

(i) Realised molybdenum prices

The realised molybdenum price marginally increased from US$16.8 per pound in the first half of 2010 to US$17.0 per pound in the first half of 2011. The average market price increased from to US$16.1 per pound in the first half of 2010 to US$17.0 per pound in the first half of 2011. Molybdenum concentrate sales are also subject to provisional pricing with an average open period of approximately two months from shipment date.

(ii) Molybdenum volumes

Molybdenum sales volumes increased to 4,400 tonnes, compared with 4,100 tonnes in the first half of 2010. Differences between production and sales volumes in each period mainly reflected shipping and loading schedules.

Production volumes for Los Pelambres are analysed in the Review of Operations on page 6.

(iii) Realised gold prices

The realised gold price increased by 29.1% to US$1,491 per ounce in the first half of 2011 (first half of 2010 – US$1,155 per ounce), compared to a 25.4% increase in the average market price to US$1,445 per pound (first half of 2010 – US$1,152 per ounce). The higher realised gold price of US$1,491 compared to the average market price of US$1,445 per pound reflects the higher sales volumes in the second quarter of 2011 which had higher market prices compared to the first quarter.

(iv) Gold volumes

Gold sales volumes significantly increased to 65,600 ounces, compared with 15,500 ounces in the first half of 2010 reflecting the start-up of Esperanza and the resulting 47,500 ounces of sales volumes. Small differences between production and sales volumes in each period reflected shipping and loading schedules.

Production volumes for Los Pelambres and Esperanza are analysed in the Review of Operations on pages 6 and 7.

(v) Silver credit in copper concentrate sales

Credits received from silver contained in copper concentrate sold increased to US$40.0 million (first half of 2010 – US$11.2 million). This increase was due to a 97.7% increase in the average market silver price in the period in comparison to the first half of 2010 and the 70.8% increase in silver volumes to 1,093,800 ounces which included 250,200 ounces from Esperanza.

Revenue from the transport and water divisions

Revenue from the transport division increased by US$14.7 million to US$87.1 million, mainly due to an increase in tariffs as a result of higher oil prices and the impact of the stronger Chilean peso.

Revenue at Aguas de Antofagasta, which operates the Group’s water business, increased by US$13.4 million to US$56.5 million in the first half of 2011. This was mainly due to increased volumes, increased tariffs and impact of the stronger Chilean peso.

EBITDA and operating profit from subsidiaries and joint ventures

	Six months ended 30.06.11	Six months ended 30.06.10	Year ended 31.12.10
	US$'m	US$'m	US$'m
EBITDA	**1,946.7**	1,058.5	2,771.9
Depreciation and amortisation	**(209.1)**	(130.5)	(277.0)
Loss on disposals	**(1.9)**	(6.8)	(9.8)
Operating profit from subsidiaries and joint ventures excluding exceptional items	**1,735.7**	921.2	2,485.1
Impairment reversal (exceptional item)	-	-	109.4
Operating profit from subsidiaries and joint ventures	**1,735.7**	921.2	2,594.5

EBITDA

EBITDA (earnings before interest, tax, depreciation, and amortisation) from subsidiaries and joint ventures increased by 83.9% to US$1,946.7million (first half of 2010 – US$1,058.5 million).

EBITDA at the mining division increased by 87.4% from US$998.8 million to US$1,871.3 million, due to the increase in revenue as explained in greater detail above, partly offset by increased operating costs.

Operating costs (excluding depreciation and amortisation) at the mining division increased by 57.6% to US$1,107.6 million reflecting both the increased sales volumes as set out above and increased unit costs. Excluding by-product credits (which are reported as part of revenue) and tolling charges for concentrates (which are deducted from revenue), weighted average cash costs for the Group increased from 113.7 cents per pound in the first half of 2010 to 143.7 cents per pound in the first half of 2011. This increase reflected the impact on average cash costs of the ramp-up process at Esperanza, the impact of temporary lower grades at Los Pelambres and El Tesoro, and general cost pressure across the operations, including the impact of the stronger Chilean peso and increased sulphuric acid costs at El Tesoro and Michilla. These factors were partly offset by lower energy costs at Los Pelambres. Cash costs are analysed by mine in the Review of Operations on pages 6 to 9.

Exploration and evaluation expenditure increased from US$39.0 million in the first half of 2010 to US$83.0 million in the first half of 2011, mainly reflecting the increased level of exploration expenditure in the Sierra Gorda district and expenditure incurred by Twin Metals in relation to the Nokomis Deposit. Net costs in respect of corporate and other items were US$30.5 million (2010 half year – US$18.1 million).

EBITDA at the transport division increased by US$9.9 million to US$39.2 million, with the increased revenue as explained above partly offset by higher operating costs. EBITDA at Aguas de Antofagasta increased by US$5.8 million to US$36.2 million, with the increased revenue as explained above also partly offset by higher operating costs.

Depreciation, amortisation and impairments

Depreciation and amortisation increased by US$78.6 million to US$209.1 million in the first half of 2011, mainly due to the recognition of US$56.1 million of depreciation relating to Esperanza following its start-up as well as higher charges at El Tesoro. The increase at El Tesoro relates to the reversal during 2010 of the remaining US$109.4 million of an earlier impairment provision, which increased the carrying value of the asset resulting in a higher annual depreciation charge. The loss on disposal of property, plant and equipment in the first half of 2010 was US$1.9 million, compared with US$6.8 million in the prior year.

Operating profit from subsidiaries and joint ventures

As a result of the above factors, operating profit from subsidiaries and joint ventures increased by 88.4% to US$1,735.7 million.

Share of income/(loss) from associates

	Six months ended 30.06.11	Six months ended 30.06.10	Year ended 31.12.10
	US$'m	US$'m	US$'m
Share of income/ (loss) from associates	**2.9**	(1.2)	(2.6)

The Group's share of net profit from its associates was US$2.9 million (first half of 2010 – net loss of US$1.2 million), comprised of a net profit of US$1.6 million (first half of 2010 – net loss of US$1.6 million) from its 40% interest in Inversiones Hornitos S.A. ("Inversiones Hornitos") and a net profit of US$1.3 million (first half of 2010 – net profit of US$0.6 million) from its 30% interest in Antofagasta Terminal Internacional S.A. ("ATI"). The first half of 2010 included a net loss of US$0.2 million from its 17.8% interest in Sunridge Gold Corp ("Sunridge"). The Group sold its interest in Sunridge in December 2010.

Net finance (expense)/income

	Six months ended 30.06.11	Six months ended 30.06.10	Year ended 31.12.10
	US$'m	US$'m	US$'m
Investment income	**11.5**	6.1	16.5
Interest expense	**(44.7)**	(6.5)	(18.3)
Other finance items	**(13.5)**	12.5	(16.9)
Net finance (expense)/income	**(46.7)**	12.1	(18.7)

Net finance expense in the first half of 2011 was US$46.7 million, compared with a net finance income of US$12.1 million in the first half of 2010.

Interest receivable increased from US$6.1 million in the first half of 2010 compared to US$11.5 million in the first half of 2011, reflecting a higher weighted average interest rate in 2011 versus the comparative period in 2010.

Interest expense increased from US$6.5 million in the first half of 2010 to US$44.7 million in the first half of 2010, mainly due to US$31.1 million of interest expense relating to Esperanza. Prior to 1 January 2011, during the development phase at Esperanza, its finance costs were capitalised as part of its construction costs.

Other finance items comprised an expense of US$13.5 million (first half of 2010 – gain of US$12.5 million). A loss of US$17.9 million (first half of 2010 – gain of US$7.4 million) has been recognised in respect of the time value element of changes in the fair value of commodity derivative options, which is excluded from the designated hedging relationship, and is therefore recognised directly in the income statement. Foreign exchange gains included in finance items were US$12.0 million in the first half of 2011, compared with a gain of US$2.0 million in the previous period. A loss on foreign exchange derivatives of US$3.3 million (first half of 2010 – gain of US$4.7 million) is also included in other finance items. An expense of US$4.3 million (first half of 2010 - US$1.6 million) has been recognised in relation to the unwinding of the discount on provisions.

Profit before tax

The resulting profit before tax for the period was US$1,691.9 million compared to US$932.1 million in the first half of 2010, reflecting the increase in operating profit and the net finance expense compared with net finance income in 2010.

Income tax expense

	Six months ended 30.06.11	Six months ended 30.06.10	Year ended 31.12.10
	US$'m	US$'m	US$'m
Current tax charge			
Corporate tax (principally first category tax in Chile)	**(340.0)**	(159.2)	(437.4)
Mining tax (royalty)	**(117.7)**	(36.3)	(147.3)
Withholding tax provision	**(174.5)**	(0.2)	(47.4)
Exchange gains/(losses) on corporate tax balances	**0.6**	(0.9)	0.6
	(631.6)	(196.6)	(631.5)
Deferred tax credit/(charge)			
Corporate tax (principally first category tax in Chile)	**0.4**	1.8	2.9
Mining tax (royalty)	**1.2**	(0.8)	(10.4)
Withholding tax provision	**110.4**	-	(113.5)
	112.0	1.0	(121.0)
Total tax charge (Income tax expense)	**(519.6)**	(195.6)	(752.5)

The rate of first category (i.e. corporation) tax in Chile was 20% for the six months ended 30 June 2011 and during 2010 the rate was 17%.

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 any remittance of profits from Chile and deferred tax is provided on undistributed earnings to the extent that remittance is probable in the foreseeable future. Withholding tax is levied on remittances of profits from Chile at 35% less first category tax already paid in respect of the profits to which the remittances relate. Accordingly, the effective tax rate of withholding tax will be between 15% and 18%, depending on the rate of first category tax which applied to the relevant profits.

The tax charge for the six months ended 30 June 2011 was $519.6 million and the effective tax rate was 30.7%. This rate varied from the standard rate (comprising first category tax) principally due to the effect of the mining tax which resulted in a charge of US$116.5 million and the provision of withholding tax of US$64.1 million. In the first half of 2010 the tax charge for the period was US$195.6 million and the effective tax rate was 21.0%. This rate varied from the standard rate principally due to the effect of mining tax which resulted in a charge of US$37.1 million.

Non-controlling interests

	Six months ended 30.06.11	Six months ended 30.06.10	Year ended 31.12.10
	US$'m	US$'m	US$'m
Non-controlling interests	**476.1**	285.3	768.9

Profit for the financial year attributable to non-controlling interests was US$476.1 million, compared with US$285.3 million in the first half of 2010. The increase is mainly due to the effect of the increased Group profit in first half of 2011 in comparison to the first half of 2010.

Earnings per share

	Six months ended 30.06.11	Six months ended 30.06.10	Year ended 31.12.10
	US cents	**US cents**	**US cents**
Earnings per share	**70.6**	45.8	106.7

Earnings per share calculations are based on 985,856,695 ordinary shares. As a result of the factors set out above, profit for the first half of 2011 attributable to equity shareholders of the Company was US$696.2 million compared with US$451.2 million in the first half of 2010. Accordingly, basic and diluted earnings per share were 70.6 cents in the first half of 2011 compared with 45.8 cents for the first half of 2010.

Dividends

Details of dividends proposed in relation to the first half of 2011, and the Board's policy regarding dividends, are set out on page 4.

Capital Expenditure

Details of capital expenditure during the period are set out in the cash flow summary below on page 19.

Treasury Management and Hedging

The Group periodically uses derivative financial instruments to reduce exposure to commodity price movements. The Group does not use such derivative instruments for speculative trading purposes. The impact of derivative instruments on the Group's results for the period is set out above in the sections on revenue, operating profit from subsidiaries and net finance income, and in Note 5(b) to this half yearly financial report.

The Group has applied the hedge accounting provisions of IAS 39 "Financial Instruments: Recognition and Measurement" to its commodity derivatives. Changes in the fair value of derivative financial instruments that are designated and effective as hedges of future cash flows have been recognised directly in equity, with such amounts subsequently recognised in the income statement in the period when the hedged item affects profit or loss. Any ineffective portion is recognised immediately in the income statement. Realised gains and losses on commodity derivatives recognised in the income statement have been recorded within revenue. The time value element of changes in the fair value of derivative options is excluded from the designated hedging relationship, and is therefore recognised directly in the income statement within other finance items.

At 30 June 2011 the Group had min/max instruments for 68,425 tonnes of copper production and futures for 500 tonnes 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 July 2011 is 25.9 months. The instruments have a weighted average floor of 324.5 cents per pound and a weighted average cap of 419.5 cents per pound. The weighted average remaining period covered by the futures hedges calculated with effect from 1 July 2011 is 1.0 month. The instruments have a weighted average price of 409.0 cents per pound.

At 30 June 2011 the Group also had futures for 7,900 tonnes at El Tesoro to both buy and sell copper production, with the effect of swapping COMEX prices for LME prices without eliminating underlying market price exposure, covering a period up to 31 January 2012. The remaining weighted average period covered by these instruments calculated with effect from 1 July 2010 is 6.0 months.

Details of the mark-to-market position of these instruments at 30 June 2011, together with details of any interest and exchange derivatives held by the Group, are given in Note 5(b) to the half yearly financial report.

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. At 30 June 2011 the Group had cross currency swaps with a principal value of US$103.2 million relating to Michilla to swap Chilean pesos for US dollars, at an average rate of Ch$464.5/ US$1, covering a total period up to 20 December 2012. The weighted average remaining period covered by these hedges calculated with effect from 1 July 2011 is 7.6 months.

The Group also periodically uses interest rate swaps to swap the floating rate interest for fixed rate interest. At 30 June 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.

Cash Flows

The Group cash flow statement is presented on page 25. The key features are summarised in the following table.

	Six months ended 30.06.11	Six months ended 30.06.10	Year ended 31.12.10
	US$'m	US$'m	US$'m
Cash flows from operations	**1,715.2**	1,087.7	2,433.9
Income tax paid	**(467.8)**	(197.8)	(427.9)
Net interest paid	**(18.5)**	(2.7)	(16.2)
Acquisition of available for sale investments	**(25.0)**	(12.6)	(12.9)
Purchases of property, plant and equipment	**(307.1)**	(639.0)	(1,301.8)
Dividends paid to equity holders of the Company	**(1,104.2)**	(197.2)	(236.6)
Dividends paid to non-controlling interests	**(416.0)**	(220.8)	(702.7)
Other items	**(0.1)**	0.7	4.1
Changes in net cash relating to cash flows	**(623.5)**	(181.7)	(260.1)
Exchange and other non-cash movements	**(34.9)**	(12.8)	9.5
Movement in net cash in the period	**(658.4)**	(194.5)	(250.6)
Net cash at the beginning of the period	**1,345.1**	1,595.7	1,595.7
Net cash at the end of the period (analysed on page 45)	**686.7**	1,401.2	1,345.1

Cash flows from operations were US$1,715.2 million in the first half of 2011 compared with US$1,087.7 million in the first half of 2010, reflecting the operating results adjusted for depreciation, amortisation, impairments and disposals gains and losses of US$211.0 million (first half of 2010 – US$137.3 million) less a net working capital increase of US$231.5 million (first half of 2010 – decrease of US$29.2 million). The significant working capital movements relate mainly to an increase in debtors as a result of higher copper and gold prices as well as higher copper and gold sales volumes and an increase in inventories relating to the start-up of Esperanza as well as to a lesser extent a decrease in creditors. The net working capital decrease in the first half of 2010 reflected a decrease in debtors and the increased work in progress at El Tesoro relating to the ROM, partly offset by an increase in inventories as a result of the delay to shipments at the period end at Los Pelambres.

Cash tax payments in the year were US$467.8 million (first half of 2010 – US$197.8 million), comprising corporation tax of US$340.0 million (first half of 2010 – US$165.0 million) and mining tax of US$127.8 million (first half of 2010 – US$32.8 million).

The purchase of available-for-sale investments of US$25.0 million relates to the purchase of shares in Duluth Metals for a value of US$19.9 million and shares in Eurasian Minerals for value of US$5.1 million.

Cash disbursements relating to capital expenditure in the first half of 2011 was US$307.1 million compared with US$639.0 million in the first half of 2010. This included expenditure of US$147.7 million relating to Esperanza (first half of 2010 – US$479.7 million), US$70.7 million (first half of 2010 – US$114.4 million) relating to Los Pelambres and at El Tesoro US$55.9 million which includes US$29.7 million relating to the pre-stripping at Mirador.

Dividends (including special dividends) paid to ordinary shareholders of the Company in the first half of 2011 were US$1,104.2 million (first half of 2010 – US$197.2 million), which related to the final dividend declared and paid in respect of the previous year.

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

Financial Position

	At 30.06.11	At 30.06.10	At 31.12.10
	US$'m	US$'m	US$'m
Cash, cash equivalents and liquid investments	**3,052.4**	3,155.4	3,541.6
Total borrowings	**(2,365.7)**	(1,754.2)	(2,196.5)
	686.7	1,401.2	1,345.1

At 30 June 2011 the Group had cash, cash equivalents and liquid investments of US$3,052.4 million (31 December 2010 – US$3,541.6 million). Excluding the non-controlling interest share in each partly owned operation, the Group's attributable share of total cash, cash equivalents and liquid investments was US$2,882.0 million (31 December 2010 – US$3,393.8 million).

New borrowings in the period amounted to US$238.2 million (first half of 2010 – US$472.9 million), mainly due to US$200.0 million of new short-term borrowings at Esperanza as well as new finance leases at Los Pelambres. Repayments of borrowings and finance leasing obligations in the period were US$72.7 million, relating mainly to a repayment of loans at Los Pelambres (first half of 2010 – US$345.6 million mainly relating to repayment of the Los Pelambres short-term borrowings and to a lesser extent regular repayments on existing loans).

Total Group borrowings at 30 June 2011 were US$2,365.7 million (31 December 2010 – US$2,196.5 million). Of this, US$1,615.6 million (31 December 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

Net equity (i.e. equity attributable to ordinary shareholders of the Company) decreased from US$6,170.6 million at 1 January 2011 to US$5,760.9 million at 30 June 2011, relating mainly to ordinary dividends declared and paid in the year partly offset by the profit after tax less non-controlling interest for the period. Other changes relate mainly to movements in the fair value of hedges and available for sale investments and the currency translation adjustment; these are set out in the Consolidated Statement of Comprehensive Income and Consolidated Statement of Changes in Equity.

Non-controlling interest increased from US$1,355.2 million at 1 January 2011 to US$1,432.6 million at 30 June 2011. This principally reflected the non-controlling interest's share of profit after tax less the non-controlling interest's share of the dividends paid by subsidiaries in the year. Other movements affecting non-controlling interest are also set out in the Consolidated Statement of Changes in Equity.

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 29 to the half yearly financial report. In the first half of 2011 the currency translation adjustment loss to net equity was US$1.4 million.

Going Concern

The Group's business activities, together with those factors likely to affect its future performance, are set out in the Review of Operations. 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 Commentary. The half yearly financial report includes details of the Group's cash and cash equivalent balances in Note 23, and details of borrowings are set out in Note 17.

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

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

Principal Risks and Uncertainties

There are a number of potential risks and uncertainties which could have a material impact on the Group's performance over the remaining six months of the financial year and could cause actual results to differ materially from expected and historical results. The directors do not consider that the principal risks and uncertainties have changed since the publication of the annual report for the year ended 31 December 2010. A detailed explanation of the risks summarised below can be found on pages 20 and 21 of that annual report which is available at www.antofagasta.co.uk. Key headline risks relate to the following:

- Health, safety and the environment
- Community relations
- Political, legal and regulatory risks
- Employees and contractors
- Strategic resources
- Operational risks
- Development projects
- Growth opportunities
- Commodity prices
- Ore reserves and mineral resources estimates

Cautionary Statement about forward looking statements

The half yearly financial report 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.

Condensed Consolidated Income Statement

	Notes	**Six months ended 30 June 2011**	Six months ended 30 June 2010	Year ended 31 December 2010
		US$'m	US$'m	US$'m
Group revenue	2,4	**3,054.3**	1,761.3	4,577.1
Total operating costs (including 2010 exceptional item*)		**(1,318.6)**	(840.1)	(1,982.6)
Operating profit from subsidiaries and joint ventures	2,4	**1,735.7**	921.2	2,594.5
Share of profit/(loss) from associates	2,13	**2.9**	(1.2)	(2.6)
Total profit from operations and associates	2	**1,738.6**	920.0	2,591.9
Investment income		**11.5**	6.1	16.5
Interest expense		**(44.7)**	(6.5)	(18.3)
Other finance items		**(13.5)**	12.5	(16.9)
Net finance (expense)/income	6	**(46.7)**	12.1	(18.7)
Profit before tax		**1,691.9**	932.1	2,573.2
Income tax expense	7	**(519.6)**	(195.6)	(752.5)
Profit for the financial period		**1,172.3**	736.5	1,820.7
Attributable to:				
Non-controlling interests		**476.1**	285.3	768.9
Equity holders of the Company (net earnings)		**696.2**	451.2	1,051.8
		US cents	US cents	US cents
Basic and diluted earnings per share	8	**70.6**	45.8	106.7

	Notes	**Six months ended 30 June 2011**	Six months ended 30 June 2010	Year ended 31 December 2010
Dividends to ordinary shareholders of the Company				
Per share		**US cents**	US cents	US cents
Dividends per share proposed in relation to the period	9			
- ordinary dividend (interim)		**8.0**	4.0	4.0
- ordinary dividend (final)		**-**	-	12.0
- special dividend (final)		**-**	-	100.0
		8.0	4.0	116.0
Dividends per share paid in the period and deducted from net equity				
- ordinary dividend (interim)		**-**	-	4.0
- ordinary dividend (final)		**12.0**	6.0	6.0
- special dividend (final)		**100.0**	14.0	14.0
		112.0	20.0	24.0
In aggregate		**US$'m**	US$'m	US$'m
Dividends proposed in relation to the period	9	**78.9**	39.4	1,143.6
Dividends paid in the period and deducted from net equity		**1,104.2**	197.2	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 2010 is the US$109.4 million reversal of an impairment charge relating to property, plant and equipment at El Tesoro. Excluding this exceptional item, operating profit from subsidiaries and joint ventures was US$2,485.1 million and profit before tax was US$2,463.8 million. There were no exceptional items in the six months ended 30 June 2011 and six months ended 30 June 2010. Further details of this exceptional item are set out in Note 3.

Condensed Consolidated Statement of Comprehensive Income

	Notes	**Six months ended 30 June 2011**	Six months ended 30 June 2010	Year ended 31 December 2010
		US$'m	US$'m	US$'m
Profit for the financial period		**1,172.3**	736.5	1,820.7
Gains/(losses) in fair value of cash flow hedges deferred in reserves		**17.9**	(4.1)	(93.7)
(Losses)/gains in fair value of available for sale investments	15	**(7.1)**	(0.6)	6.8
Currency translation adjustment		**(1.4)**	(17.5)	27.1
Deferred tax effects arising on cash flow hedges deferred in reserves		**(4.0)**	0.7	17.8
Total expense recognised in equity		**5.4**	(21.5)	(42.0)
Losses in fair value of cash flow hedges transferred to the income statement		**12.3**	34.7	81.4
Deferred tax effects arising on cash flow hedges transferred to the income statement		**(2.1)**	(5.9)	(13.8)
Total transferred to the income statement or balance sheet		**10.2**	28.8	67.6
Total comprehensive income for the period		**1,187.9**	743.8	1,846.3
Attributable to:				
Non-controlling interests		**481.4**	290.8	765.8
Equity holders of the Company		**706.5**	453.0	1,080.5

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2011

	Share capital	Share premium	Hedging reserves	Fair value reserves	Translation reserves	Retained earnings	**Net equity**	Non-controlling interests	**Total**
	US$'m	US$'m	US$'m	US$'m	US$'m	US$'m	**US$'m**	US$'m	**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 for the period	-	-	18.8	(7.1)	(1.4)	696.2	**706.5**	481.4	**1,187.9**
Non-controlling interest on capital contribution	-	-	-	-	-	(12.0)	**(12.0)**	12.0	**-**
Dividends	-	-	-	-	-	(1,104.2)	**(1,104.2)**	(416.0)	**(1,520.2)**
Balance at 30 June 2011	**89.8**	**199.2**	**(36.5)**	**2.9**	**55.8**	**5,455.5**	**5,760.9**	**1,432.6**	**7,193.5**

For the six months ended 30 June 2010

	Share capital	Share premium	Hedging reserves	Fair value reserves	Translation reserves	Retained earnings	**Net equity**	Non-controlling interests	**Total**
	US$'m	US$'m	US$'m	US$'m	US$'m	US$'m	**US$'m**	US$'m	**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 for the period	-	-	19.9	(0.6)	(17.5)	451.2	**453.0**	290.8	**743.8**
Dividends	-	-	-	-	-	(197.2)	**(197.2)**	(220.8)	**(418.0)**
Balance at 30 June 2010	89.8	199.2	(30.2)	(3.2)	12.6	5,326.2	**5,594.4**	1,348.8	**6,943.2**

For the year ended 31 December 2010

	Share capital	Share premium	Hedging reserves	Fair value reserves	Translation reserves	Retained earnings	**Net equity**	Non-controlling interests	**Total**
	US$'m	US$'m	US$'m	US$'m	US$'m	US$'m	**US$'m**	US$'m	**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 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**

Condensed Consolidated Balance Sheet

	Notes	At 30.06.11 US$'m	At 30.06.10 US$'m	At 31.12.10 US$'m
Non-current assets				
Intangible assets	10	**303.4**	286.0	311.5
Property, plant and equipment	11	**6,223.3**	5,381.2	6,093.4
Investment property	12	**3.7**	3.2	3.7
Investment in associates	13	**60.4**	119.3	58.0
Trade and other receivables		**49.5**	48.0	42.9
Derivative financial instruments	5	**-**	8.7	-
Available for sale investments	15	**41.6**	13.0	21.8
Deferred tax assets	20	**103.9**	22.0	110.0
		6,785.8	5,881.4	6,641.3
Current assets				
Inventories	16	**470.1**	341.3	385.0
Trade and other receivables		**1,076.7**	478.4	973.7
Current tax assets		**26.5**	54.9	44.4
Derivative financial instruments	5	**0.3**	0.6	1.8
Liquid investments (2010 Half Year restated – see Note 1b)		**556.1**	398.3	806.9
Cash and cash equivalents (2010 Half Year restated – see Note 1b)	23	**2,496.3**	2,757.1	2,734.7
		4,626.0	4,030.6	4,946.5
Total assets		**11,411.8**	9,912.0	11,587.8
Current liabilities				
Short-term borrowings	17	**(434.9)**	(181.2)	(137.6)
Derivative financial instruments	5	**(47.3)**	(26.3)	(54.7)
Trade and other payables		**(462.5)**	(431.9)	(504.8)
Current tax liabilities		**(379.0)**	(40.6)	(233.6)
		(1,323.7)	(680.0)	(930.7)
Non-current liabilities				
Medium and long-term borrowings	17	**(1,930.8)**	(1,573.0)	(2,058.9)
Derivative financial instruments	5	**(54.6)**	(28.1)	(59.0)
Trade and other payables		**(3.8)**	(8.7)	(4.7)
Post-employment benefit obligations	18	**(75.0)**	(49.3)	(68.0)
Long-term provisions	19	**(246.7)**	(129.9)	(244.4)
Deferred tax liabilities	20	**(583.7)**	(499.8)	(696.3)
		(2,894.6)	(2,288.8)	(3,131.3)
Total liabilities		**(4,218.3)**	(2,968.8)	(4,062.0)
Net assets		**7,193.5**	6,943.2	7,525.8
Equity				
Share capital	21	**89.8**	89.8	89.8
Share premium	21	**199.2**	199.2	199.2
Hedging, translation and fair value reserves		**16.4**	(20.8)	6.1
Retained earnings		**5,455.5**	5,326.2	5,875.5
Equity attributable to equity holders of the Company		**5,760.9**	5,594.4	6,170.6
Non-controlling interests		**1,432.6**	1,348.8	1,355.2
Total equity		**7,193.5**	6,943.2	7,525.8

The interim financial information was approved by the Board of Directors on 22 August 2011.

Condensed Consolidated Cash Flow Statement

	Notes	**Six months ended 30 June 2011**	Six months ended 30 June 2010	Year ended 31 December 2010
		US$'m	US$'m	US$'m
Cash flows from operations	22	**1,715.2**	1,087.7	2,433.9
Interest paid		**(28.5)**	(18.9)	(42.4)
Dividends from associate	13	**-**	0.8	0.8
Income tax paid		**(467.8)**	(197.8)	(427.9)
Net cash from operating activities		**1,218.9**	871.8	1,964.4
Investing activities				
Acquisition of available-for-sale investments		**(25.0)**	(12.6)	(12.9)
Net decrease/ (increase) in liquid investments (2010 Half Year restated – see Note 1b)		**250.8**	233.5	(175.1)
Purchases of property, plant and equipment		**(307.1)**	(639.0)	(1,301.8)
Disposal of intangible assets		**-**	-	3.5
Interest received		**10.0**	16.2	26.2
Net cash used in investing activities		**(71.3)**	(401.9)	(1,460.1)
Financing activities				
Dividends paid to equity holders of the Company		**(1,104.2)**	(197.2)	(236.6)
Dividends paid to preference shareholders of the Company		**(0.1)**	(0.1)	(0.2)
Dividends paid to non-controlling interests		**(416.0)**	(220.8)	(702.7)
Net proceeds from issue of new borrowings	23	**200.0**	472.9	1,022.0
Repayments of borrowings	23	**(67.7)**	(339.3)	(447.0)
Repayments of obligations under finance leases	23	**(5.0)**	(6.3)	(12.8)
Net cash used in financing activities		**(1,393.0)**	(290.8)	(377.3)
Net (decrease)/increase in cash and cash equivalents		**(245.4)**	179.1	127.0
Cash and cash equivalents at beginning of the period		**2,734.7**	2,590.5	2,590.5
Net (decrease)/increase in cash and cash equivalents	23	**(245.4)**	179.1	127.0
Effect of foreign exchange rate changes	23	**7.0**	(12.5)	17.2
Cash and cash equivalents at end of the period (2010 Half Year restated – see Note 1b)	23	**2,496.3**	2,757.1	2,734.7

Notes

1. General information and accounting policies

a) General information

These June 2011 interim condensed consolidated financial statements ("the condensed financial statements") are for the six months ended 30 June 2011. The condensed financial statements are unaudited.

The information for the year ended 31 December 2010 does not constitute statutory accounts as defined in section 434 of the Companies Act 2006. A copy of the statutory accounts for that year has been delivered to the Registrar of Companies. The auditor's report on these accounts was not qualified, did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying the report and did not contain statements under section 498(2) (regarding adequacy of accounting records and returns) or section 498(3) (regarding provision of necessary information and explanations) of the Companies Act 2006.

b) Accounting policies

Basis of preparation

The annual financial statements of Antofagasta plc for the year ended 31 December 2010 were prepared in accordance with International Financial Reporting Standards (IFRS) adopted for use by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard (IAS) 34 *Interim Financial Reporting* and the requirements of the UK Disclosure and Transparency Rules (DTR) of the Financial Services Authority (FSA) in the United Kingdom as applicable to interim financial reporting.

The prior period balance sheet at 30 June 2010 reflects a reclassification of certain balances between cash and cash equivalents and liquid investments to better reflect the maturity terms of the underlying instruments. At that date, this results in a cash and cash equivalents balance of US$2,757.1 million and a new liquid investments balance of US$398.3 million. This has resulted in certain reclassifications within the cash flow statement for the six months ended 30 June 2010.

The condensed financial statements represent a "condensed set of financial statements" as referred to in the DTR issued by the FSA. Accordingly, they do not include all of the information required for a full annual financial report and are to be read in conjunction with the Group's financial statements for the year ended 31 December 2010.

The interim financial information has been prepared on the basis of accounting policies consistent with those applied in the financial statements for the year ended 31 December 2010.

Going concern

After making enquiries, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future, a period of no less than 12 months from the date of this report. Accordingly, they continue to adopt the going concern basis in preparing the condensed financial statements. Detail of the factors that which have been taken into account in assessing the Group's going concern status are set out on pages 20 and 21 of the financial commentary.

2. Total profit from operations and associates

	Six months ended 30 June 2011	Six months ended 30 June 2010	Year ended 31 December 2010
	US$'m	US$'m	US$'m
Group Revenue	**3,054.3**	1,761.3	4,577.1
Cost of sales	**(1,008.5)**	(655.2)	(1,475.6)
Gross profit	**2,045.8**	1,106.1	3,101.5
Administrative and distribution expenses	**(215.4)**	(134.5)	(322.3)
Closure provision	**(0.9)**	(1.3)	(69.6)
Severance charges	**(6.7)**	(5.8)	(16.1)
Exploration and evaluation costs	**(83.0)**	(39.0)	(99.0)
Other operating income	**5.3**	6.2	27.6
Other operating expenses	**(9.4)**	(10.5)	(27.6)
Operating profit from subsidiaries and joint ventures	**1,735.7**	921.2	2,594.5
Share of income/ (loss) from associates	**2.9**	(1.2)	(2.6)
Total profit from operations and associates	**1,738.6**	920.0	2,591.9

* The exceptional item included within "Total operating costs" in respect of the year ended 31 December 2010 is the US$109.4 million reversal of an impairment charge relating to property, plant and equipment at El Tesoro. Excluding this exceptional item, operating profit from subsidiaries and joint ventures was US$2,485.1 million and profit before tax was US$2,463.8 million. There were no exceptional items in the six months ended 30 June 2011 and six months ended 30 June 2010. Further details of this exceptional item are set out in Note 3.

3. Exceptional item

	Operating profit			Profit before tax			Earnings per share		
	Six months ended 30 June 2011 US$'m	Six months ended 30 June 2010 US$'m	Year ended 31 December 2010 US$'m	**Six months ended 30 June 2011 US$'m**	Six months ended 30 June 2010 US$'m	Year ended 31 December 2010 US$'m	**Six months ended 30 June 2011 US cents**	Six months ended 30 June 2010 US cents	Year ended 31 December 2010 US cents
Before exceptional item	**1,735.7**	921.2	2,485.1	**1,691.9**	932.1	2,463.8	**70.6**	45.8	100.6
Reversal of impairment	-	-	109.4	-	-	109.4	-	-	6.1
After exceptional items	**1,735.7**	921.2	2,594.5	**1,691.9**	932.1	2,573.2	**70.6**	45.8	106.7

Reversal of impairment

In the year ended 31 December 2010 the reversal of the remaining US$109.4 million impairment originally recognised at El Tesoro in the year ended 31 December 2008 was recorded as a credit within total operating costs, following a review undertaken in light of the commodity environment at that time. 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
- Esperanza
- Exploration and evaluation
- Railway and other transport services
- Water concession
- Corporate and other items

For management purposes, the Group is organised into three business divisions based on their products – Mining, Railway and other transport services and the Water concession. The mining division is split further for management reporting purposes to show results by mine and exploration activity. Los Pelambres, 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 six months ended 30 June 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	**1,975.3**	**323.5**	**413.6**	**198.3**	**-**	**-**	**2,910.7**	**87.1**	**56.5**	**3,054.3**
EBITDA	**1,476.6**	**178.9**	**227.2**	**102.1**	**(83.0)**	**(30.5)**	**1,871.3**	**39.2**	**36.2**	**1,946.7**
Depreciation and Amortisation	(85.7)	(56.1)	(42.9)	(5.6)	-	(1.3)	**(191.6)**	(8.4)	(9.1)	**(209.1)**
Loss on disposals	-	-	(1.4)	(0.1)	-	-	**(1.5)**	(0.4)	-	**(1.9)**
Operating profit	**1,390.9**	**122.8**	**182.9**	**96.4**	**(83.0)**	**(31.8)**	**1,678.2**	**30.4**	**27.1**	**1,735.7**
Share of income from associates	-	-	-	-	-	-	-	2.9	-	**2.9**
Investment income	0.9	0.2	1.1	0.4	-	6.3	**8.9**	2.4	0.2	**11.5**
Interest expense	(9.2)	(31.1)	(3.3)	-	-	(1.0)	**(44.6)**	(0.1)	-	**(44.7)**
Other finance items	0.1	1.4	1.1	(17.5)	-	2.8	**(12.1)**	(1.3)	(0.1)	**(13.5)**
Profit before tax	**1,382.7**	**93.3**	**181.8**	**79.3**	**(83.0)**	**(23.7)**	**1,630.4**	**34.3**	**27.2**	**1,691.9**
Tax	(359.8)	(28.0)	(37.6)	(18.9)	-	(63.3)	**(507.6)**	(6.5)	(5.5)	**(519.6)**
Non-controlling interests	(407.4)	(16.4)	(44.1)	(15.1)	-	7.6	**(475.4)**	(0.7)	-	**(476.1)**
Net earnings	**615.5**	**48.9**	**100.1**	**45.3**	**(83.0)**	**(79.4)**	**647.4**	**27.1**	**21.7**	**696.2**
Additions to non-current assets										
Capital expenditure	100.4	155.2	55.9	10.5	-	16.9	**338.9**	8.5	0.8	**348.2**
Segment assets and liabilities										
Segment assets	3,621.4	2,890.9	1,020.0	198.7	-	2,569.2	10,300.2	844.6	267.0	**11,411.8**
Segment liabilities	(1,343.5)	(1,731.1)	(461.2)	(132.7)	-	(446.9)	(4,115.4)	(53.5)	(49.4)	**(4,218.3)**

For the six months ended 30 June 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	**1,208.1**	**-**	**328.4**	**109.3**	**-**	**-**	**1,645.8**	**72.4**	**43.1**	**1,761.3**
EBITDA	**852.5**	**-**	**175.3**	**28.1**	**(39.0)**	**(18.1)**	**998.8**	**29.3**	**30.4**	**1,058.5**
Depreciation and Amortisation	(78.9)	-	(30.7)	(4.3)	-	(1.1)	(115.0)	(7.6)	(7.9)	**(130.5)**
Loss on disposals	-	-	(0.6)	(0.8)	-	(5.2)	(6.6)	(0.2)	-	**(6.8)**
Operating profit	**773.6**	**-**	**144.0**	**23.0**	**(39.0)**	**(24.4)**	**877.2**	**21.5**	**22.5**	**921.2**
Share of income from associates	-	-	-	-	-	(0.2)	(0.2)	(1.0)	-	**(1.2)**
Investment income	1.2	-	0.7	0.1	-	2.7	4.7	1.4	-	**6.1**
Interest expense	(5.2)	-	-	-	-	(1.1)	(6.3)	(0.2)	-	**(6.5)**
Other finance items	(0.6)	-	0.5	8.9	-	0.6	9.4	3.3	(0.2)	**12.5**
Profit before tax	**769.0**	**-**	**145.2**	**32.0**	**(39.0)**	**(22.4)**	**884.8**	**25.0**	**22.3**	**932.1**
Tax	(156.7)	-	(26.1)	(6.9)	1.5	2.5	(185.7)	(5.2)	(4.7)	**(195.6)**
Non-controlling interests	(244.9)	-	(36.1)	(6.5)	2.2	-	(285.3)	-	-	**(285.3)**
Net earnings	**367.4**	**-**	**83.0**	**18.6**	**(35.3)**	**(19.9)**	**413.8**	**19.8**	**17.6**	**451.2**
Additions to non-current assets										
Capital expenditure	117.7	504.4	14.1	6.6	-	10.1	652.9	7.9	5.0	**665.8**
Segment assets and liabilities										
Segment assets	3,504.0	2,162.0	872.2	116.0	-	2,291.1	8,945.3	729.3	237.4	**9,912.0**
Segment liabilities	(1,246.3)	(1,236.4)	(135.3)	(65.5)	-	(192.5)	(2,876.0)	(44.8)	(48.0)	**(2,968.8)**

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	**2,215.9**	**-**	**386.6**	**50.4**	**(99.0)**	**(53.7)**	**2,500.2**	**43.8**	**50.5**	**2,594.5**
Share of income from associates	-	-	-	-	-	(2.5)	(2.5)	(0.1)	-	**(2.6)**
Investment income	2.3	-	1.8	0.4	-	8.5	13.0	3.3	0.2	**16.5**
Interest expense	(14.0)	-	(1.4)	-	-	(2.6)	(18.0)	(0.3)	-	**(18.3)**
Other finance items	(3.7)	-	-	(15.1)	-	3.1	(15.7)	(1.3)	0.1	**(16.9)**
Profit before tax	**2,200.5**	**-**	**387.0**	**35.7**	**(99.0)**	**(47.2)**	**2,477.0**	**45.4**	**50.8**	**2,573.2**
Tax	(514.7)	-	(79.0)	(8.8)	-	(133.6)	(736.1)	(8.0)	(8.4)	**(752.5)**
Non-controlling interests	(675.0)	-	(94.9)	(6.4)	-	8.0	(768.3)	(0.6)	-	**(768.9)**
Net earnings	**1,010.8**	**-**	**213.1**	**20.5**	**(99.0)**	**(172.8)**	**972.6**	**36.8**	**42.4**	**1,051.8**
Additions to non-current assets										
Capital expenditure	215.9	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 profit from associates of US$2.9 million (six months ended 30 June 2010 – net loss of US$1.2 million; year ended 31 December 2010 – net loss of US$2.6 million). Operating profit is shown after exceptional item (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$8.1 million (six months ended 30 June 2010 – US$5.9 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$3.4 million (six months ended June 2010 – US$4.9 million; year ended 31 December 2010 - US$10.5 million) and after eliminating sales to the Railway and other transport services of US$0.1 million (six months ended June 2010 – US$0.1 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$8.1 million (six months ended six months ended June 2010 – US$15.4 million; year ended 31 December 2010 - US$21.3 million).

(iii) Revenue includes the effect of both final pricing and mark-to-market adjustments to provisionally priced sales of copper and molybdenum concentrates and copper cathodes. Further details of such adjustments are given in Note 5(a).

(iv) Revenue includes realised losses at Michilla of US$12.4 million (six months ended 30 June 2010 – loss of US$34.7 million; year ended 31 December 2010 – loss of US$81.5 million) and at El Tesoro a realised gain of US$0.1 million (six months ended 30 June 2010 – nil; year ended 31 December 2010 – gain of US$0.1 million) relating to derivative financial instruments. 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) The exceptional item affecting operating profit in the year ended 31 December 2010 relates to the reversal of the remaining 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$54.2 million (six months ended 30 June 2010 – US$111.1 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 under construction in Mejillones, in

Chile's Antofagasta Region, and US$6.2 million (six months ended 30 June 2010 – US$3.6 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.

b) Entity wide disclosures

Revenue by product

	Revenue by product		
	Six months ended 30 June 2011	Six months ended 30 June 2010	Year ended 31 December 2010
	US$'m	US$'m	US$'m
Copper			
- Los Pelambres	**1,760.0**	1,033.8	2,972.1
- Esperanza	**243.9**	-	-
- El Tesoro	**413.6**	328.4	739.7
- Michilla	**198.3**	109.3	242.0
Gold			
- Los Pelambres	**26.7**	17.9	43.4
- Esperanza	**70.8**	-	-
Molybdenum			
- Los Pelambres	**157.4**	145.3	303.5
Silver			
- Los Pelambres	**31.2**	11.1	29.3
- Esperanza	**8.8**	-	-
Total Mining	**2,910.7**	1,645.8	4,330.0
Railway and transport services	**87.1**	72.4	154.7
Water concession	**56.5**	43.1	92.4
	3,054.3	1,761.3	4,577.1

Revenue by location of customer

	Revenue		
	Six months ended 30 June 2011	Six months ended 30 June 2010	Year ended 31 December 2010
	US$'m	US$'m	US$'m
Europe			
- Switzerland	**116.7**	51.3	106.5
- Rest of Europe	**513.9**	326.0	665.3
Latin America			
- Chile	**185.9**	142.7	322.3
- Rest of Latin America	**118.3**	115.2	229.6
North America			
- United States	**157.1**	95.7	176.6
- Rest of North America	**-**	-	3.9
Asia Pacific			
- Japan	**1,070.0**	512.2	1,583.1
- China	**476.0**	343.9	878.1
- Rest of Asia	**416.4**	174.3	611.7
	3,054.3	1,761.3	4,577.1

Information about major customers

Included in revenues arising from Los Pelambres and Esperanza for the six months ended 30 June 2011 are revenues of approximately US$555.7 million and US$107.5 million respectively of sales to the Group's largest customer (six months ended 30 June 2010 - revenues from Los Pelambres of approximately US$272.5 million and US$204.6 million; 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

	Non-Current Assets		
	Six months ended 30 June 2011	Six months ended 30 June 2010	Year ended 31 December 2010
	US$'m	US$'m	US$'m
- Chile	**6,457.6**	5,658.4	6,334.8
- Bolivia	**31.5**	32.3	32.5
- Pakistan	**140.7**	136.1	140.9
- Other	**10.5**	10.9	1.3
	6,640.3	5,837.7	6,509.5

Non-current assets balance disclosed by location of asset excludes derivative 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 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 period are as follows:

	Balance sheet net mark to market effect on debtors		
	Six months ended 30 June 2011	Six months ended 30 June 2010	Year ended 31 December 2010
	US$'m	US$'m	US$'m
Los Pelambres - copper concentrate	**27.1**	(64.6)	124.3
Los Pelambres - molybdenum concentrate	**(2.2)**	(5.7)	0.3
Esperanza - copper concentrate	**9.6**	-	-
Esperanza - gold in concentrate	**(0.1)**	-	-
El Tesoro - copper cathodes	**3.5**	0.5	4.1
Michilla - copper cathodes	**0.7**	(0.1)	1.4
	38.6	(69.9)	130.1

For the period ended 30 June 2011

	US$'m Los Pelambres Copper concentrate	US$'m Esperanza Copper concentrate	US$'m El Tesoro Copper cathodes	US$'m Michilla Copper cathodes	US$'m Los Pelambres Gold in concentrate	US$'m Esperanza Gold in concentrate	US$'m Los Pelambres Molybdenum concentrate
Provisionally invoiced gross sales	**1,840.6**	**248.3**	**414.9**	**214.3**	**27.0**	**70.7**	**172.4**
Effects of pricing adjustments to previous period invoices							
Reversal of mark-to-market adjustments at the end of the previous period	**(124.3)**	**-**	**(4.1)**	**(1.4)**	**-**	**-**	**(0.3)**
Settlement of sales invoiced in the previous period	**115.9**	**-**	**3.5**	**1.0**	**(0.5)**	**-**	**0.3**
Total effect of adjustments to previous period invoices in the current period	**(8.4)**	**-**	**(0.6)**	**(0.4)**	**(0.5)**	**-**	**-**
Effects of pricing adjustments to current period invoices							
Settlement of sales invoiced in the current period	**(26.8)**	**(5.1)**	**(4.3)**	**(3.9)**	**0.3**	**0.4**	**(5.6)**
Mark-to-market adjustments at the end of the current period	**27.1**	**9.6**	**3.5**	**0.7**	**-**	**(0.1)**	**(2.2)**
Total effect of adjustments to current period invoices	**0.3**	**4.5**	**(0.8)**	**(3.2)**	**0.3**	**0.3**	**(7.8)**
Total pricing adjustments	**(8.1)**	**4.5**	**(1.4)**	**(3.6)**	**(0.2)**	**0.3**	**(7.8)**
Realised gains/(losses) on commodity derivatives	**-**	**-**	**0.1**	**(12.4)**	**-**	**-**	**-**
Revenue before deducting tolling charges	**1,832.5**	**252.8**	**413.6**	**198.3**	**26.8**	**71.0**	**164.6**
Tolling charges	**(72.5)**	**(8.9)**	**-**	**-**	**(0.1)**	**(0.2)**	**(7.2)**
Revenue net of tolling charges	**1,760.0**	**243.9**	**413.6**	**198.3**	**26.7**	**70.8**	**157.4**

For the period ended 30 June 2010

	US$'m Los Pelambres Copper concentrate	US$'m Esperanza Copper concentrate	US$'m El Tesoro Copper cathodes	US$'m Michilla Copper cathodes	US$'m Los Pelambres Gold in concentrate	US$'m Esperanza Gold in concentrate	US$'m Los Pelambres Molybdenum concentrate
Provisionally invoiced gross sales	1,162.4	-	334.1	146.7	18.0	-	150.2
Effects of pricing adjustments to previous period invoices							
Reversal of mark-to-market adjustments at the end of the previous period	(62.1)	-	(2.0)	(0.4)	-	-	1.1
Settlement of sales invoiced in the previous period	57.5	-	2.6	0.4	(0.1)	-	8.1
Total effect of adjustments to previous period invoices in the current period	(4.6)	-	0.6	-	(0.1)	-	9.2
Effects of pricing adjustments to current period invoices							
Settlement of sales invoiced in the current period	(4.5)	-	(6.8)	(2.6)	-	-	(2.0)
Mark-to-market adjustments at the end of the current period	(64.6)	-	0.5	(0.1)	-	-	(5.7)
Total effect of adjustments to current period invoices	(69.1)	-	(6.3)	(2.7)	(0.1)	-	(7.7)
Total pricing adjustments	(73.7)	-	(5.7)	(2.7)	17.9	-	1.5
Realised losses on commodity derivatives	-	-	-	(34.7)	-	-	-
Revenue before deducting tolling charges	1,088.7	-	328.4	109.3	17.9	-	151.7
Tolling charges	(54.9)	-	-	-	(0.1)	-	(6.4)
Revenue net of tolling charges	1,033.8	-	328.4	109.3	17.8	-	145.3

For the year ended 31 December 2010

	US$'m Los Pelambres Copper concentrate	US$'m Esperanza Copper concentrate	US$'m El Tesoro Copper cathodes	US$'m Michilla Copper cathodes	US$'m Los Pelambres Gold in concentrate	US$'m Esperanza Gold in concentrate	US$'m Los Pelambres Molybdenum concentrate
Provisionally invoiced gross sales	2,826.0	-	722.2	317.5	43.3	-	318.0
Effects of pricing adjustments to previous period invoices							
Reversal of mark-to-market adjustments at the end of the previous period	(62.1)	-	(2.0)	(0.4)	-	-	1.1
Settlement of sales invoiced in the previous period	55.7	-	2.6	0.4	(0.1)	-	8.1
Total effect of adjustments to previous period invoices in the current period	(6.4)	-	0.6	-	(0.1)	-	9.2
Effects of pricing adjustments to current period invoices							
Settlement of sales invoiced in the current period	162.2	-	12.7	4.6	0.2	-	(10.9)
Mark-to-market adjustments at the end of the current period	124.3	-	4.1	1.4	-	-	0.3
Total effect of adjustments to current period 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 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 30 June 2011 copper concentrate sales totalling 151,400 tonnes remained open as to price, with an average mark-to-market price of 427.7 cents per pound compared with an average provisional invoice price of 416.7 cents per pound. At 30 June 2010 copper concentre sales totalling 91,000 tonnes remained open as to price, with an average mark-to-market price of 294.9 cents per pound compared with an average provisional invoice price of 327.1 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 30 June 2011 sales totalling 10,400 tonnes remained open as to price, with an average mark-to-market price of 427.4 cents per pound compared with an average provisional invoice price of 409.8 cents per pound. At 30 June 2010 sales totalling 9,400 tonnes remained open as to price, with an average mark-to-market price of 294.5 cents per pound compared with an average provisional invoice price of 292.7 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 30 June 2011 sales totalling 8,100 ounces remained open as to price, with an average mark-to-market price of US$1,511 per ounce compared with an average provisional invoice price of US$1,5178 per ounce.

Molybdenum concentrate

The typical period for which sales of molybdenum remain open is approximately two months from shipment date.

At 30 June 2011 sales totalling 1,400 tonnes remained open as to price, with an average mark-to-market price of US$16.2 per pound compared with an average provisional invoice price of US$16.9 per pound. At 30 June 2010 sales totalling 1,300 tonnes remained open as to price, with an average mark-to-market price of US$14.6 per pound compared with an average provisional invoice price of US$16.7 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". Changes in the fair value of derivative financial instruments that are designated and effective as hedges of future cash flows have been recognised directly in equity, with such amounts subsequently recognised in the income statement in the period when the hedged item affects profit or loss. Any ineffective portion is recognised immediately in the income statement. Realised gains and losses on commodity derivatives recognised in the income statement have been recorded within revenue. The time value element of changes in the fair value of derivative options is excluded from the designated hedging relationship, and is therefore recognised directly in the income statement within other finance items.

(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 period, and the total effect on the income statement for each period, are as follows:

For the six months ended 30 June 2011

	Impact on income statement for six months ended 30.06.11			**Impact on reserves at 30.06.11**	**Total balance sheet impact of mark-to-market adjustments at 30.06.11**
	Realised gains/(losses)	Losses 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 liability
	US$'m	US$'m	US$'m	US$'m	US$'m
Commodity Derivatives					
El Tesoro	0.1	-	0.1	1.6	0.3
Michilla	(12.4)	(17.9)	(30.3)	25.9	(68.9)
Exchange Derivatives					
Esperanza	1.1	-	1.1	(1.8)	-
Corporate and other items	(2.0)	-	(2.0)	-	(2.0)
Railway and other transport services	(2.4)	-	(2.4)	-	-
Interest Derivatives					
Esperanza	(10.0)	-	(10.0)	4.5	(31.0)
	(25.6)	**(17.9)**	**(43.5)**	**30.2**	**(101.6)**

For the six months ended 30 June 2010

	Impact on income statement for six months ended 30.06.10			**Impact on reserves at 30.06.10**	**Total balance sheet impact of mark-to-market adjustments at 30.06.10**
	Realised gains/(losses)	Gains/(losses) 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	0.2
Michilla	(34.7)	7.4	(27.3)	58.2	(12.3)
Exchange Derivatives					
Los Pelambres	(0.2)	-	(0.2)	-	-
Michilla	-	-	-	(0.1)	(0.1)
Esperanza	-	-	-	(0.7)	(0.7)
Corporate and other items	-	0.2	0.2	-	-
Railway and other transport services	5.7	(1.2)	4.5	-	0.4
Water concession	(1.7)	1.9	0.2	-	-
Interest Derivatives					
Esperanza	-	-	-	(26.9)	(32.6)
	(30.9)	**8.3**	**(22.6)**	**30.6**	**(45.1)**

For the year ended 31 December 2010

	Impact on income statement for six months 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 losses	Gains/(losses) resulting from mark-to-market adjustments on hedging instruments	Total net 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)**

The gains/(losses) recognised in reserves are disclosed before non-controlling interests and tax.

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

	At 30.06.11	At 30.06.10	At 31.12.10
	US$'m	US$'m	US$'m
Analysed between:			
Non-current assets	**-**	8.7	-
Current assets	**0.3**	0.6	1.8
Current liabilities	**(47.3)**	(26.3)	(54.7)
Non-current liabilities	**(54.6)**	(28.1)	(59.0)
	(101.6)	(45.1)	(111.9)

(ii) Outstanding derivative financial instruments

Commodity derivatives

The Group periodically uses commodity derivatives to manage its exposure to commodity price fluctuations.

- **Min/max instruments**

	At 30.06.11	For instruments held at 30.06.11			
	Copper production hedged tonnes	Weighted average remaining period from 1 July 2011 months	Covering a period up to:	Weighted average floor US cents	Weighted average cap US cents
Michilla	68,425	25.9	31/12/14	324.5	419.5

Between 1 July 2011 and 31 July 2011 9,900 tonnes of additional min/max instruments were entered into, and min/max instruments for 3,100 tonnes of copper production matured. As a result up to 31 July 2011:

(i) 32,775 tonnes of 2011 Group copper production had been hedged with min-max options of which 21,350 tonnes matured by 31 July 2011 and 11,425 tonnes remain outstanding and will mature by the end of the year.

(ii) 29,400 tonnes of 2012 Group copper production has been hedged with min-max options.

(iii) 12,000 tonnes of 2013 Group copper production has been hedged with min-max options.

(iv) 12,000 tonnes of 2014 Group copper production has been hedged with min-max options.

- **Futures – copper production**

	At 30.06.11	For instruments held at 30.06.11		
	Copper production hedged tonnes	Weighted average remaining period from 1 July 2011 months	Covering a period up to:	Weighted average price US cents
Michilla	500	1.0	31/07/11	409.0

Between 1 July 2011 and 31 July 2011 no additional futures were entered into, and futures instruments for 500 tonnes of copper production matured. As a result up to 31 July 2011:

(i) 2,500 tonnes of 2011 Group copper production had been hedged with futures and these had all matured by 31 July 2011.

- **Combined min-max instruments and futures-copper production**

In total, up to 31 July 2011:

(i) 35,275 tonnes of 2011 Group copper production had been hedged with min-max options of which 23,850 tonnes matured by 31 July 2011 and 11,425 tonnes remain outstanding and will mature by the end of the year.

(ii) 29,400 tonnes of 2012 Group copper production has been hedged with min-max options.

(iii) 12,000 tonnes of 2013 Group copper production has been hedged with min-max options.

(iv) 12,000 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 30.06.11	For instruments held at 30.06.11		
	Copper production hedged tonnes	Weighted average remaining period from 1 July 2011 months	Covering a period up to:	Weighted average price US cents
El Tesoro	7,900	6.0	31/01/12	388.5

(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 30.06.11	**For instruments held at 30.06.11**		
	Principal value of cross currency swaps held US$'m	Weighted average remaining period from 1 July 2011 months	Covering a period up to:	Weighted average rate Ch$/US$
Michilla	103.2	7.6	20/12/12	464.5

(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 30 June 2011 the Group had entered into the contracts outlined below.

	Start date	Maturity date	Maximum notional amount US$'m	Weighted Average Fixed Rate %
Esperanza	15/02/11	15/02/18	840.0	3.372

6. Net finance (expense)/income

	Six months ended 30 June 2011	Six months ended 30 June 2010	Year ended 31 December 2010
	US$'m	US$'m	US$'m
Investment income			
Interest receivable	**11.5**	6.1	16.5
Interest expense			
Interest payable	**(44.6)**	(5.5)	(16.4)
Amortisation of deferred finance costs	-	(0.9)	(1.7)
Preference dividends	**(0.1)**	(0.1)	(0.2)
	(44.7)	(6.5)	(18.3)
Other finance items			
Time value effect of commodity derivatives	**(17.9)**	7.4	(16.1)
Foreign exchange derivatives	**(3.3)**	4.7	(6.1)
Unwinding of discount on provisions	**(4.3)**	(1.6)	(4.3)
Foreign exchange	**12.0**	2.0	9.6
	(13.5)	12.5	(16.9)
Net finance (expense)/ income	**(46.7)**	12.1	(18.7)

An expense of US$2.2 million (six months ended 30 June 2010 – US$17.4 million, year ended 31 December 2010 - US$32.4 million) relating to net interest expense and other finance items at Esperanza was capitalised during the period, and is consequently not included within the above table.

7. Taxation

The tax charge for the period comprised the following:

	Six months ended 30 June 2011	Six months ended 30 June 2010	Year ended 31 December 2010
	US$'m	US$'m	US$'m
Current tax charge			
Corporate tax (principally first category tax in Chile)	**(340.0)**	(159.2)	(437.4)
Mining tax (royalty)	**(117.7)**	(36.3)	(147.3)
Withholding tax provision	**(174.5)**	(0.2)	(47.4)
Exchange gains/(losses) on corporate tax balances	**0.6**	(0.9)	0.6
	(631.6)	(196.6)	(631.5)
Deferred tax credit/(charge)			
Corporate tax (principally first category tax in Chile)	**0.4**	1.8	2.9
Mining tax (royalty)	**1.2**	(0.8)	(10.4)
Withholding tax provision	**110.4**	-	(113.5)
	112.0	1.0	(121.0)
Total tax charge (Income tax expense)	**(519.6)**	(195.6)	(752.5)

The rate of first category (i.e. corporation) tax in Chile was 20% for the six months ended 30 June 2011 and during 2010 the rate was 17%.

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 any remittance of profits from Chile and deferred tax is provided on undistributed earnings to the extent that remittance is probable in the foreseeable future. Withholding tax is levied on remittances of profits from Chile at 35% less first category tax already paid in respect of the profits to which the remittances relate. Accordingly, the effective tax rate of withholding tax will be between 15% and 18%, depending on the rate of first category tax which applied to the relevant profits.

	Six months ended 30 June 2011		Six months ended 30 June 2010		Year ended 31 December 2010	
	US$'m	**%**	**US$'m**	**%**	**US$'m**	**%**
Profit before tax	**1,691.9**		932.1		2,573.2	
Tax at the Chilean corporation tax rate of 20% (2010 half year and full year – 17%)	**(338.4)**	**20.0**	(158.5)	17.0	(437.4)	17.0
Tax effect of share of results of associate	**(0.3)**	**-**	0.1	-	(0.7)	-
Effect of items not subject to or deductible from first category tax	**(0.9)**	**-**	1.0	-	3.6	(0.1)
Royalty	**(116.5)**	**6.9**	(37.1)	4.0	(157.7)	6.1
Withholding taxes provided in year	**(64.1)**	**3.8**	(0.2)	-	(160.9)	6.2
Exchange differences	**0.6**	**-**	(0.9)	-	0.6	-
Tax expense and effective tax rate for the year	**(519.6)**	**30.7**	(195.6)	21.0	(752.5)	29.2

The tax charge for the six months ended 30 June 2011 was $519.6 million and the effective tax rate was 30.7%. This rate varied from the standard rate (comprising first category tax) principally due to the provision of withholding tax of US$64.1 million and the effect of the mining tax which resulted in a charge of US$116.5 million.

8. Earnings per share

Basic and diluted earnings per share is calculated on profit after tax and non-controlling interests giving net earnings of US$696.2 million (six months ended 30 June 2010 – US$451.2 million, year ended 31 December 2010 - US$1,051.8 million) and based on 985,856,695 ordinary shares. There was no potential dilution of ordinary shares in any period.

9. Dividends

The Board has declared an interim dividend of 8.0 cents per ordinary share (2010 half year – 4.0 cents) for payment on 6 October 2011 to shareholders on the register at the close of business on 16 September 2011. The 2011 interim dividend comprises an ordinary dividend of 8.0 cents per ordinary share (2010 half year – ordinary dividend of 4.0 cents). Dividends are declared and paid gross.

Dividends per share actually paid in the period and recognised as a deduction from net equity under IFRS were 112.0 cents (2010 half year – 20.0 cents), representing the final dividend (including the special dividend) declared in respect of the previous year.

Dividends are declared in US dollars but may be paid in either dollars or sterling. Shareholders on the register of members with an address in the United Kingdom receive dividend payments in sterling, unless they elect to be paid in dollars. All other shareholders are paid by cheque in dollars, unless they have previously instructed the Company's registrar to pay dividends by bank transfer to a sterling bank account, or they elect for payment by cheque in sterling. The Company's registrar must receive any such election before the close of business on the record date of 16 September 2011. The exchange rate to be applied to dividends to be paid in sterling will be set on 21 September 2011.

10. Intangible assets

	Concession right	**Exploration licenses**	**Six months ended 30 June 2011**	Six months ended 30 June 2010	Year ended 31 December 2010
	US$'m	**US$'m**	**US$'m**	US$'m	US$'m
Balance at the beginning of the period	190.8	120.7	**311.5**	311.2	311.2
Reclassifications	-	-	-	-	5.3
Disposal	-	-	-	(5.0)	(5.0)
Amortisation	(8.0)	-	**(8.0)**	(6.9)	(14.7)
Foreign currency exchange difference	(0.1)	-	**(0.1)**	(13.3)	14.7
Balance at the end of the period	182.7	120.7	**303.4**	286.0	311.5

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

The exploration licences relate to the US$120.7 million value attributed to the exploration licences in the Reko Diq area of south-west Pakistan. This asset is subject to the grant of a mining lease for which an application has been made and the successful conclusion of litigation as set out in note 26. This intangible asset will be amortised in accordance with the Group's policy for mining properties when the related mining properties enter into production.

11. Property, plant and equipment

	Mining	**Railway and other transport**	**Water Concession**	**Six months ended 30 June 2011**	Six months ended 30 June 2010	Year ended 31 December 2010
	US$'m	**US$'m**	**US$'m**	**US$'m**	US$'m	US$'m
Balance at the beginning of the period	5,870.7	191.0	31.7	**6,093.4**	4,873.2	4,873.2
Acquisition of subsidiary	-	-	-	**-**	-	4.1
Additions	338.9	8.5	0.8	**348.2**	665.8	1,381.7
Reclassification	-	-	-	**-**	(9.0)	(21.3)
Provisions capitalised	-	-	-	**-**	-	44.4
Depreciation charge for the period	(191.6)	(8.4)	(1.1)	**(201.1)**	(123.6)	(262.3)
Depreciation capitalised	(15.6)	-	-	**(15.6)**	(19.7)	(35.9)
Impairment reversal	-	-	-	**-**	-	109.4
Asset disposals	(1.5)	(0.4)	-	**(1.9)**	(1.8)	(4.8)
Foreign currency exchange difference	-	0.4	(0.1)	**0.3**	(3.7)	4.9
Balance at the end of the period	6,000.9	191.1	31.3	**6,223.3**	5,381.2	6,093.4

US$14.6 million (30 June 2010 – US$12.1 million; 31 December 2010 - US$23.2 million) of depreciation in respect of assets relating to Esperanza, nil (30 June 2010 – US$7.6 million; 31 December 2010 - US$6.0 million) of depreciation in respect of assets relating to El Tesoro including the ROM processing, US$1.0 million (30 June 2010 – nil; 31 December 2010 - nil) of depreciation in respect of assets relating to Michilla, nil (30 June 2010 – nil; 31 December 2010 - US$6.7 million) of depreciation in respect of assets relating to Los Pelambres have been capitalised within inventories, and accordingly is excluded from the depreciation charge recorded in the income statement as shown in Note 4(a).

Future capital commitments at 30 June 2011 were US$99.8 million (30 June 2010 – US$376.5 million; 31 December 2010 - US$60.6 million).

12. Investment property

	Six months ended 30 June 2011	Six months ended 30 June 2010	Year ended 31 December 2010
	US$'m	US$'m	US$'m
Balance at the beginning of the period	**3.7**	3.4	3.4
Foreign currency exchange difference	**-**	(0.2)	0.3
Balance at the end of the period	**3.7**	3.2	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**	**Six months ended 30 June 2011**	Six months ended 30 June 2010	Year ended 31 December 2010
	US$'m	**US$'m**	**US$'m**		US$'m
Balance at the beginning of the period	53.1	4.9	**58.0**	121.3	121.3
Disposals	-	-	**-**	-	(2.3)
Capital reduction	-	-	**-**	-	(57.2)
Interest expense capitalised by associate payable to subsidiary	(0.5)	-	**(0.5)**	-	(0.4)
Share of profit/(loss) before tax	1.6	1.6	**3.2**	(1.3)	(1.9)
Share of tax	-	(0.3)	**(0.3)**	0.1	(0.7)
Share of income/ (loss) from associate	1.6	1.3	**2.9**	(1.2)	(2.6)
Dividends received	-	-	**-**	(0.8)	(0.8)
Balance at the end of the period	54.2	6.2	**60.4**	119.3	58.0

The investments which are included in the US$60.4 million balance at 30 June 2011 are set out below:

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

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

14. Joint venture agreements

Tethyan Copper Company Limited

In September 2006 the Group entered into a joint venture agreement with Barrick Gold Corporation (“Barrick Gold”), to establish a 50:50 joint venture in relation to Tethyan Copper Company Limited’s (“Tethyan”) mineral interests in Pakistan. The Group’s 50% share of the assets and liabilities and results of the jointly controlled entity are included in the consolidated balance sheet and in the consolidated income statement of the Group under the proportionate consolidation method. Further progress in this project is subject to the grant of a mining lease for which an application has been made and the successful conclusion of litigation as set out in Note 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”) for US$12.0 million. 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

	Six months ended 30 June 2011	Six months ended 30 June 2010	Year ended 31 December 2010
	US$'m	US$'m	US$'m
Balance at the beginning of the period	**21.8**	1.2	1.2
Additions	**25.0**	12.6	12.9
Movements in fair value	**(7.1)**	(0.6)	6.8
Foreign currency exchange difference	**1.9**	(0.2)	0.9
Balance at the end of the period	**41.6**	13.0	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 30 June 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.

The investments which are included in the US$41.6 million balance at 30 June 2011 are set out below:
(i) US$34.9 million relating to the market value of shares in Duluth Metals Limited.
(ii) US$2.4 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$4.2 million relating to the market value of shares in Eurasian Minerals Inc.
(iv) US$0.1 million relating to the market value of other investments.

16. Inventories

	Six months ended 30 June 2011	Six months ended 30 June 2010	Year ended 31 December 2010
	US$'m	US$'m	US$'m
Raw materials and consumables	**150.2**	78.4	106.4
Work in progress	**274.0**	198.5	234.0
Finished goods	**45.9**	64.4	44.6
	470.1	341.3	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$31.5 million (30 June 2010 – US$28.7 million; 31 December 2010 - US$29.4 million) relating to long-term inventories at Los Pelambres.

(ii) US$3.6 million (30 June 2010 – US$5.1 million; 31 December 2010 - US$4.5 million) relating to high carbonate ore inventories at El Tesoro.

(iii) US$14.7 million (30 June 2010 – nil; 31 December 2010 - nil) relating long-term inventories at Esperanza.

17. Borrowings

	Notes	**At 30.06.11**	At 30.06.10	At 31.12.10
		US$'m	US$'m	US$'m
Los Pelambres				
Corporate loans	(i)	**(559.0)**	(730.7)	(625.2)
Finance leases	(ii)	**(34.8)**	-	-
Esperanza				
Project financing	(iii)	**(1,008.7)**	(850.9)	(1,008.7)
Subordinated debt	(iv)	**(212.4)**	(118.6)	(212.4)
Short-term loans	(v)	**(200.0)**	-	-
Finance leases	(vi)	**(5.5)**	(8.0)	(4.3)
El Tesoro				
Corporate loans	(vii)	**(296.2)**	-	(296.4)
Finance leases	(viii)	**(0.1)**	(0.2)	(0.2)
Michilla				
Finance leases		-	(0.8)	-
Corporate and other items				
Finance leases	(ix)	**(39.5)**	(34.3)	(39.5)
Railway and other transport services				
Bonds	(x)	**(6.3)**	(7.7)	(6.3)
Water concession				
Finance leases		**-**	-	(0.4)
Other				
Preference shares	(xi)	**(3.2)**	(3.0)	(3.1)
Total (see Note 23)		**(2,365.7)**	(1,754.2)	(2,196.5)

(i) Corporate loans at Los Pelambres are unsecured and US dollar denominated. These loans have a remaining term between 4 and 6 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, and are fixed rate with and weighted average interest rate of 6.41% and with a average duration of 7 years.

(iii) The project financing at Esperanza is US dollar denominated. This loan has approximately 11 years remaining, with an interest rate over the life of the loan of LIBOR six-month rate plus margins of between 1.375% - 3.000%.

The Group has used interest rate swaps to swap the floating rate interest for fixed rate interest. At 30 June 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 7 years and weighted average interest rate of LIBOR six-months plus 3.75%. Long term subordinated debt provided by Group companies to Esperanza has been eliminated on consolidation.

(v) Short-term loans at Esperanza comprises US$200.0 million from local banks with an average duration of 2 months and weighted average interest rate of LIBOR six-months plus 0.61%.

(vi) Finance leases at Esperanza are denominated in US dollars, Chilean Pesos and Unidades de Fomento (i.e. inflation-linked Chilean pesos) with a maximum remaining duration of 3.5 years and fixed rate with an average interest rate at approximately LIBOR three-month rate 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 are US dollar denominated, and are fixed rate with an average interest rate of 1.09%.

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

(x) Railway and other transport services includes a balance of US$6.1 million related with bonds issued in the Bolivian stock market to refinance short-term loans with a fixed interest rate of 5.5% and duration of 4 years. The balance at 30 June 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 30 June 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 30.06.11	At 30.06.10	At 31.12.10
	US$'m	US$'m	US$'m
Short-term borrowings	**(434.9)**	(181.2)	(137.6)
Medium and long-term borrowings	**(1,930.8)**	(1,573.0)	(2,058.9)
Total (see Note 22)	**(2,365.7)**	(1,754.2)	(2,196.5)

At 30 June 2011 US$89.4 million (30 June 2010 – US$49.3 million; 31 December 2010 - US$53.8 million) of the borrowings has fixed rate interest and US$2,276.3 million (30 June 2010 – US$1,704.9 million; 31 December 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(b) and Note 17(iii) above.

18. Post-employment benefit obligation

	Six months ended 30 June 2011	Six months ended 30 June 2010	Year ended 31 December 2010
	US$'m	US$'m	US$'m
Balance at the beginning of the period	**(68.0)**	(48.2)	(48.2)
Charge to operating profit during the year	**(6.7)**	(5.8)	(16.1)
Release of discount to net interest in period	**(1.3)**	(0.8)	(1.6)
Charge capitalised	**-**	(0.2)	(3.7)
Reclassification	**(0.5)**	-	-
Utilised in the period	**1.9**	2.2	5.9
Foreign currency exchange difference	**(0.4)**	3.5	(4.3)
Balance at the end of the period	**(75.0)**	(49.3)	(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

	Six months ended 30 June 2011	Six months ended 30 June 2010	Year ended 31 December 2010
	US$'m	US$'m	US$'m
Balance at the beginning of the period	**(244.4)**	(127.9)	(127.9)
Charge to operating profit in the period	**(0.9)**	(1.3)	(69.6)
Release of discount to net interest in the period	**(3.0)**	(0.8)	(2.7)
Charge capitalised	**-**	(0.7)	(1.4)
Capitalised adjustment to provision	**-**	-	(44.4)
Reclassification	**0.5**	-	-
Utilised in the year	**1.1**	0.8	1.7
Foreign currency exchange difference	**-**	-	(0.1)
Balance at the end of the period	**(246.7)**	(129.9)	(244.4)
Analysed as follows:			
Decommissioning and restoration	**(245.7)**	(129.1)	(243.4)
Termination of water concession	**(1.0)**	(0.8)	(1.0)
Balance at the end of the period	**(246.7)**	(129.9)	(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. The provision will be utilised at the end of each of the mines' lives, which is estimated to cover a period of up to 26 years based on current mine plans.

The provision for the termination of the water concession relates to the provision for items of plant, property and equipment and working capital items under Aguas de Antofagasta's ownership to be transferred to the previous state-owned operator ECONSSA 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

	Six months ended 30 June 2011	Six months ended 30 June 2010	Year ended 31 December 2010
	US$'m	US$'m	US$'m
Net position at the beginning of the period	**(586.3)**	(478.7)	(478.7)
Charge to tax on profit in the period	**112.0**	1.0	(121.0)
Deferred tax recognised directly in reserves and non-controlling interest	**(6.1)**	(5.2)	4.0
Deferred tax capitalised	**-**	3.0	11.5
Foreign currency exchange difference	**0.6**	2.1	(2.1)
Net position at the end of the period	**(479.8)**	(477.8)	(586.3)
Analysed between:			
Deferred tax assets	**103.9**	22.0	110.0
Deferred tax liabilities	**(583.7)**	(499.8)	(696.3)
Net position	**(479.8)**	(477.8)	(586.3)

21. Share capital and share premium

There was no change in share capital or share premium in the six months ended 30 June 2011 or the comparative periods.

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

	Six months ended 30 June 2011	Six months ended 30 June 2010	Year ended 31 December 2010
	US$'m	US$'m	US$'m
Profit before tax	**1,691.9**	932.1	2,573.2
Depreciation and amortisation	**209.1**	130.5	277.0
Loss on disposal of property, plant and equipment	**1.9**	6.8	9.8
Asset impairment - reversal	**-**	-	(109.4)
Net finance expense/ (income)	**46.7**	(12.1)	18.7
Share of (profit)/ loss of associates	**(2.9)**	1.2	2.6
Increase in inventories	**(85.2)**	(89.5)	(108.8)
(Increase)/ decrease in debtors	**(105.9)**	99.7	(336.7)
(Decrease)/ increase in creditors and provisions	**(40.4)**	19.0	107.5
Cash flows from operations	**1,715.2**	1,087.7	2,433.9

23. Analysis of changes in net cash

	At 1.1.11	Cash flows	Other	Exchange	**At 30.06.11**
	US$'m	US$'m	US$'m	US$'m	**US$'m**
Cash and cash equivalents	2,734.7	(245.4)	-	7.0	**2,496.3**
Liquid investments	806.9	(250.8)	-	-	**556.1**
Total cash and cash equivalents and liquid investments	3,541.6	(496.2)	-	7.0	**3,052.4**
Bank borrowings due within one year	(134.8)	(132.3)	(160.2)	-	**(427.3)**
Bank borrowings due after one year	(2,014.2)	-	158.9	-	**(1,855.3)**
Finance leases due within one year	(2.8)	5.0	(9.5)	(0.3)	**(7.6)**
Finance leases due after one year	(41.6)	-	(30.0)	(0.7)	**(72.3)**
Preference shares	(3.1)	-	-	(0.1)	**(3.2)**
Total borrowings	(2,196.5)	(127.3)	(40.8)	(1.1)	**(2,365.7)**
Net cash	1,345.1	(623.5)	(40.8)	5.9	**686.7**

Net cash

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

	At 30.06.11	At 30.06.10	At 31.12.10
	US$'m	US$'m	US$'m
Cash, cash equivalents and liquid investments	**3,052.4**	3,155.4	3,541.6
Total borrowings	**(2,365.7)**	(1,754.2)	(2,196.5)
	686.7	1,401.2	1,345.1

24. Business combinations

a) Franconia Minerals Corporation

On 20 December 2010 the Group entered into arrangements with Duluth Metals Limited ("Duluth") in connection with Duluth's proposed acquisition of 100% of Franconia Minerals Corporation of Canada ("Franconia"). Franconia's principal assets are a 70% interest in the Birch Lake Joint Venture ("BLJV") which holds the Birch Lake, Maturi and Spruce Road copper-nickel-platinum and palladium deposits that are contiguous to Twin Metals' deposits, assets that are held by a US subsidiary of Franconia ("Franconia US"). Franconia announced in November 2010 its intention to increase its ownership at the Birch Lake Project to 82% under the terms of the BLJV Agreement. Duluth completed the acquisition of Franconia in March 2011 at a cost of CAD$77 million (approximately US$77 million), in a combination of cash and shares. Duluth and Antofagasta agreed that following the acquisition, Twin Metals would acquire 100% of the ownership units of Franconia US from Duluth. In the first half of 2011 Antofagasta has contributed approximately CAD$30 million (approximately US$30 million) in cash to Duluth's acquisition of Franconia in order to, in part, maintain the 40% and 60% interests of Antofagasta and Duluth, respectively, in Twin Metals, an entity in which Antofagasta hold a 40% controlling interest. Following the completion of Duluth's acquisition, it is expected that Twin Metals will acquire 100% of the ownership units of Franconia US from Duluth during the second half of 2011.

25. Other transactions

a) Eurasian Minerals Inc

On 17 February 2011, the Group has entered into an agreement in principle for a strategic alliance and earn-in agreement with Eurasian Minerals Inc. focused primarily on copper exploration in Sweden including the Kiruna South copper project. The Group will contribute funding of at least US$250,000 annually for a two-year period.

The Group may earn a 51% interest in any designated property (other than the Kiruna South Designated property) by spending an aggregate of US$5.0 million over five years and making a one-time cash payment on or before the fifth anniversary equal to the product obtained by multiplying 225,000 pounds of copper times the average of the price of copper for the previous 30 trading days. In the case of the Kiruna South designated project, the above conditions also apply except that the earn-in commitment is US$10.0 million over five years.

The Group purchased 1,540,000 units from Eurasian Minerals Inc at a price of CDN$3.25 per unit. Each unit consists of one common share and one half of one common share purchase warrant. Each full warrant entitles AMSA to purchase one additional common share of Eurasian Minerals Inc. stock for a period of two years at a purchase price of CDN$4.00 per unit.

b) Stratex International Plc

On 23 May 2011 the Group entered into an agreement with Stratex International Plc ("Stratex") to undertake exploration for copper and copper-gold deposits in Turkey. Antofagasta will fund an initial target generation and exploration programme over a 16 month period with a committed expenditure of US$1 million. During this period it is anticipated that a number of priority areas will be identified for detailed follow-up exploration and possibly drilling. Any such areas will be vested 51% Antofagasta and 49% Stratex. Thereafter Antofagasta has the option to earn a further 19% interest in any of these priority areas by funding an additional US$3 million of expenditure in respect of that area, to increase its aggregate interest over that area to 70%. Antofagasta also has the option to continue the target-generation programme after completion of the initial 16 month period by funding further expenditure of at least US$250,000 per annum.

c) Avrupa Minerals Ltd

On 3 June 2011 the Group signed a memorandum of understanding with Avrupa Minerals Ltd ("Avrupa") to undertake exploration for copper-zinc sulphide deposits in Portugal. Antofagasta has committed US$300,000 over a six month period to complete an initial study of the property. Upon completion of the initial study Antofagasta has the right to earn a 51% interest in the property over a three year period by funding US$4.0 million of exploration activities. Antofagasta will have a right to increase further its interest in the property to 75% by delivering a Feasibility Study within a further two years.

d) Sunridge Gold Corporation

After evaluation of the results of the exploration activities to date, the Group decided on 11 May 2011 not to proceed further with its agreement with Sunridge Gold Corp in respect of its Asmara project in Eritrea.

26. Contingent liabilities

Antofagasta plc or its subsidiaries ("the Group") is subject to various claims which arise in the ordinary course of business. Details of the principal claims in existence either during or at the end of the period and their current status are set out below. No provision has been made in the financial statements and are currently not expected to result in any material loss to the Group.

a) Los Pelambres - Mauro tailings dam

As previously announced, during 2008 Los Pelambres entered into binding settlements in respect of litigation relating to the Mauro tailings dam. In December 2008, Los Pelambres became aware of further legal proceedings of which had been initiated in first instance courts in Santiago and Los Vilos by certain members of the Caimanes community located near the Mauro valley. These claims, some of which have already been rejected by the relevant courts, sought to prevent the operation of the Mauro tailings dam. Los Pelambres is continuing to take necessary steps to protect its position.

b) Tethyan Copper Company Limited – Chagai Hills Exploration Joint Venture

On 26 June 2007 the High Court of Balochistan at Quetta dismissed a petition which had sought to declare that the Chagai Hills Exploration Joint Venture of 1993 and the exploration licences granted to Tethyan were null and void and overturned an injunction passed earlier by the Court. The petition had been filed in November 2006 and was directed at several parties including the Group, the Government of Pakistan and the Government of Balochistan.

The petitioners filed a Civil Petition for Leave to Appeal ("CPLA") against the judgment. The CPLA was allowed by the Supreme Court converting it into an Appeal. The Supreme Court agreed to hear new constitutional petitions which were filed which relate primarily relate to whether it is in the public interest for Tethyan to receive a mining lease.

On 3 February 2011, the Supreme Court issued an interim order providing, among other things, that the Government of Balochistan may not take any decision in respect of the grant or otherwise of a mining lease to Tethyan until matters before the Supreme Court are decided. On 25 May 2011, the Supreme Court recalled this interim order, and instructed the Government of Balochistan to proceed to expeditiously decide on Tethyan Copper Company Pakistan (Private) Limited's application for the grant of the mining lease transparently and fairly in accordance with the law and the rules, and decided that the petitions shall remain pending on the file of the Supreme Court until the decision of the application by the competent authority. Further progress on this project will be dependent on the grant of the mining licence and associated Project and Mineral Agreements and successful conclusion of the litigation

27. Post balance sheet events

a) Riverside Resources Inc.

On 6 July 2011 the Group signed a three year strategic exploration alliance with Riverside Resources ("Riverside") for generative exploration throughout the primary copper belts of British Colombia, Canada. Antofagasta has committed US$1.8 million to fund exploration work over a three year period. Antofagasta has the right to earn up to a 65% interest in the property over a four year period by funding a minimum of US$5.0 million of exploration activities. The Group can enter into a Joint Venture with Riverside by making a one-time cash payment to Riverside of US$3.0 million.

28. 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's mineral interests in Pakistan. During the six months ended 30 June 2011 the Group contributed US$5.5 million (six months ended 30 June 2010 – US$6.5 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 30 June 2011 was US$0.4 million (30 June 2010 – US$0.4 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 30 June 2011 was less than US$0.1 million (30 June 2010 – US$0.2 million; 31 December 2010 – US$0.3 million). During the six months ended 30 June 2011 the Group contributed US$5.0 million to Energia Andina (six months ended 30 June 2010 – nil; 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. The Group received no dividends during the period (six months ended 30 June 2010 – US$0.8 million; year ended 31 December 2010 – US$0.8 million), as disclosed in the condensed Consolidated Cash Flow Statement.

In July 2009, the Group acquired a 40% interest in Inversiones Hornitos S.A. from GDF SUEZ. This interest is accounted for as an associate. 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 30 June 2011 was US$94.4 million (six months ended 30 June 2010 – US$24.9; year ended 31 December 2010 – US$101.1 million). The Group paid US$36.5 million (six months ended 30 June 2010 – nil; year ended 31 December 2010 – nil) to Inversiones Hornitos in relation to the energy supply contract at Esperanza.

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.

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 six months ended 30 June 2011 Michilla paid dividends of US$1.6 million (six months ended 30 June 2010 – 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. This amount is reflected as a receivable in the Group's balance sheet at 30 June 2011. 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 30 June 2011 the Group held approximately 11% of the Duluth Metals' share capital.

29. Currency translation

Assets and liabilities denominated in foreign currencies are translated into dollars and sterling at the period end rates of exchange. Results denominated in foreign currencies have been translated into dollars at the average rate for each period.

	Period end rates	**Average rates**
Six months ended 30 June 2011	US$1.6062 = £1; US$1 = Ch$468	US$1.6158 = £1; US$1 = Ch$476
Six months ended 30 June 2010	US$1.4948 = £1; US$1 = Ch$547	US$1.5244 = £1; US$1 = Ch$525
Year ended 31 December 2010	US$1.5406 = £1; US$1 = Ch$468	US$1.5442 = £1; US$1 = Ch$510

RESPONSIBILITY STATEMENT

We confirm to the best of our knowledge:

a) the condensed set of financial statements has been prepared in accordance with IAS 34 *Interim Financial Reporting*;

b) the half yearly financial report includes a fair review of the information required by DTR 4.2.7R (being an indication of important events that have occurred during the first six months of the financial year, and their impact on the half yearly financial report and a description of the principal risks and uncertainties for the remaining six months of the financial year); and

c) the half yearly financial report includes a fair review of the information required by DTR 4.2.8R (being disclosure of related party transactions that have taken place in the first six months of the financial year and that have materially affected the financial position or the performance of the Group during that period and any changes in the related party transactions described in the last annual report that could have a material effect on the financial position or performance of the Group in the first six months of the current financial year).

By order of the Board

J-P Luksic
Chairman

WM Hayes
Director

22 August 2011

INDEPENDENT REVIEW REPORT TO ANTOFAGASTA PLC

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2011 which comprises the condensed consolidated income statement, the condensed consolidated statement of comprehensive income, the condensed consolidated statement of changes in equity, the condensed consolidated balance sheet, the condensed consolidated cash flow statement and related Notes 1 to 29. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the company in accordance with International Standard on Review Engagements (UK and Ireland) 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Auditing Practices Board. Our work has been undertaken so that we might state to the company those matters we are required to state to them in an independent review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company, for our review work, for this report, or for the conclusions we have formed.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure and Transparency Rules of the United Kingdom’s Financial Services Authority.

As disclosed in Note 1, the annual financial statements of the group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting," as adopted by the European Union.

Our responsibility

Our responsibility is to express to the company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2011 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

Deloitte LLP
Chartered Accountants and Statutory Auditor
London, UK
22 August 2011

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 and molybdenum

	Production			**Sales**		
	Six months ended 30 June 2011	Six months ended 30 June 2010	Year ended 31 December 2010	**Six months ended 30 June 2011**	Six months ended 30 June 2010	Year ended 31 December 2010
	000 tonnes	000 tonnes	000 tonnes	**000 tonnes**	000 tonnes	000 tonnes
Copper						
Los Pelambres	**192.5**	186.1	384.6	**196.2**	162.4	379.1
Esperanza	**29.3**	-	-	**27.1**	-	-
El Tesoro	**45.1**	47.3	95.3	**43.9**	46.6	95.3
Michilla	**21.7**	19.5	41.2	**22.3**	20.3	41.6
Group total	**288.5**	252.9	521.1	**289.5**	229.3	516.0
Gold	**000 ounces**	000 ounces	000 ounces	**000 ounces**	000 ounces	000 ounces
Los Pelambres	**18.1**	15.5	35.1	**18.1**	15.5	35.1
Esperanza	**52.7**	-	-	**47.5**	-	-
Group total	**70.7**	15.5	35.1	**65.6**	15.5	35.1
Molybdenum						
Los Pelambres	**4.8**	4.4	8.8	**4.4**	4.1	8.9
Silver	**000 ounces**	000 ounces	000 ounces	**000 ounces**	000 ounces	000 ounces
Los Pelambres	**843.6**	640.5	1,470.8	**843.6**	640.5	1,470.8
Esperanza	**250.2**	-	-	**250.2**	-	-
Group total	**1,093.8**	640.5	1,470.8	**1093.8**	640.5	1,470.8

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

	Cash costs			Realised prices		
	Six months ended 30 June 2011	Six months ended 30 June 2010	Year ended 31 December 2010	**Six months ended 30 June 2011**	Six months ended 30 June 2010	Year ended 31 December 2010
	US cents	US cents	US cents	**US cents**	US cents	US cents
Copper						
Los Pelambres	**75.2**	68.1	79.3	**423.7**	304.1	371.7
Esperanza	**121.9**	-	-	**423.2**	-	-
El Tesoro	**183.0**	146.6	169.2	**427.4**	319.7	351.9
Michilla	**192.5**	180.4	183.8	**403.4**	244.2	263.8
Group weighted average (net of by-products)	**105.6**	91.5	104.0	**422.7**	301.9	359.3
Group weighted average (before deducting by-products)	**157.8**	126.5	137.3			
Group weighted average (before deducting by-products and excluding tolling charges from concentrate)	**143.7**	113.7	124.3			
Cash costs at Los Pelambres comprise:						
On-site and shipping costs	**112.0**	98.4	106.8			
Tolling charges for concentrates	**18.8**	17.4	17.6			
Cash costs before deducting by-product credits	**130.8**	115.8	124.4			
By-product credits (principally molybdenum)	**(55.5)**	(47.6)	(45.1)			
Cash costs (net of by-product credits)	**75.2**	68.1	79.3			
Cash costs at Esperanza comprise:						
On-site and shipping costs	**255.3**	-	-			
Tolling charges for concentrates	**15.5**	-	-			
Cash costs before deducting by-product credits	**270.8**	-	-			
By-product credits (principally molybdenum)	**(148.9)**	-	-			
Cash costs (net of by-product credits)	**121.9**	-	-			
LME average				**426.3**	323.4	342.0
Gold						
Los Pelambres				**1,480.7**	1,154.80	1,236.50
Esperanza				**1,494.7**	-	-
Group weighted average				**1,490.8**	1,154.80	1,236.50
Market average price				**1,445.0**	1,152.40	1,226.30
					US$	US$
Molybdenum						
Los Pelambres				**17.0**	16.8	16.2
Market average price				**17.0**	16.1	15.7
					US$	US$
Silver						
Los Pelambres				**37.3**	17.8	20.4
Esperanza				**35.6**	-	-
Group weighted average				**36.9**	17.8	20.4
Market average price				**34.8**	17.6	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 three operations. By-product calculations do not take into account mark-to-market gains for molybdenum at the beginning or end of each period.

(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) is derived from the Group's production report for the second quarter of 2011, published on 22 August 2011.