Preliminary Results Announcement for the year ended 31 December 2010

8 March 2011

HIGHLIGHTS

FULL YEAR TO 31 DECEMBER		2010	2009	% Change
Group revenue	US$'m	**4,577.1**	2,962.6	54.5
Cash flows from operations	US$'m	**2,433.9**	1,167.8	108.4
Net earnings(1)	US$'m	**1,051.8**	667.7	57.5
Earnings per share	cents	**106.7**	67.7	57.5
Net cash at year end	US$'m	**1,345.1**	1,595.7	(15.7)
Total dividend per share for the year	cents	**116.0**	23.4	395.7
(Ordinary: 2010 – 16.0 cents; 2009 – 9.4 cents; up 70.2%) (Special: 2010 – 100.0 cents; 2009 – 14.0 cents; up 614.3%)				
Average LME copper price (per pound)	cents	**342.0**	234.2	46.0
Group copper production	'000 tonnes	**521.1**	442.5	17.8
Group weighted average cash costs(2) (net of by-product credits)	cents	**104.0**	96.3	8.0
Group weighted average cash costs(2) (excluding by-product credits)	cents	**137.3**	120.3	14.1
Market molybdenum price (per pound)	US$	**15.7**	11.1	41.4
Group molybdenum production	'000 tonnes	**8.8**	7.8	12.8

(See footnotes on page 3)

- **A record year for the Group**, achieving record revenues of US$4,577.1 million (a 54.5% increase on 2009) and production of 521,100 tonnes (a 17.8% increase on 2009).

- **Strong financial performance with earnings per share of 106.7 cents (123.0 cents before withholding tax)**, compared with 67.7 cents in 2009. The remittance of funds from Chile to fund the Group dividend has given rise to withholding tax as usual, and given the level of dividend proposed for this year withholding tax equating to 16.3 cents per share(3) has been recognised in 2010.

- **Successful delivery of growth projects.** The Los Pelambres plant expansion was commissioned in the first quarter of 2010, and commissioning of the Esperanza mine commenced in November 2010. The ramp-up of the Esperanza plant will continue through the first half of 2011, with the current expectation that processing at the full design capacity of 97,000 tonnes per day should be achieved during the second quarter of 2011. As previously announced, the initial forecast for 2011 Group copper production is for approximately 715,000 tonnes, a 60% increase on the pre-expansion 2009 levels, although this will depend on a number of factors including the precise timing of the completion of the ramp-up at Esperanza. Copper production in 2010 was 521,100 tonnes, a 17.8% increase on the 2009 production of 442,500 tonnes, mainly due to increased production at Los Pelambres as a result of the completion of its plant expansion in Q1 2010.

- **Final dividend of 112 cents per share, comprising a special dividend of 100 cents per share and final ordinary dividend of 12 cents per share, which amounts to a payment of US$1,104.2 million in June 2011.** This reflects successful delivery of key growth projects and the strong financial position of the Group**.** Including the interim ordinary dividend of 4 cents per share this gives total dividends for the year of 116 cents per share. The significant increase over 2009 reflects the increased operating base of the Group and continued confidence in the Group's prospects.

- **Continued robust financial position.** The Group had cash(4) of US$3.5 billion at 31 December 2010 and a net cash position of US$1.3 billion (which is net of long-term borrowings in place). Given the Group's low cost asset base, and the conclusion of the significant capital investments at Los Pelambres and Esperanza, it is expected that the

Group's cash flow generation is likely to remain strong. This has enabled us to propose a significant capital return to shareholders, while still leaving the Group well placed to progress with its medium and longer term growth plans as well as preserving the financial flexibility to take advantage of opportunities which may arise.

- **Stable operating costs currently forecast for 2011.** As previously announced, the initial forecast for 2011 weighted average cash costs excluding by-product credits is for approximately 140 cents per pound, in line with the 2010 costs of 137.3 cents. Weighted average cash costs net of by-product credits, which are subject to fluctuations in the price of gold and molybdenum, are currently forecast to be approximately 90 cents per pound in 2011, a reduction compared with the 104.0 cents in 2010, reflecting the impact of the additional low cost production from Esperanza. However, costs of key strategic inputs, including energy and fuel, remain susceptible to further macro-economic pressures, particularly in a strong commodity pricing environment. Unit cost figures, stated on the basis of cents per pound of payable copper production, will also depend on the actual copper and by-product production volumes.

- **Significant progress in the Sierra Gorda district.** Mineral resource estimates were completed in respect of the Telégrafo and Caracoles deposits, increasing the Group's total mineral resources by 3.9 billion tonnes with an average copper grade of 0.38% (along with additional gold and molybdenum credits). This gives total resources for the Sierra Gorda district of 6.1 billion tonnes with an average copper grade of 0.39% (along with additional gold and molybdenum credits). Further expenditure of approximately US$70 million was approved during 2010 to evaluate growth options in the district. The Telégrafo deposit is part of Esperanza's existing property, and could be used to extend that mine's life or increase the size of the operation. Depending on the results of the on-going pre-feasibility study it will be possible to evaluate whether the Caracoles deposit could provide additional feed for the Esperanza plant, or support a stand-alone project. The inclusion of the Mirador oxides into El Tesoro's mine plan during 2010 at an independent valuation of US$350 million is an example of value created by the Group's successful exploration in the district. The Mirador deposit was identified by the Group in 2008 through its on-going exploration programme, and will result in reduced costs at El Tesoro while the deposit is mined in the three year period from 2012 to 2014, as well as extending El Tesoro's mine life to 2022.

- **Pipeline of opportunities for future potential growth through exploration, agreements and evaluation studies.** At Los Pelambres a scoping study is examining the key enablers which could allow it to utilise its significant resource base in the longer term, which could potentially lead to a significant increase in the scale of the operation later this decade. The Antucoya project feasibility study is continuing, evaluating the potential for a project producing approximately 80,000 tonnes of copper per year, and it is expected that the study should be complete during 2011. An application for a mining lease has been submitted for Reko Diq, which remains subject to satisfactory conclusion of litigation in progress in Pakistan. In July 2010 the Group signed a definitive agreement with Duluth Metals Limited to acquire an initial 40% stake in the Nokomis copper-nickel-platinum group metal deposit in Minnesota. The Group has the option to acquire an additional 25% interest in Nokomis under certain conditions including the completion of the feasibility study. The Group has also expanded its portfolio of early-stage international earn-in agreements in 2010 and to date, entering into agreements in respect of projects in Alaska in the United States, in Australia and in Sweden.

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

"2010 was a landmark year for the Group, with the commencement of the commissioning of the Esperanza mine and completion of the Los Pelambres plant expansion. Commissioning of the Esperanza plant commenced in November 2010, with the first shipment of copper concentrate taking place in January 2011. The ramp-up of the Esperanza plant will continue through the first half of 2011, with the current expectation that full processing capacity should be achieved during the second quarter of 2011. In 2010 Los Pelambres increased production by 23% to 384,600 tonnes of copper as a result of the completion of the plant expansion during the first quarter of 2010, and production is expected to increase further in 2011 with a full year of production at the increased capacity. As previously announced, the initial forecast is for Group copper production to increase to approximately 715,000 tonnes in 2011, a 60% increase on the pre-expansion 2009 levels, although final production levels will depend on a number of factors including the precise timing of the completion of the ramp-up at Esperanza.

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

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

(1) Earnings in 2010 include a reversal of an impairment charge relating to property, plant and equipment at El Tesoro. The impact on operating profit was a credit of US$109.4 million and the impact on net earnings was a credit of US$60.5 million. Further details of this exceptional item are set out in Note 3 to the preliminary results announcement.

(2) Cash cost is a method used by the mining industry to express the cost of production in cents per pound of copper, and is further explained in Note 31(b)(iii) to the preliminary results announcement.

(3) Withholding tax of US$160.9 million has been recognised in 2010, equating to 16.3 cents per share (2009 – US$28.1 million equating to 2.9 cents per share).

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

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DIRECTORS' COMMENTS FOR THE YEAR TO 31 DECEMBER 2010

Overview

The Group achieved an excellent performance during 2010 both in terms of its growth plans as well as its operating and financial performance. The Los Pelambres plant expansion was commissioned in the first quarter of 2010, and commissioning of the Esperanza mine commenced in November 2010. . Together, they are currently expected to increase the Group's copper production level in 2011 by approximately 60% compared with the pre-expansion 2009 levels. Net earnings increased by 57.5% to US$1,051.8 million compared with US$667.7 million in 2009, reflecting improved commodity prices and increased production volumes. Cash flows from operations were US$2,433.9 million, compared with US$1,167.8 million in 2009, mainly reflecting the increase in profits. At the end of 2010 the Group had a net cash position of US$1,345.1 million and total cash, cash equivalents and liquid investments of US$3,541.6 million.

In light of the successful delivery of key growth projects and the strong financial position of the Group, the Board has recommended a final dividend of 112 cents per share, comprising an ordinary dividend of 12 cents per share and a special dividend of 100 cents per share, which, if approved, will amount to a payment in June 2011 of US$1,104.2 million. Taking this payment into account, the Group's financial position remains strong and it remains well-placed to take advantage of its considerable growth prospects as these continue to progress.

Group copper production was 521,100 tonnes, compared with 442,500 tonnes in 2009. This 17.8% increase was mainly due to increased production at Los Pelambres, reflecting higher throughput as a result of the plant expansion. Molybdenum production at Los Pelambres was 8,800 tonnes, a 12.8% increase on 2009, also due to the plant expansion. At the transport division total volumes increased by 3.4% to 8.1 million tons, with rail volumes decreasing marginally to 6.2 million tons and road volumes increasing by 27.5% to 1.9 million tons. Volumes sold at the water division increased by 5.9% compared with 2009, to 46.3 million cubic metres. This was principally due to a 6.3% increase in demand from domestic clients and a 4.8% increase in demand from industrial customers.

Commodity prices, while volatile, continued to strengthen over the course of 2010. The LME copper price averaged 342.0 cents per pound over the course of 2010, a 46.0% increase on the 2009 average of 234.2 cents, and ended the year with a spot price of 441.8 cents per pound. The market molybdenum price averaged US$15.7 per pound in 2010, a 41.4% improvement from the average during 2009 of US$11.1 per pound. The gold price, which will become more relevant to the Group when Esperanza is fully operational, averaged US$1,226 per ounce and ended the year at US$1,412 per ounce.

Weighted average cash costs per pound of copper produced were 104.0 cents per pound in 2010, compared with 96.3 cents per pound in 2009. This increase was due to higher on-site and shipping costs at the three mining operations, partially offset by improved by-product credits. Excluding by-product credits, cash costs were 137.3 cents per pound, compared with 120.3 cents in 2009. This was mainly due to higher input costs, in particular energy, and the effect of the stronger Chilean peso across the three mining operations, as well as the effect of the temporary suspension of the Tesoro North-East pit and the increased maintenance at Los Pelambres.

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

During the year the Group also progressed with its exploration programme in its key areas of focus around the existing asset base. The Group's primary focus for exploration in Chile remains the Sierra Gorda District, where Esperanza and El Tesoro are located. Mineral resource estimates were completed during 2010 in respect of the Caracoles and Telégrafo deposits, totalling 3.9 billion tonnes with an average copper grade of 0.38% and containing additional gold and molybdenum credits. These deposits represent nearly 30% of the total mineral resources of the Group's subsidiaries at the end of 2010. In May 2010 the Group approved further expenditure of approximately US$70 million to examine growth options in the district for the period to the end of 2011, covering further exploration, the preparation of a pre-feasibility study for the district and for other studies to support eventual feasibility work at Caracoles and Telégrafo. The resources in the district could potentially extend the life or scale of the existing El Tesoro and Esperanza plants, or allow additional stand-alone operations. At Los Pelambres a scoping study is in progress, looking at the opportunities to utilise its large resource base, focusing particularly on the key enablers of water supply, community engagement and environmental impact. The analysis is considering firstly opportunities to extend the mine life, as well as the potential for expanding the scale of the operation. At the Antucoya deposit a feasibility study is in progress, evaluating the potential for a project producing approximately 80,000 tonnes of copper per year, with a 19 year mine life. Depending on the results of the study, and project approval, it is possible that construction could commence by the end of 2011, which could result in first production by early 2014.

The Group has also continued with its other early stage opportunities and prospects. At the Reko Diq joint venture, work on the feasibility study and the environmental and social impact assessment study are both complete and have been submitted to the Government of Balochistan. Further progress on this project will be dependent on the grant of the mining lease for which an application has been made and successful conclusion of litigation which is currently in progress before the Supreme Court of Pakistan. In July 2010 the Group signed a definitive agreement with Duluth Metals Limited to acquire an initial 40% stake in the Nokomis copper-nickel-platinum group metal deposit, a potentially world class base and precious metal deposit located in the highly prospective Duluth Complex in Minnesota, and work is progressing in respect of the feasibility study. The Group has also expanded its portfolio of early-stage international earn-in agreements, entering into agreements in respect of projects in Alaska in the United States and Australia in 2010 and in Sweden in 2011. During 2010 the Group established an office in Toronto, Canada, to support its continuing search for such opportunities. The Group is also continuing with its exploration and development activities relating to geothermal and coal energy prospects in Chile.

The Group's effective tax rate in the year increased from 22.1% in 2009 to 29.2% in 2010. Of this 7.1% increase in the effective tax rate, 4.3% was due to the increased level of withholding taxes provided in respect of funds to be remitted out of Chile given the level of dividend proposed for this year, and 2.3% was due to the impact of the higher rate of mining tax which was introduced during 2010 as one of the changes to the Chilean tax system in order to contribute to the reconstruction costs following the severe earthquake which affected the country on 27 February 2010. Other factors included marginal changes in the effective rate of corporation tax and exchange differences in 2009 related to tax. Further details of the tax structure applicable to the Group are set out in this commentary further below and the financial review.

The Group's four mining operations, Los Pelambres, Esperanza, El Tesoro and Michilla, which have invariability agreements in place with regard to the mining tax, have voluntarily elected to accept amendments enacted in respect of this tax. In exchange for waiving protection for a three-year period from 2010-2012, the companies will be granted an additional stability period of six years at the end of their existing agreements, during which any connected projects will also benefit from tax invariability. The Group has also contributed directly to the earthquake reconstruction efforts. The earthquake and resulting tsunami had a devastating impact on the coast of the Maule and Bio-Bio regions, destroying much of the infrastructure used by the local fishing industry. Antofagasta Minerals S.A.'s "Coastal Route" project is supporting the recovery of the fishing industry, as well developing tourist infrastructure in the region. In addition to a US$10 million donation to the project, Antofagasta Minerals S.A. is contributing management expertise to help implement the project.

Production and Cost Outlook for 2011

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

Also as previously announced, the current forecast for 2011 weighted average cash costs excluding by-product credits is for approximately 140 cents per pound, in line with the 2010 costs of 137.3 cents. Weighted average cash costs net of by-product credits, which are subject to fluctuations in the price of gold and molybdenum, are currently forecast to be approximately 90 cents per pound in 2011, a reduction compared with the 104.0 cents in 2010, reflecting the impact of the additional low cost production from Esperanza. However, costs of key strategic inputs, including energy and fuel, remain susceptible to further macro-economic pressures, particularly in a strong commodity pricing environment. Unit cost figures, stated on the basis of cents per pound of payable copper production, will also depend on the actual copper and by-product production volumes. The estimate for 2011 is based on a molybdenum price of approximately US$18 per pound and a gold price of US$1,150 per ounce.

Dividends

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

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

[1] *Further details relating to dividends are given in Note 9 to this preliminary results announcement.*

The Board has recommended a final dividend for 2010 of 112 cents per ordinary share, which amounts to US$1,104.2 million and if approved at the Annual General Meeting, will be paid on 9 June 2011 to shareholders on the Register at the close of business on 6 May 2011. This final dividend comprises an ordinary dividend of 12 cents and a special dividend of 100 cents. This gives total dividends for the year of 116 cents, including the interim dividend of 4 cents which was paid in October, amounting to US$1,143.6 million and representing a distribution of 109% of 2010 net earnings.

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

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

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

Tax

During 2010, the Chilean government enacted a number of changes to the Chilean tax system in order to contribute to the reconstruction costs following the severe earthquake which affected the country on 27 February 2010.

Firstly, a temporary two-year increase in the corporate tax rate in Chile (known as "first category tax") from 17% in 2010 to 20% in 2011 and 18.5% in 2012 was enacted on 31 July 2010. This change has only had a small deferred tax effect on the Group's tax charge in 2010, when corporation tax contributed 16.9% to the effective tax rate.

Secondly, in addition, amendments to the Chilean mining tax were enacted on 21 October 2010, further details of which are set out in the financial review below. As explained above, the Group's four mining companies have voluntarily elected to accept amendments enacted in respect of this tax. This has resulted in an increase in the effective rate of the mining tax in 2010, with the royalty contributing 6.1% towards the Group's effective tax rate in this year, compared with 3.8% in 2009. The effective royalty rate could remain at approximately similar levels during 2011 and 2012, particularly if the copper price environment remains comparable to 2010.

In addition, the Group also incurs withholding taxes on any remittances of profits from Chile, typically to fund the Group dividend. In 2010 the withholding tax charge of US$160.9 million contributed 6.3% to the effective tax rate, and is equivalent to 16.3 cents per share; the charge was particularly high given the level of dividend distribution this year. Over recent years the Group has typically distributed 35% of net earnings, which would normally result in withholding tax which would add approximately 4% to the effective tax rate.

Further details of the tax charge for the year and the tax structure applicable to the Group are set out in the financial review below.

Market Review

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

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

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

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

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

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

BUSINESS REVIEW

Review of operations

Los Pelambres (60% owned)

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

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

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

In 2010 Los Pelambres produced 384,600 tonnes of payable copper, 23.4% above 2009 production of 311,600 tonnes, with the increase due to the higher throughput as a result of the plant expansion. Ore throughput averaged 159,400 tonnes per day during the year (2009 – 129,200 tonnes per day). In the first quarter of 2010, while the plant expansion was being commissioned, throughput averaged 137,900 tonnes per day. Following the completion of the commissioning, throughput increased to an average of 172,100 tonnes per day during Q2 and Q3. In the final quarter of the year throughput temporarily reduced to an average of 155,400 tonnes per day, mainly due to major maintenance work performed in December 2010. This maintenance work, which had originally been scheduled for 2011, included the partial replacement of the conveyor belt that transports the ore from the mine site to the plant. The average ore grade during 2010 was marginally higher than the prior year at 0.76% copper (2009 – 0.74%), although this was partly offset by slightly lower metallurgical recovery of 90.0% (2009 – 92.1%).

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

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

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

Realised copper prices at Los Pelambres were 371.7 cents per pound, 29.6% higher than the 2009 realised price of 286.8 cents. This largely reflected the increase in the average LME price, which was 342.0 cents per pound in 2010, compared with 234.2 cents on average during 2009. The realised copper prices during both 2010 and 2009 exceeded the average LME price, due to significant provisional pricing adjustments in both years, with positive adjustments of US$280.1 million in 2010, and US$380.3 million in 2009. Realised molybdenum prices were US$16.2 per pound (2009 – US$11.3 per pound) which was broadly in line with the average market price of US$15.7 per pound (2009 – US$11.1 per pound). Further details of pricing adjustments for both copper and molybdenum are given in the financial review on pages 20 and 21 and in Note 5 to the preliminary results announcement.

Cash costs for 2010, which are stated net of by-product credits and include tolling charges, were 79.3 cents per pound, marginally below the 80.4 cents for 2009. This reflected an increase in on-site and shipping costs, offset by improved by-product credits due to the higher molybdenum market prices and production volumes. On-site and shipping costs increased from 95.3 cents per pound in 2009 to 106.8 cents, reflecting higher energy prices, increased labour and maintenance and fuel costs as well as the impact of the stronger Chilean peso. Labour costs increased largely as a result of a one-off signing bonus following the early conclusion of the labour agreement in November 2010. The increased maintenance included the major work performed in December 2010 described above. Tolling charges decreased slightly to 17.6 cents per pound (2009 – 19.2 cents), resulting in total cash costs before by-product credits of 124.4 cents per pound (2009 – 114.5 cents). The increased molybdenum price and improved production volumes resulted in an increased by-product credit of 45.1 cents per pound (2009 – 34.1 cents). The individual components of Los Pelambres' cash costs are set out on page 56.

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

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

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

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

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

Esperanza (70% owned)

Esperanza made its first shipment of copper concentrate in January 2011, following the start of commissioning of the plant in November 2010. Over its first 10 years of operations Esperanza is expected to produce on average approximately 190,000 tonnes of payable copper in concentrate and 230,000 ounces of payable gold annually, significantly increasing total Group production by approximately 25%. The operation utilises innovative technology to minimise its environmental impact and to optimise efficiency.

Esperanza is a copper-gold sulphide deposit located in Chile’s Antofagasta Region approximately five kilometres south of the Group’s El Tesoro mine. It produces copper concentrate containing gold and silver by-product credits through a conventional milling and flotation process, with plant capacity of approximately 97,000 tonnes per day of ore throughput. The Esperanza deposit includes an oxide resource that is part of the overburden removed through pre-stripping and which, as explained in the El Tesoro section below, is processed by El Tesoro through both their main heap-leach operation and also a specific run-of-mine (“ROM”) leaching operation.

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

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

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

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

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

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

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

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

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

El Tesoro (70% owned)

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

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

– which, along with oxide ore from Esperanza, feed a heap-leach operation and a run-of-mine ("ROM") leaching operation. The new Mirador open pit is currently undergoing pre-stripping.

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

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

The plant throughput relating to the heap-leach operation averaged 26,400 tonnes per day during 2010, largely in line with the 2009 throughput of 26,200 tonnes per day. The average ore grade decreased to 1.10% in 2010, compared with 1.25% in 2009, reflecting the processing of material from the lower grade stockpiles in place of the ore from the North-East pit during the temporary suspension of that operation. The average metallurgical recovery was also slightly lower at 71.7% (2009 – 73.0%), due to the impact of lower grade feed to the plant. Production from the ROM processing of the Esperanza oxide cap was 19,200 tonnes during 2010. The ROM project entered into production during the second half of 2009, with production of 2,800 tonnes in that year, and reached full design capacity during the first half of 2010.

Realised copper prices at El Tesoro increased by 42.9% to 351.9 cents per pound compared with 246.3 cents per pound in 2009. This increase reflected the rise in the average LME copper price, which increased from an average of 234.2 cents per pound in 2009 to 342.0 cents in 2010. The increasing market prices during the course of 2010 resulted in positive provisional pricing adjustments of US$17.4 million during the year. El Tesoro had minimal commodity hedging instruments in place during 2010, resulting in realised gains of just US$0.1 million during the year, compared with realised losses of US$20.0 million in 2009. Further details of the effects of commodity hedging instruments in place are given in the financial review under "Derivative Financial Instruments" and in Note 5 to the preliminary results announcement.

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

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

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

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

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

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

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

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

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

Michilla (74.2% owned)

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

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

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

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

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

The average realised copper price in 2010 was 263.8 cents per pound, 34.8% higher than the 2009 realised price of 195.7 cents. This reflected the increase in average LME market prices over this period, with the average LME price in 2010 of 342.0 cents per pound being 46.0% higher than the 2009 market average of 234.2 cents. The realised copper price was lower than the average LME price in both 2010 and 2009, mainly due to realised losses on copper hedging instruments. During 2010 realised losses of US$81.5 million were recognised in respect of instruments maturing during the year (2009 – loss of US$45.8 million). As a high cost operation Michilla has over recent years often hedged a significant proportion of its production, in order to ensure a reasonable level of return even if market prices were to weaken considerably. In the year ended 31 December 2010 32,000 tonnes of total production were hedged, which represented slightly under 80% of the total production of 41,200 tonnes. Michilla has in place hedging instruments in respect of 2011 and 2012 production, again covering approximately 80% of expected production. Further details of the effects of commodity hedging instruments in place are given in the financial review under "Derivative Financial Instruments" and in Note 5 to the preliminary results announcement.

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

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

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

The initial forecast for cash costs is 2011 is approximately 198 cents per pound. The increase compared with the 2010 costs of 183.8 cents is mainly due to the higher expected cost of purchasing ore from the third parties who lease and operate certain of Michilla's underground mines, costs relating to the commencement of operations at the new Aurora open pit and higher sulphuric acid costs. The forecast does not include potential purchases of ore from ENAMI, the cost of which is often linked to the market price of copper. If such material continues to be purchased this could, particularly in a strong copper price environment, further increase 2011 cash costs through processing higher cost, but profitable, materials.

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

Growth opportunities

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

Current evaluation studies

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

Exploration

The Group continues to invest strongly in its early stage exploration activities. The total exploration and evaluation expenditure in 2010 was US$99.0 million, which reflects a more than four-fold increase over the past five years. Of the 2010 expenditure, more than 40% related to the Sierra Gorda district, which is the Group's primary area of focus for exploration in Chile.

Mineral resources

The Group's commitment to organic exploration has been rewarded over recent years through the major increase in the resource base. The total resource tonnage of the Group's subsidiaries has increased more than four-fold over the past five years, from 3.2 billion tonnes in 2006 to 13.4 billion tonnes in 2010. During 2010 the total resource tonnage of the Group's subsidiaries increased by 46%, from 9.2 billion tonnes in 2009 to 13.4 billion tonnes, following the proving-up of the resources relating to the Telégrafo and Caracoles deposits. As well as these amounts relating to the Group's subsidiaries, the Reko Diq joint venture has total resource tonnage of 5.9 billion tonnes (although as described below the exploitation of these resources is dependent upon the granting of a mining lease – for which an application has been made – and the successful conclusion of litigation).

The Group's minerals resources (including ore reserves) at 31 December 2010 may be summarised as follows:

	Tonnage (millions of tonnes)		Copper %		Attributable tonnage (millions of tonnes)	
	2010	2009	2010	2009	2010	2009
Los Pelambres	5,818.4	6,164.9	0.53	0.52	3,491.0	3,698.9
Sierra Gorda district	6,055.7	1,506.5	0.39	0.48	4,577.6	1,064.2
Other	1,565.2	1,551.9	0.32	0.33	1,550.8	1,540.9
Total subsidiaries	13,439.3	9,223.3	0.44	0.48	9,619.4	6,304.0
Reko Diq	5,867.8	5,867.8	0.41	0.41	2,200.4	2,200.4
Total joint ventures	5,867.8	5,867.8	0.41	0.41	2,200.4	2,200.4
Total	19,307.1	15,091.3	0.43	0.46	11,819.8	8,504.4

In addition to the above copper grades, a number of the deposits also contain significant by-products, which further enhance the economics of the deposit. The Los Pelambres deposit contains a significant molybdenum by-product, the Esperanza, Telégrafo and Caracoles deposits in the Sierra Gorda district contain significant gold and molybdenum by-products, and the Reko Diq deposit contains a significant gold by-product.

In addition to the above amounts included in the Group's resource statement, the Group's partner, Duluth Metals, has published an NI 43-101 compliant resource estimate consisting of 550 and 274 million tonnes of indicated and inferred resource, respectively, with a combined copper grade of approximately 0.6% and a combined copper equivalent grade of approximately 1.5% taking into account the nickel, platinum, palladium and gold content.

Organic and sustainable growth of the core business

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

Sierra Gorda District

The Group's primary focus for exploration in Chile remains the Sierra Gorda District. The Group owns or controls a number of properties in the district, containing both sulphide and oxide resource. The existing Esperanza concentrator plant and the El Tesoro SX-EW operation mean that the Group is well placed to develop this area as a wider mining district.

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

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

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

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

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

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

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

Los Pelambres District

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

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

Michilla/Antucoya

Michilla district

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

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

Antucoya

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

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

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

Growth beyond the Core Business

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

Reko Diq

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

The mineral resource at Reko Diq is estimated at 5.9 billion tonnes with an average copper grade of 0.41% and an average gold grade of 0.22 g/tonne. The Group's attributable share of this joint venture interest amounts to 2.2 billion tonnes.

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

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

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

United States – Twin Metals - Nokomis deposit

On 21 July 2010 the Group signed a definitive Participation and Limited Liability Company Agreement pursuant to the legally binding Heads of Agreement ("HoA") signed on 14 January 2010 with Duluth Metals Limited ("Duluth"), to acquire a 40% interest in the project company Twin Metals Minnesota LLC ("Twin Metals") which holds the Nokomis copper-nickel-platinum group metal ("PGM") deposit ("Nokomis"), located in the highly prospective Duluth Complex in northeastern Minnesota, USA. The Group will fund a total of US$130.0 million of further exploration and feasibility study expenditure over a three-year period and has the option to acquire an additional 25% interest in Nokomis under certain conditions including the completion of the feasibility study.

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

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

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

Other exploration and evaluation activities

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

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

The Group has continued to expand its portfolio of early-stage international exploration interests through a number of earn-in agreements. During 2010 the Group incurred US$11.9 million of exploration and evaluation expenditure in respect of its international early-stage exploration activities. During the year the Group entered into agreements in Alaska in the United States and in Australia. Subsequent to the year-end the Group entered into a further agreement in Sweden. Further details of these agreements are set out in Notes 25 and 27 to the preliminary results announcement. The Group's portfolio of international earn-in agreements also includes projects in Spain and Eritrea. After evaluation of the results of the exploration activities to date, the Group decided during 2010 not to proceed further with its earn-in agreements in Zambia, Namibia and Peru.

Opportunities in geothermal and coal exploration and generation

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

Energía Andina S.A, the joint venture between the Group and the Chilean state-owned Empresa Nacional del Petróleo ("ENAP"), is continuing with its activities for the exploration and development of geothermal energy prospects in Chile. Energía Andina has been granted 13 concessions to date, grouped into six projects, and is engaged in the bidding process to acquire a number of further concessions.

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

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

Transport

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

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

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

The FCAB holds a 40% interest in Inversiones Hornitos S.A. ("Inversiones Hornitos"), a company which is constructing the 150 MW Hornitos thermoelectric power plant in Mejillones, in Chile's Antofagasta Region. The plant will provide energy to Esperanza under a long-term supply agreement. Construction of the plant is substantially complete, with commissioning having commenced, and the plant is expected to begin operations on schedule during Q2 2011. During 2010 a capital restructuring of Inversiones Hornitos took place, with the FCAB's previous capital contributions being reduced by US$57.2 million and replaced with loan financing from the FCAB, with the FCAB contributing US$78.6 million of further loan financing to Inversiones Hornitos during the year. The FCAB's cumulative total investment in Inversiones Hornitos, in both equity and loans, was US$154.2 million at 31 December 2010.

The Antofagasta port, which is managed by the Group's 30% associate investment Antofagasta Terminal Internacional S.A. ("ATI") contributed US$1.9 million to Group results (2009 – US$1.5 million). ATI is a strategic investment for FCAB and complements its principal business as the main transporter of cargo within Chile's Antofagasta Region.

FCAB also owns Forestal S.A., which manages the Group's forestry assets. Forestal's two properties, Releco-Puñir and Huilo-Huilo, comprise 26,295 hectares of native forest near the Panguipulli and Neltume lakes, in Chile's Region de Los Lagos. During 2010, Forestal continued with its ongoing forestation, fertilisation and thinning programme to maintain these assets.

Water

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

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

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

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

ADASA is forecasting a slight increase in volumes in 2011. The company's revenues and profits are predominantly in Chilean pesos, and will be impacted by the relative strength or weakness of that currency against the US dollar, the currency in which the Group reports its results. The regulated water business is subject to a tariff review every five years with the next review due in mid-2011.

FINANCIAL REVIEW FOR THE YEAR ENDED 31 DECEMBER 2010

Results

A detailed segmental analysis of the components of the income statement is contained in Note 4 to the Preliminary Results Announcement.

Turnover

	Year ended 31.12.10	Year ended 31.12.09
	US$'m	US$'m
Turnover	4,577.1	2,962.6

Group turnover in 2010 was US$4,577.1 million, 54.5% above the US$2,962.6 million achieved in 2009. This mainly reflected increased sales at the mining division in respect of both copper and molybdenum, and to a lesser extent also at the transport and water divisions.

Turnover from the mining division

Turnover from copper concentrate and copper cathodes

Turnover from copper concentrate and copper cathode sales from the Group's three mines which were operational in 2010 increased by 57.1% to US$3,953.8 million, compared with US$2,516.1 million in 2009. The increase mainly reflected the impact of higher realised prices as well as higher copper volumes.

(i) Realised copper prices

The Group's average realised copper price increased by 32.8% to 359.3 cents per pound (2009 – 270.6 cents), reflecting the higher average LME copper price, which increased by 46.0% to 342.0 cents per pound (2009 – 234.2 cents) as well as positive adjustments to provisionally priced sales which were partially offset by the impact of realised hedging losses.

Realised copper prices are determined by comparing turnover (gross of tolling charges for concentrate sales) with sales volumes in the year. Realised copper prices differ from market prices mainly because, in line with industry practice, concentrate and cathode sales agreements generally provide for provisional pricing at the time of shipment with final pricing based on the average market price for future periods (normally about 30 days after delivery to the customer in the case of cathode sales and up to 120 days after delivery to the customer in the case of concentrate sales). Realised copper prices also reflect the impact of realised losses or gains of commodity derivative instruments hedge accounted for in accordance with IAS 39 "Financial Instruments: Recognition and Measurements".

In 2010 there were significant positive mark-to-market adjustments to provisionally invoiced sales as a result of the significant increase in the LME copper price during the year. In the case of Los Pelambres, pricing adjustments increased initially invoiced sales (before adjusting for tolling charges) by US$280.1 million in 2010, compared with a US$380.3 million increase of sales in 2009. The adjustments in 2010 comprised a deduction of US$6.4 million in respect of sales invoiced in 2009 (net of the reversal of mark-to-market adjustments made at the end of 2009) which were finally priced in 2010, and an uplift of US$286.5 million in respect of sales invoiced in 2010 (including a positive mark-to-market provision for open sales at the end of the year of US$124.3 million). Pricing adjustments in 2010 at El Tesoro and Michilla increased revenues by US$17.4 million (2009 – increased revenues by US$31.1 million) and US$6.0 million (2009 – increased revenues by US$11.8 million) respectively. Further details of provisional pricing adjustments are given in Note 5(a) to the preliminary results announcement.

In 2010 turnover also included a net loss of US$81.4 million (2009 – loss of US$65.8 million) on commodity derivatives at El Tesoro and Michilla which matured during the year. Further details of hedging activity in the year are given in Note 5(b) to the preliminary results announcement.

Realised prices are analysed by mine in the Business Review on pages 8 to 13. The movement in the LME copper price during the year is described in the Directors' Comments on page 7.

(ii) Copper volumes

Copper sales volumes increased by 16.5% from 442,900 tonnes in 2009 to 516,000 tonnes this year. Sales volumes differed slightly from production each year mainly due to differences in shipping and loading schedules.

Production volumes are analysed by mine in the Directors' Comments on pages 8 to 13. The increased production volumes in the year were mainly due to increased production at Los Pelambres, reflecting higher throughput as a result of the plant expansion.

(iii) Tolling charges

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

Turnover from molybdenum and other by-products

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

(i) Realised molybdenum prices

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

(ii) Molybdenum volumes

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

Production volumes for Los Pelambres are analysed in the Business Review on page 8.

(iii) Gold and silver credits in copper concentrate sales

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

Turnover from the transport and water divisions

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

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

EBITDA and operating profit from subsidiaries and joint ventures

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

EBITDA

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

EBITDA at the mining division increased by 69.1% from US$1,563.9 million to US$2,645.1 million, due to the increase in turnover as explained above, partly offset by higher operating costs. At Los Pelambres, EBITDA increased from US$1,408.9 million in 2009 to US$2,375.0 million this year. EBITDA at El Tesoro increased by US$123.2 million to US$354.9 million. At Michilla, EBITDA increased by US$32.7 million to US$60.6 million.

Excluding by-product credits (which are reported as part of turnover) and tolling charges for concentrates (which are deducted from turnover), weighted average cash costs for the Group (comprising on-site and shipping costs in the case of Los Pelambres and cash costs in the case of the other two operations) increased from 106.8 cents per pound in 2009 to 124.3 cents per pound. This increase was mainly due to increased on-site and shipping costs as a result of higher input costs, in particular energy, and the effect of the stronger Chilean peso across the three mining operations, as well as the effect of the temporary suspension of the Tesoro North-East pit and increased maintenance at Los Pelambres. Cash costs are analysed by mine in the Business Review on pages 8 to 13.

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

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

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

Depreciation, amortisation and impairments

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

During 2010 the reversal of the remaining US$109.4 million impairment originally recognised at El Tesoro in the year ended 31 December 2008 has been recorded as an exceptional credit within total operating costs, following a review undertaken in light of the current commodity environment. The recoverable amounts in the review were determined by a value in use calculation prepared using management's forecasts as to future commodity prices, operating costs and production volumes. The present value of the forecast future cash flows was calculated using a discount rate of 7.6%.

Operating profit from subsidiaries and joint ventures

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

Share of (net loss)/income from associates

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

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

Net finance expense

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

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

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

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

Other finance items comprised a loss of US$16.9 million (2009 – loss of US$15.1 million). A loss of US$16.1 million (2009 – loss of US$1.1 million) has been recognised in respect of the time value element of changes in the fair value of commodity derivative options, which is excluded from the designated hedging relationship, and is therefore recognised directly in the income statement. Foreign exchange gains included in finance items were US$9.6 million in 2010, compared with a gain of US$1.2 million in the previous year. A loss on foreign exchange derivatives of US$6.1 million (2009 – loss of US$12.4 million) is also included in other finance items. An expense of US$4.3 million (2009 - US$2.8 million) has been recognised in relation to the unwinding of the discount on provisions.

Profit before tax

The resulting profit before tax for the period was US$2,573.2 million compared to US$1,437.6 million in 2009, reflecting the increase in turnover explained above, partly offset by the increase in operating costs.

Income tax expense

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

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

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

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

The tax charge for the year was US$752.5 million and the effective tax rate was 29.2%. This rate varies from the standard rate principally due to the provision of withholding tax of US$160.9 million and the effect of the mining tax which resulted in a charge of US$157.7 million. In 2009 the total tax charge was US$317.7 million and the effective tax rate was 22.1%. This rate varied from the standard rate principally due to the provision of withholding tax of US$28.1 million, the effect of the mining tax which resulted in a charge of US$55.1 million, exchange gains of US$18.3 million on Chilean peso denominated tax prepayments due to the strengthening of the Chilean peso during the year

Non-controlling interests

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

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

Earnings per share

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

Earnings per share calculations are based on 985,856,695 ordinary shares. As a result of the factors set out above, profit for the 2010 financial year attributable to equity shareholders of the Company was US$1,051.8 million compared with US$667.7 million in 2009. Accordingly, basic earnings per share were 106.7 cents in 2010 compared with 67.7 cents for 2009. Basic earnings per share excluding exceptional items (detailed in Note 3 of the preliminary results announcement) were 100.6 cents for 2010. During 2009 there were no exceptional items.

Dividends

Details of dividends proposed in relation to 2010, and the Board's policy regarding dividends, are set out in the Directors' comments on page 6.

Capital Expenditure

Details of capital expenditure during the year are set out in the cash flow summary below on page 26.

Derivative Financial Instruments

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

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

At 31 December 2010 the Group had min/max instruments for 58,575 tonnes of copper production at Michilla covering a total period up to 31 December 2012. The weighted average remaining period covered by the min/max hedges calculated with effect from 1 January 2010 was 12.7 months. The instruments had a weighted average floor of 311.1 cents per pound and a weighted average cap of 392.2 cents per pound. This represents approximately 80% of Michilla's forecast production for 2011 and 2012 respectively, and the Group's exposure to the copper price will be limited by the extent of these instruments.

Details of the mark-to-market position of these instruments at 31 December 2010, together with details of any interest and exchange derivatives held by the Group, are given in Note 5(b) to the preliminary results announcement.

The Group periodically uses foreign exchange derivatives to reduce its exposure to fluctuations in the fair value of non US dollar denominated assets or liabilities. At 31 December 2010 the Group had cross currency swaps with a principal value of US$10.0 million relating to Esperanza to swap Chilean pesos for US dollars, at an average rate of Ch$550.3/ US$1, covering a total period up to 6 January 2011. The weighted average remaining period covered by these hedges calculated with effect from 1 January 2011 is 1.0 month. Between 31 December 2010 and 31 January 2011 US$10.0 million of cross currency swaps matured.

The Group also periodically uses interest rate swaps to swap the floating rate interest for fixed rate interest. At 31 December 2010 the Group had entered into contracts in relation to the Esperanza financing for a maximum notional amount of US$787.8 million at a weighted average fixed rate of 1.353% maturing in February 2011 and a maximum notional amount of notional amount of US$840.0 million at a weighted average fixed rate of 3.372% maturing in February 2018.

Commodity Price Sensitivities

Based on 2010 production volumes and without taking into account the effects of provisional pricing and any hedging activity, a ten cent change in the average copper price would affect turnover and profit before tax by US$114.9 million and earnings per share by 5.6 cents. Similarly, a one-dollar change in the average molybdenum price would affect turnover and profit before tax by US$19.4 million and earnings per share by 0.9 cents.

Cash Flows

The Group cash flow statement is presented on page 32. The key features are summarised in the following table.

	Year ended 31.12.10	Year ended 31.12.09
	US$'m	US$'m
Cash flows from operations	**2,433.9**	1,167.8
Income tax paid	**(427.9)**	(135.2)
Net interest paid	**(16.2)**	(11.2)
Acquisition of non-controlling interest in subsidiary	**-**	(25.0)
Acquisition of associates and subsequent capital contributions	**-**	(114.5)
Acquisition of available for sale investments	**(12.9)**	-
Purchases of property, plant and equipment	**(1,301.8)**	(1,323.6)
Purchases of intangible assets	**-**	(52.5)
Dividends paid to equity holders of the Company	**(236.6)**	(561.9)
Dividends paid to non-controlling interests	**(702.7)**	(310.0)
Other items	**4.1**	0.5
Changes in net cash relating to cash flows	**(260.1)**	(1,365.6)
Exchange and other non-cash movements	**9.5**	42.2
Movement in net cash in the year	**(250.6)**	(1,323.4)
Net cash at the beginning of the year	**1,595.7**	2,919.1
Net cash at the end of the year (analysed on page 27)	**1,345.1**	1,595.7

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

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

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

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

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

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

Financial Position

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

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

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

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

Balance Sheet

Net equity (i.e. equity attributable to ordinary shareholders of the Company) increased from US$5,338.6 million at 1 January 2010 to US$6,170.6 million at 31 December 2010, relating mainly to profit after tax and non-controlling interests for the period less ordinary dividends declared and paid in the year. Other changes relate mainly to movements in the fair value of hedges and available for sale investments and the currency translation adjustment; these are set out in the Consolidated Statement of Changes in Equity.

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

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

Foreign Currency Exchange Differences

The principal subsidiaries with a functional currency other than the US dollar are Chilean peso denominated, of which the most significant is Aguas de Antofagasta S.A. Exchange rates used to translate the results of such subsidiaries are given in Note 29 to the preliminary results announcement.

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

Going Concern

The Group's business activities, together with those factors likely to affect its future performance, are set out in the Directors' Comments. Details of the cash flows of the Group during the year, along with its financial position at the year-end are set out in this Financial Review. The preliminary results announcement includes details of the Group's cash, cash equivalent and liquid investment balances in Note 23, 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 balance of cash, cash equivalents and liquid investments, the borrowing facilities in place and their terms, the current copper price and market expectations in the medium-term, the Group's expected operating cost profile and the its capital expenditure and financing plans.

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

Cautionary Statement about forward looking statements

The preliminary results announcement contains certain forward looking statements with respect to the financial position, results of operations and business of the Group. Examples of forward looking statements include those regarding ore reserve and mineral resource estimates, anticipated production or construction commencement dates, costs, outputs, demand, trends in commodity prices, growth opportunities and productive lives of assets or similar factors. The words "intend", "aim", "project", "anticipate", "estimate", "plan", "believe", "expect", "may", "should", "will", "continue", or similar expressions, commonly identify such forward looking statements.
Forward looking statements involve known and unknown risks, uncertainties, assumptions and other factors that are beyond the Group's control. For example, future ore reserves will be based in part on long term price assumptions that may vary significantly from current levels. These may materially affect the timing and feasibility of particular developments. Other factors include the ability to produce and transport products profitably, demand for products, the effect of foreign currency exchange rates on market prices and operating costs, activities by governmental authorities, such as changes in taxation or regulation, and political uncertainty.
Given these risks, uncertainties and assumptions, actual results could be materially different from any future results expressed or implied by these forward looking statements which speak only as at the date of this report. Except as required by applicable regulations or by law, the Group does not undertake any obligation to publicly update or revise any forward looking statements, whether as a result of new information or future events. The Group cannot guarantee that its forward looking statements will not differ materially from actual results.

Consolidated Income Statement

	Notes	**Year ended 31.12.10 US$'m**	Year ended 31.12.09 US$'m
Group revenue	2,4	**4,577.1**	2,962.6
Total operating costs (including exceptional item *)		**(1,982.6)**	(1,503.6)
Operating profit from subsidiaries and joint ventures	2,4	**2,594.5**	1,459.0
Share of net (loss)/profit from associates	2,13	**(2.6)**	4.5
Total profit from operations and associates	2	**2,591.9**	1,463.5
Investment income		**16.5**	13.2
Interest expense		**(18.3)**	(24.0)
Other finance items		**(16.9)**	(15.1)
Net finance expense	6	**(18.7)**	(25.9)
Profit before tax		**2,573.2**	1,437.6
Income tax expense	7	**(752.5)**	(317.7)
Profit for the financial year		**1,820.7**	1,119.9
Attributable to:			
Non-controlling interests		**768.9**	452.2
Equity holders of the Company (net earnings)		**1,051.8**	667.7
		US cents	US cents
Basic earnings per share	8	**106.7**	67.7

Dividends to ordinary shareholders of the Company			
Per share		**US cents**	US cents
Dividends per share proposed in relation to the year	9		
- ordinary dividend (interim)		**4.0**	3.4
- ordinary dividend (final)		**12.0**	6.0
- special dividend (final)		**100.0**	14.0
		116.0	23.4
Dividends per share paid in the year and deducted from net equity			
- ordinary dividend (interim)		**4.0**	3.4
- ordinary dividend (final)		**6.0**	5.6
- special dividend (final)		**14.0**	48.0
		24.0	57.0
In aggregate		**US$'m**	US$'m
Dividends proposed in relation to the year	9	**1,143.6**	230.7
Dividends paid in the year and deducted from net equity		**236.6**	561.9

Revenue and operating profit are derived from continuing operations.

* The exceptional item included within "Total operating costs" in respect of the year ended 31 December 2010 is the US$109.4 million reversal of an impairment charge relating to property, plant and equipment at El Tesoro. Excluding this exceptional item, operating profit from subsidiaries and joint ventures was US$2,485.1 million and profit before tax was US$2,463.8 million. There were no exceptional items in the year ended 31 December 2009. Further details of this exceptional item are set out in Note 3.

Consolidated Statement of Comprehensive Income

	Notes	**Year ended 31.12.10** US$'m	Year ended 31.12.09 US$'m
Profit for the financial year		**1,820.7**	1,119.9
Losses in fair value of cash flow hedges deferred in reserves		**(93.7)**	(177.9)
Gains in fair value of available for sale investments	15	**6.8**	0.5
Currency translation adjustment		**27.1**	46.2
Deferred tax effects arising on cash flow hedges deferred in reserves		**17.8**	34.0
Total expense recognised in equity		**(42.0)**	(97.2)
Losses in fair value of cash flow hedges transferred to the income statement		**81.4**	65.8
Gains in fair value of cash flow hedges transferred to the balance sheet		**-**	(22.0)
Deferred tax effects arising on cash flow hedges transferred to the income statement		**(13.8)**	(11.2)
Total transferred to the income statement or balance sheet		**67.6**	32.6
Total comprehensive income for the year		**1,846.3**	1,055.3
Attributable to:			
Non-controlling interests		**765.8**	421.6
Equity holders of the Company		**1,080.5**	633.7

Consolidated Statement of Changes in Equity

For the year ended 31 December 2010

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

For the year ended 31 December 2009

	Share capital US$'m	Share premium US$'m	Hedging reserves US$'m	Fair value reserves US$'m	Translation reserves US$'m	Retained earnings US$'m	**Net equity US$'m**	Non-controlling interests US$'m	**Total US$'m**
Balance at 1 January 2009	89.8	199.2	30.5	(3.1)	(16.0)	4,966.4	**5,266.8**	1,165.8	**6,432.6**
Total comprehensive income for the year	-	-	(80.6)	0.5	46.1	667.7	**633.7**	421.6	**1,055.3**
Acquisition of non-controlling interest	-	-	-	-	-	-	**-**	1.4	**1.4**
Dividends	-	-	-	-	-	(561.9)	**(561.9)**	(310.0)	**(871.9)**
Balance at 31 December 2009	89.8	199.2	(50.1)	(2.6)	30.1	5,072.2	**5,338.6**	1,278.8	**6,617.4**

Consolidated Balance Sheet

	Notes	At 31.12.10 US$'m	At 31.12.09 US$'m
Non-current assets			
Intangible assets	10	**311.5**	311.2
Property, plant and equipment	11	**6,093.4**	4,873.2
Investment property	12	**3.7**	3.4
Investment in associates	13	**58.0**	121.3
Trade and other receivables		**42.9**	36.6
Available for sale investments	15	**21.8**	1.2
Deferred tax assets	20	**110.0**	31.1
		6,641.3	5,378.0
Current assets			
Inventories	16	**385.0**	240.1
Trade and other receivables		**973.7**	608.6
Current tax assets		**44.4**	59.8
Derivative financial instruments	5	**1.8**	1.7
Liquid investments (restated – see note 1)	23	**806.9**	631.8
Cash and cash equivalents (restated – see note 1)	23	**2,734.7**	2,590.5
		4,946.5	4,132.5
Total assets		**11,587.8**	9,510.5
Current liabilities			
Short-term borrowings	17	**(137.6)**	(431.8)
Derivative financial instruments	5	**(54.7)**	(81.2)
Trade and other payables		**(504.8)**	(437.6)
Current tax liabilities		**(233.6)**	(45.0)
		(930.7)	(995.6)
Non-current liabilities			
Medium and long term borrowings	17	**(2,058.9)**	(1,194.8)
Derivative financial instruments	5	**(59.0)**	(4.5)
Trade and other payables		**(4.7)**	(12.3)
Post-employment benefit obligations	18	**(68.0)**	(48.2)
Long-term provisions	19	**(244.4)**	(127.9)
Deferred tax liabilities	20	**(696.3)**	(509.8)
		(3,131.3)	(1,897.5)
Total liabilities		**(4,062.0)**	(2,893.1)
Net assets		**7,525.8**	6,617.4
Equity			
Share capital	21	**89.8**	89.8
Share premium	21	**199.2**	199.2
Hedging, translation and fair value reserves		**6.1**	(22.6)
Retained earnings		**5,875.5**	5,072.2
Equity attributable to equity holders of the Company		**6,170.6**	5,338.6
Non-controlling interests		**1,355.2**	1,278.8
Total equity		**7,525.8**	6,617.4

The preliminary information was approved by the Board of Directors on 7 March 2011.

Consolidated Cash Flow Statement

	Notes	**Year ended 31.12.10** US$'m	Year ended 31.12.09 US$'m
Cash flows from operations	22	**2,433.9**	1,167.8
Interest paid		**(42.4)**	(27.0)
Dividends from associates	13	**0.8**	0.7
Income tax paid		**(427.9)**	(135.2)
Net cash from operating activities		**1,964.4**	1,006.3
Investing activities			
Acquisition and capital contributions to associates		**-**	(114.5)
Acquisiton of available for sale investments	15	**(12.9)**	-
Acquisition of non-controlling interest in subsidiary		-	(25.0)
Net increase in liquid investments (restated – see note 1)	23	**(175.1)**	(86.9)
Purchases of property, plant and equipment		**(1,301.8)**	(1,323.6)
Purchases of intangible assets		-	(52.5)
Disposal of intangible assets		**3.5**	-
Interest received	13	**26.2**	15.8
Net cash used in investing activities		**(1,460.1)**	(1,586.7)
Financing activities			
Dividends paid to equity holders of the Company		**(236.6)**	(561.9)
Dividends paid to preference shareholders of the Company		**(0.2)**	(0.2)
Dividends paid to non-controlling interests		**(702.7)**	(310.0)
Net proceeds from issue of new borrowings	23	**1,022.0**	2,051.6
Repayments of borrowings	23	**(447.0)**	(863.6)
Repayments of obligations under finance leases		**(12.8)**	(10.9)
Net cash (used in)/generated from financing activities		**(377.3)**	305.0
Net increase/(decrease) in cash and cash equivalents		**127.0**	(275.4)
Cash and cash equivalents at beginning of the year		**2,590.5**	2,813.1
Net increase/(decrease) in cash and cash equivalents	23	**127.0**	(275.4)
Effect of foreign exchange rate changes	23	**17.2**	52.8
Cash and cash equivalents at end of the year (restated – see note 1)	23	**2,734.7**	2,590.5

Notes

1. General information and accounting policies

a) General information

This preliminary results announcement is for the year ended 31 December 2010. While the financial information contained in this preliminary results announcement has been computed in accordance with International Financial Reporting Standards ("IFRS"), this announcement does not itself contain sufficient information to comply with IFRS. For these purposes, IFRS comprise the Standards issued by the International Accounting Standards Board ("IASB") and Interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC") that have been endorsed by the European Union. The Group will send its full financial statements that comply with IFRS to shareholders in April 2011.

The financial information contained in this preliminary results announcement has been prepared on the going concern basis. Details of the factors which have been taken into account in assessing the Group's going concern status are set out on page 28 of the Financial Review.

This preliminary results announcement does not constitute the Group's statutory accounts as defined in section 434 of the Companies Act 2006 (the "Act") but is derived from those accounts. The statutory accounts for the year ended 31 December 2010 have been approved by the Board and will be delivered to the Registrar of Companies following the Company's Annual General Meeting which will be held on 8 June 2011. The auditors have reported on those accounts and their report was unqualified, with no matters by way of emphasis, and did not contain statements under section 498(2) of the Act (regarding adequacy of accounting records and returns) or under section 498(3) (regarding provision of necessary information and explanations).

The information contained in this announcement for the year ended 31 December 2009 also does not constitute statutory accounts. A copy of the statutory accounts for that year has been delivered to the Registrar of Companies. The auditors' report on those accounts was unqualified, with no matters by way of emphasis, and did not contain statements under sections 498(2) or (3) of the Companies Act 2006.

The information contained in Notes 31 to 33 of this preliminary results announcement is not derived from the statutory accounts for the years ended 31 December 2009 and 2010 and is accordingly not covered by the auditor's reports.

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

b) Accounting policies and adoption of new accounting standards

This preliminary results announcement is derived from the statutory accounts for the year ended 31 December 2010, which have been prepared on the basis of accounting policies consistent with those applied in the financial statements for the year ended 31 December 2009, except as set out below.

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

IFRS 3 *Business Combinations (2008)*. In the current year the Group has adopted IFRS 3 *Business Combinations (2008)* for accounting for business combinations. The change in accounting policy has been applied prospectively. For acquisitions on or after 1 January 2010, the Group measures goodwill as the fair value of the consideration transferred and the recognised amount of any non-controlling interests in the acquiree, less the net recognised amount of the identifiable assets acquired and liabilities assumed, all measured as of the acquisition date. Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred. The revised standard was applied to the acquisition of the 40% controlling interest in Twin Metals Minnesota LLC. See Note 24 for further details of this business combination which occurred in 2010.

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

There are no other Standards or Interpretations which apply or are expected to apply for the first time for the year ended 31 December 2010 which are expected to have any material impact on the Group.

2. Total profit from operations and associates

	Year ended 31.12.10	Year ended 31.12.09
	US$'m	US$'m
Revenue	**4,577.1**	2,962.6
Cost of sales (including exceptional item)	**(1,475.6)**	(1,166.8)
Gross profit	**3,101.5**	1,795.8
Administrative and distribution expenses	**(322.3)**	(244.2)
Closure provision	**(69.6)**	(2.2)
Severance charges	**(16.1)**	(13.3)
Exploration and evaluation costs	**(99.0)**	(67.1)
Other operating income	**27.6**	10.0
Other operating expenses	**(27.6)**	(20.0)
Operating profit from subsidiaries and joint ventures	**2,594.5**	1,459.0
Share of net loss from associates	**(2.6)**	4.5
Total profit from operations and associates	**2,591.9**	1,463.5

In the year ended 31 December 2010, cost of sales includes the reversal of an impairment of US$109.4 million relating to property, plant and equipment at El Tesoro (see Note 3).

3. Exceptional item

The exceptional item in the year ended 31 December 2010 and its impact on the results are set out below. There were no exceptional items in the year ended 31 December 2009.

	Operating Profit		**Profit before tax**		**Earnings per share**	
	Year ended 31.12.10	Year ended 31.12.09	**Year ended 31.12.10**	Year ended 31.12.09	**Year ended 31.12.10**	Year ended 31.12.09
	US$'m	US$'m	**US$'m**	US$'m	**US cents**	**US cents**
Before exceptional item	**2,485.1**	1,459.0	**2,463.8**	1,437.6	**100.6**	67.7
Reversal of impairment	**109.4**	-	**109.4**	-	**6.1**	-
After exceptional items	**2,594.5**	1,459.0	**2,573.2**	1,437.6	**106.7**	67.7

Reversal of impairment

In the year ended 31 December 2010 the reversal of the remaining US$109.4 million impairment originally recognized at El Tesoro in the year ended 31 December 2008 has been recorded as a credit within total operating costs, following a review undertaken in light of the current commodity environment. The recoverable amounts in the review were determined by a value in use calculation prepared using management's forecasts as to future commodity prices, operating costs and production volumes. The present value of the forecast future cash flows was calculated using a discount rate of 7.6% (initial impairment review – 9.9%).

4. Segmental analysis

The Group's reportable segments are as follows:

- Los Pelambres
- El Tesoro
- Michilla
- Esperanza
- Exploration and evaluation
- Railway and other transport services
- Water concession
- Corporate and other items

For management purposes, the Group is organised into three business divisions based on their products – Mining, Railway and other transport services and the Water concession. The mining division is split further for management reporting purposes to show results by mine and exploration and evaluation activity. Los Pelambres, El Tesoro and Michilla are all operating mines and Esperanza is a mine which was under construction during 2010. Los Pelambres produces primarily copper concentrate and molybdenum as a by-product. El Tesoro and Michilla both produce copper cathodes. The transport division provides rail cargo (based in Chile and Bolivia) and road cargo (based in Chile) together with a number of ancillary services (based in Chile). The water division produces and distributes potable water to domestic customers and untreated water to industrial customers in Chile's Antofagasta Region. The Exploration and evaluation segment incurs exploration and evaluation expenses. Exploration costs relating to Tethyan Copper Company Limited ("Tethyan") are included within the Exploration and evaluation segment, and all other Tethyan related costs are included within Corporate and other items. Corporate and other items also comprise costs incurred by the Company and Antofagasta Minerals S.A., the Group's mining corporate centre, that are not allocated to any individual business segment. Consistent with its internal management reporting, the Group's corporate and other items are included within the mining division.

Management monitors the operating results of business segments separately for the purpose of making decisions about resources to be allocated and of assessing performance. Segment performance is evaluated based on the operating profit of each of the segments.

a) Segment revenues and results

For the year ended 31 December 2010

	Los Pelambres	El Tesoro	Michilla	Esperanza	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 net loss from associates	-	-	-	-	-	(2.5)	(2.5)	(0.1)	-	**(2.6)**
Investment income	2.3	1.8	0.4	-	-	8.5	13.0	3.3	0.2	**16.5**
Interest expense	(14.0)	(1.4)	-	-	-	(2.6)	(18.0)	(0.3)	-	**(18.3)**
Other finance items	(3.7)	-	(15.1)	-	-	3.1	(15.7)	(1.3)	0.1	**(16.9)**
Profit before tax	**2,200.5**	**387.0**	**35.7**	**-**	**(99.0)**	**(47.2)**	**2,477.0**	**45.4**	**50.8**	**2,573.2**
Tax	(514.7)	(79.0)	(8.8)	-	-	(133.6)	(736.1)	(8.0)	(8.4)	**(752.5)**
Non-controlling interests	(675.0)	(94.9)	(6.4)	-	-	8.0	(768.3)	(0.6)	-	**(768.9)**
Net earnings	**1,010.8**	**213.1**	**20.5**	**-**	**(99.0)**	**(172.8)**	**972.6**	**36.8**	**42.4**	**1,051.8**
Additions to non-current assets										
Capital expenditure	215.9	27.7	21.5	1,058.6	-	31.3	1,355.0	18.5	12.3	**1,385.8**
Segment assets and liabilities										
Segment assets	3,680.4	955.4	148.9	2,592.8	-	3,144.3	10,521.8	797.8	268.2	**11,587.8**
Segment liabilities	(1,468.5)	(447.2)	(144.8)	(1,487.8)	-	(406.6)	(3,954.9)	(49.8)	(57.3)	**(4,062.0)**

For the year ended 31 December 2009

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

Notes to segment revenues and results

(i) The accounting policies of the reportable segments are the same as the Group's accounting policies. Operating profit excludes the share of net loss from associates of US$2.6 million (year ended 31 December 2009 – income of US$4.5 million). Operating profit is shown after exceptional items (see Note 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$13.5 million (year ended 31 December 2009 - US$11.6 million). Revenue from the Water concession is stated after eliminating inter-segmental sales to the mining division of US$10.5 million (year ended 31 December 2009 - US$8.6 million) and after eliminating sales to the Railway and other transport services of US$0.2 million (year ended 31 December 2009 - US$0.2 million). The payment of US$350 million by El Tesoro to Antofagasta Minerals S.A. for the right to extract the oxide ores from the Mirador deposit has been eliminated on consolidation and so does not form part of the above figures.

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

(iv) Revenue includes a realised gain on commodity derivatives at El Tesoro of US$0.1 million (year ended 31 December 2009 – loss of US$20.0 million) and a realised loss at Michilla of US$81.5 million (year ended 31 December 2009 – loss of US$45.8 million). Further details of such gains or losses are given in Note 5(b).

(v) The copper and molybdenum concentrate sales are stated net of deductions for tolling charges. Tolling charges for copper and molybdenum concentrates are detailed in Note 5(a).

(vi) Exceptional items affecting operating profit in 2010 relate to a reversal of the impairment at El Tesoro (see Note 3).

(vii) 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.

(viii) The assets of the Railway and transport services segment includes US$53.1 million relating to the Group's 40% interest in Inversiones Hornitos S.A. ("Inversiones Hornitos"), which owns the 150MW Hornitos thermoelectric power plant in Mejillones, under construction in Chile's Antofagasta Region and US$4.9 million relating to the Group's 30% interest in Antofagasta Terminal International S.S.("ATI"), which operates a concession to manage installations in the port of Antofagasta.

b) Entity wide disclosures

Revenue by product

	Year ended 31.12.10	Year ended 31.12.09
	US$'m	US$'m
Copper		
- Los Pelambres	**2,972.1**	1,858.0
- El Tesoro	**739.7**	487.6
- Michilla	**242.0**	170.5
Molybdenum		
- Los Pelambres	**303.5**	180.1
Silver		
- Los Pelambres	**29.3**	19.8
Gold		
- Los Pelambres	**43.4**	23.6
Total Mining	**4,330.0**	2,739.6
Railway and transport services	**154.7**	139.4
Water concession	**92.4**	83.6
	4,577.1	2,962.6

Revenue by location of customer

	Year ended 31.12.10	Year ended 31.12.09
	US$'m	US$'m
Europe		
- United Kingdom	**-**	148.1
- Switzerland	**106.5**	348.1
- Rest of Europe	**665.3**	377.5
Latin America		
- Chile	**322.3**	278.2
- Rest of Latin America	**229.6**	166.1
North America		
- United States	**176.6**	151.8
- Rest of North America	**3.9**	11.7
Asia Pacific		
- Japan	**1,583.1**	784.9
- China	**878.1**	392.8
- Rest of Asia	**611.7**	303.4
	4,577.1	2,962.6

Information about major customers

Included in revenues arising from Los Pelambres for the year ended 31 December 2010 are revenues of US$792.2 million (year ended 31 December 2009 - US$438.2 million) and US$569.1 million (year ended 31 December 2009 - US$ 282.3 million) which arose from sales to the Group’s two largest customers, which are the only customers that individually account for more than 10% of the Group’s revenues.

Non-current assets by location of asset

	Year ended 31.12.10	Year ended 31.12.09
	US$'m	US$'m
- Chile	**6,334.8**	5,159.7
- Bolivia	**32.5**	33.7
- Pakistan	**140.9**	141.3
- Other	**1.3**	11.0
	6,509.5	5,345.7

Notes to geographical information

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

5. Derivatives and embedded derivatives

a) Embedded derivatives – provisionally priced sales

Copper and molybdenum concentrate sale agreements and copper cathode sale agreements generally provide for provisional pricing of sales at the time or month of shipment, with final pricing being based on the monthly average London Metal Exchange copper price or monthly average molybdenum price for specified future periods. This normally ranges from 30 to 120 days after delivery to the customer.

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

	Balance sheet net mark to market effect on debtors	
	At 31.12.10	At 31.12.09
	US$'m	US$'m
Los Pelambres - copper concentrate	**124.3**	62.1
Los Pelambres - tolling charges for copper concentrates	**(0.6)**	(0.6)
Los Pelambres - molybdenum concentrate	**0.3**	(1.1)
El Tesoro - copper cathodes	**4.1**	2.0
Michilla - copper cathodes	**1.4**	0.4
	129.5	62.8

(i) Copper sales

	Year ended 31.12.10	Year ended 31.12.10	Year ended 31.12.10	Year ended 31.12.09	Year ended 31.12.09	Year ended 31.12.09
	US$'m	US$'m	US$'m	US$'m	US$'m	US$'m
	Los Pelambres	El Tesoro	Michilla	Los Pelambres	El Tesoro	Michilla
	Copper concentrate	Copper cathodes	Copper cathodes	Copper concentrate	Copper cathodes	Copper cathodes
Provisionally invoiced gross sales	**2,826.0**	**722.2**	**317.5**	1,602.8	476.5	204.5
Effects of pricing adjustments to previous year invoices						
Reversal of mark-to-market adjustments at the end of the previous year	**(62.1)**	**(2.0)**	**(0.4)**	257.6	0.8	(0.2)
Settlement of copper sales invoiced in the previous year	**55.7**	**2.6**	**0.4**	(179.6)	0.6	1.3
Total effect of adjustments to previous year invoices in the current year	**(6.4)**	**0.6**	**-**	78.0	1.4	1.1
Effects of pricing adjustments to current year invoices						
Settlement of copper sales invoiced in the current year	**162.2**	**12.7**	**4.6**	240.2	27.7	10.3
Mark-to-market adjustments at the end of the current year	**124.3**	**4.1**	**1.4**	62.1	2.0	0.4
Total effect of adjustments to current year invoices	**286.5**	**16.8**	**6.0**	302.3	29.7	10.7
Total pricing adjustments	**280.1**	**17.4**	**6.0**	380.3	31.1	11.8
Realised gains/(losses) on commodity derivatives	**-**	**0.1**	**(81.5)**	-	(20.0)	(45.8)
Revenue before deducting tolling charges	**3,106.1**	**739.7**	**242.0**	1,983.1	487.6	170.5
Tolling charges	**(134.0)**	**-**	**-**	(125.1)	-	-
Revenue net of tolling charges	**2,972.1**	**739.7**	**242.0**	1,858.0	487.6	170.5

Copper concentrate

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

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

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

Copper cathodes

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

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

(ii) Molybdenum sales

	Year ended 31.12.10	Year ended 31.12.09
	US$'m	US$'m
	Los Pelambres	Los Pelambres
	Molybdenum concentrate	Molybdenum concentrate
Provisionally invoiced gross sales	**318.0**	189.2
Effects of pricing adjustments to previous year invoices		
Reversal of mark-to-market adjustments at the end of the previous year	**1.1**	13.3
Settlement of molybdenum sales invoiced in the previous year	**8.1**	(15.5)
Total effect of adjustments to previous year invoices in the current year	**9.2**	(2.2)
Effects of pricing adjustments to current year invoices		
Settlement of molybdenum sales invoiced in the current year	**(10.9)**	6.4
Mark-to-market adjustments at the end of the current year	**0.3**	(1.1)
Total effect of adjustments to current year invoices	**(10.6)**	5.3
Total pricing adjustments	**(1.4)**	3.1
Revenue before deducting tolling charges	**316.6**	192.3
Tolling charges	**(13.1)**	(12.2)
Revenue net of tolling charges	**303.5**	180.1

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

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

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. Realised gains and losses and changes in the fair value of exchange and interest derivatives are recognised within other finance items for those derivatives where hedge accounting has not been applied. When hedge accounting has been applied the realised gains and losses on exchange and interest derivatives are recognised within other finance items and interest expense respectively.

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

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

For the year ended 31 December 2010

	Income statement impact for the year ended 31.12.10			**Impact on reserves at 31.12.10**	**Total balance sheet impact of mark-to-market adjustments at 31.12.10**
	Realised gains/(losses)	Gains/(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	-	0.1	(1.4)	(1.3)
Michilla	(81.5)	(16.1)	(97.6)	17.1	(76.9)
Exchange Derivatives					
Los Pelambres	(0.2)	-	(0.2)	-	-
Michilla	1.5	-	1.5	-	-
Esperanza	-	-	-	1.8	1.8
Corporate and other items	-	0.2	0.2	-	-
Railway and other transport services	(4.7)	(1.6)	(6.3)	-	-
Water concession	(1.7)	1.9	0.2	-	-
Interest Derivatives					
Esperanza	-	-	-	(29.8)	(35.5)
	(86.5)	**(15.6)**	**(102.1)**	**(12.3)**	**(111.9)**

US$1.5 million of the net realised losses on exchange derivatives relates to a net gain on hedging instruments at Michilla where hedge accounting has been applied and is recognised in "foreign exchange" within net finance expense (see note 6). The remaining US$6.1 million net losses on exchange derivatives where hedge accounting has not been applied have been recognised in "foreign exchange derivatives" within net finance expense (see note 6).

For the year ended 31 December 2009

	Income statement impact for the year ended 31.12.09			**Impact on reserves at 31.12.09**	**Total balance sheet impact of mark-to-market adjustments at 31.12.09**
	Realised gains/(losses)	Gains/(losses) resulting from mark-to-market adjustments on hedging instruments	Total net loss	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	(20.0)	0.9	(19.1)	(52.5)	0.1
Michilla	(45.8)	(2.0)	(47.8)	(75.9)	(77.9)
Exchange Derivatives					
Corporate and other items	(0.8)	(0.2)	(1.0)	-	(0.2)
Railway and other transport services	(8.4)	1.6	(6.8)	-	1.6
Water concession	(2.7)	(1.9)	(4.6)	-	(1.9)
Interest Derivatives					
Esperanza	-	-	-	(5.7)	(5.7)
	(77.7)	**(1.6)**	**(79.3)**	**(134.1)**	**(84.0)**

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

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

	At 31.12.10	At 31.12.09
	US$'m	US$'m
Analysed between:		
Current assets	**1.8**	1.7
Current liabilities	**(54.7)**	(81.2)
Non-current liabilities	**(59.0)**	(4.5)
	(111.9)	(84.0)

(ii) Outstanding derivative financial instruments

Commodity derivatives

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

- **Min/max instruments**

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

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

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

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

- **Futures – arbitrage**

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

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

(iii) Exchange derivatives

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

- **Cross currency swaps**

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

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

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

(iv) Interest derivatives

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

- Interest rate swaps

The Group has used interest rate swaps to swap the floating rate interest relating to the Esperanza financing for fixed rate interest. At 31 December 2010 the Group had entered into the contracts outlined below.

	Phase	Start date	Maturity date	Maximum notional amount	Weighted Average Fixed Rate
				US$'m	%
Esperanza	1	15/02/2010	15/02/2011	787.8	1.353
	2	15/02/2011	15/02/2018	840.0	3.372

6. Net finance expense

	Year ended 31.12.10	Year ended 31.12.09
	US$'m	US$'m
Investment income		
Interest receivable	**16.5**	13.2
Interest expense		
Interest payable	**(16.4)**	(23.4)
Amortisation of deferred finance costs	**(1.7)**	(0.4)
Preference dividends	**(0.2)**	(0.2)
	(18.3)	(24.0)
Other finance items		
Time value effect of derivatives	**(16.1)**	(1.1)
Foreign exchange derivatives	**(6.1)**	(12.4)
Unwinding of discount on provisions	**(4.3)**	(2.8)
Foreign exchange	**9.6**	1.2
	(16.9)	(15.1)
Net finance expense	**(18.7)**	(25.9)

An expense of US$32.4 million (2009 – income of US$8.7 million) relating to net interest expense and other finance items at Esperanza was capitalised within the development expenditure of that project during the year, and is consequently not included within the above table.

7. Taxation

The tax charge for the year comprised the following:

	Year ended 31.12.10 US$'m	Year ended 31.12.09 US$'m
Current tax charge		
Corporate tax (principally first category tax in Chile)	**(437.4)**	(161.6)
Mining tax (Royalty)	**(147.3)**	(41.4)
Withholding tax provision	**(47.4)**	(0.4)
Exchange gains on corporate tax balances	**0.6**	18.3
	(631.5)	(185.1)
Deferred tax credit/(charge)		
Corporate tax (principally first category tax in Chile)	**2.9**	(91.2)
Mining tax (Royalty)	**(10.4)**	(13.7)
Withholding tax provision	**(113.5)**	(27.7)
	(121.0)	(132.6)
Total tax charge (Income tax expense)	**(752.5)**	(317.7)

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

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

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

	Year ended 31.12.10 US$'m	**%**	Year ended 31.12.09 US$'m	%
Profit before tax	**2,573.2**		1,437.6	
Tax at the Chilean corporation tax rate of 17%	**(437.4)**	**17.0**	(244.4)	17.0
Tax effect of share of results of associate	**(0.7)**	**-**	(1.0)	0.1
Effect of items not subject to or deductible from first category tax	**3.6**	**(0.1)**	(7.4)	0.5
Royalty	**(157.7)**	**6.1**	(55.1)	3.8
Withholding taxes provided in year	**(160.9)**	**6.3**	(28.1)	2.0
Exchange differences	**0.6**	**-**	18.3	(1.3)
Tax expense and effective tax rate for the year	**(752.5)**	**29.2**	(317.7)	22.1

The tax charge for the year was US$752.5 million and the effective tax rate was 29.2%. This rate varies from the standard rate principally due to the provision of withholding tax of US$160.9 million and the effect of the mining tax which resulted in a charge of US$157.7 million. In 2009 the total tax charge was US$317.7 million and the effective tax rate was 22.1%. This rate varies from the standard rate principally due to the provision of withholding tax of US$28.1 million, the effect of the mining tax which resulted in a charge of US$55.1 million and the exchange gains of US$18.3 million on Chilean peso denominated tax prepayments due to the strengthening of the Chilean peso during the year.

8. Basic earnings per share

Basic earnings per share is calculated on profit after tax and non-controlling interest giving net earnings of US$1,051.8 million (2009 – US$667.7 million) and based on 985,856,695 ordinary shares. There was no potential dilution of ordinary shares in either year.

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

9. Dividends

The Board will recommend a final dividend of 112.0 cents per ordinary share, which comprises an ordinary dividend of 12.0 cents per share and a special dividend of 100.0 cents per share. The interim dividend of 4.0 cents per share was an ordinary dividend and was paid on 7 October 2010. Together, this gives total dividends proposed in relation to 2010 of 116.0 cents per share.

The final dividend proposed in relation to 2009 was 20.0 cents, which comprised an ordinary dividend of 6.0 cents per share and a special dividend of 14.0 cents per share. Together with the interim dividend that year of 3.4 cents per share which was an ordinary dividend this gave total dividends proposed in relation to 2009 of 23.4 cents per share.

Dividends per share actually paid in the year and recognised as a deduction from net equity under IFRS were 24.0 cents (2009 – 57.0 cents) being the interim dividend for the year and the final dividend proposed in respect of the previous year.

The final dividend will be paid on 9 June 2011 to shareholders on the register at the close of business on 6 May 2011. Dividends are declared and paid gross. The conversion rate for the final dividend of 112.0 cents per share to be paid in sterling will be set on 11 May 2011.

Dividends are declared in US dollars but may be paid in either dollars or sterling. Shareholders on the register of members with an address in the United Kingdom receive dividend payments in sterling, unless they elect to be paid in dollars. All other shareholders are paid by cheque in dollars, unless they have previously instructed the Company's registrar to pay dividends by bank transfer to a sterling bank account, or they elect for payment by cheque in sterling. The Company's registrar must receive any such election before the close of business on the record date of 6 May 2011.

10. Intangible assets

	Concession right	**Exploration licenses**	**Year ended 31.12.10**	Year ended 31.12.09
	US$'m	**US$'m**	**US$'m**	US$'m
Balance at the beginning of the year	185.5	125.7	**311.2**	233.6
Reclassification – property, plant and equipment	5.3	-	**5.3**	
Additions	-	-	**-**	52.5
Disposal	-	(5.0)	**(5.0)**	-
Amortisation	(14.7)	-	**(14.7)**	(12.4)
Foreign currency exchange difference	14.7	-	**14.7**	37.5
Balance at the end of the year	190.8	120.7	**311.5**	311.2

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.

After evaluation of the results of the exploration activities to date the Group has decided not to proceed further with the partnership with TEAL Exploration & Mining Incorporated ("TEAL"), and accordingly has withdrawn from the agreement. The US$5.0 million disposal relates to the Group's interests in the mining licences relating to the project with TEAL. Further details are disclosed in note 25.

11. Property, plant and equipment

	Mining	Railway and other transport	Water Concession	Year ended 31.12.10	Year ended 31.12.09
	US$'m	US$'m	US$'m	US$'m	US$'m
Balance at the beginning of the year	4,653.2	186.3	33.7	**4,873.2**	3,679.7
Additions	1,350.9	18.5	12.3	**1,381.7**	1,335.3
Acquisition of subsidiary	4.1	-	-	**4.1**	-
Reclassification	(6.1)	-	(15.2)	**(21.3)**	-
Provisions capitalised	44.4	-	-	**44.4**	105.1
Depreciation	(245.0)	(15.5)	(1.8)	**(262.3)**	(205.1)
Depreciation capitalised	(35.9)	-	-	**(35.9)**	(48.3)
Asset disposals	(4.3)	(0.5)	-	**(4.8)**	(4.2)
Impairment reversal	109.4	-	-	**109.4**	-
Foreign currency exchange difference	-	2.2	2.7	**4.9**	10.7
Balance at the end of the year	5,870.7	191.0	31.7	**6,093.4**	4,873.2

US$23.2 million of depreciation in respect of assets relating to the Esperanza project has been capitalised within the development expenditure of that project and US$12.7 million of depreciation in respect of assets relating to Los Pelambres and El Tesoro have been capitalised within inventories, and accordingly is excluded from the depreciation charge recorded in the income statement as shown in Note 4(a).

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

Future capital commitments at 31 December 2010 were US$60.6 million (2009 – US$495.1 million).

12. Investment property

	Year ended 31.12.10	Year ended 31.12.09
	US$'m	US$'m
Balance at the beginning of the year	**3.4**	2.7
Foreign currency exchange difference	**0.3**	0.7
Balance at the end of the year	**3.7**	3.4

Investment property represents the Group's forestry properties, which are held for long-term potential and accordingly classified as investment property held at cost.

13. Investment in associates

	Inversiones Hornitos	ATI	Sunridge	Year ended 31.12.10	Year ended 31.12.09
	US$'m	US$'m	US$'m	US$'m	US$'m
Balance at the beginning of the year	112.7	3.8	4.8	**121.3**	3.0
Acquisitions	-	-	-	-	85.9
Disposals	-	-	(2.3)	**(2.3)**	-
Capital (reduction)/contribution	(57.2)	-	-	**(57.2)**	28.6
Interest expense capitalised by associate payable to subsidiary	(0.4)	-	-	**(0.4)**	-
Share of net (loss)/profit before tax	(1.8)	2.4	(2.5)	**(1.9)**	5.5
Share of tax	(0.2)	(0.5)	-	**(0.7)**	(1.0)
Share of (loss)/income from associate	(2.0)	1.9	(2.5)	**(2.6)**	4.5
Dividends received	-	(0.8)	-	**(0.8)**	(0.7)
Balance at the end of the year	53.1	4.9	-	**58.0**	121.3

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

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

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

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

During 2010 a capital restructuring of Inversiones Hornitos took place, with the Group's previous capital contributions being reduced by US$57.2 million and replaced with loan financing from the Group.

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. was formed as a vehicle for the exploration and exploitation of potential sources of geothermal energy. The company is 60% owned by the Group and 40% owned by Empresa Nacional del Petróleo ("ENAP") of Chile. Control over the key operational and financial decisions in respect of the company are jointly exercised by the Group and ENAP, and accordingly the company is accounted for as a jointly controlled entity, with results included in the consolidated balance sheet and in the consolidated income statement of the Group under the proportionate consolidation method.

15. Available for sale investments

	Year ended 31.12.10	Year ended 31.12.09
	US$'m	US$'m
Balance at the beginning of the year	**1.2**	0.7
Additions	**12.9**	-
Movements in fair value	**6.8**	0.5
Foreign currency exchange difference	**0.9**	-
Balance at the end of the year	**21.8**	1.2

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

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

(i) US$19.3 million relating to the market value of shares in Duluth Metals Limited which were acquired as part of the Nokomis transaction detailed in Note 24. The fair value of these shares increased by US$5.5 million during the year.

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

16. Inventories

	Year ended 31.12.10	Year ended 31.12.09
	US$'m	US$'m
Raw materials and consumables	**106.4**	57.5
Work in progress	**234.0**	166.0
Finished goods	**44.6**	16.6
	385.0	240.1

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

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

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

17. Borrowings

	Notes	**At 31.12.10**	At 31.12.09
		US$'m	US$'m
Los Pelambres			
Corporate loans	(i)	**(625.2)**	(576.9)
Other short term loans	(ii)	**-**	(245.0)
El Tesoro			
Corporate loan	(iii)	**(296.4)**	-
Finance leases	(iv)	**(0.2)**	(0.3)
Michilla			
Finance leases	(v)	**-**	(1.5)
Esperanza			
Project financing	(vi)	**(1,008.7)**	(677.6)
Subordinated debt	(vii)	**(212.4)**	(66.1)
Finance leases	(viii)	**(4.3)**	(11.8)
Corporate and other items			
Finance leases	(ix)	**(39.5)**	(37.6)
Railway and other transport services			
Loans	(x)	**(6.3)**	(6.6)
Water concession			
Finance leases	(xi)	**(0.4)**	-
Other			
Preference shares	(xii)	**(3.1)**	(3.2)
Total (see Note 23)		**(2,196.5)**	(1,626.6)

(i) Corporate loans at Los Pelambres are unsecured and US dollar denominated. The balance of US$625.2 million represents syndicated loans of US$631.5 million less deferred financing costs of US$6.3 million. These loans have a remaining term between 5 and 7 years and have an interest rate of LIBOR six-month plus margins between 0.9% - 1.6%.

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

(iii) The corporate loans at El Tesoro are US dollar denominated. The balance of US$296.4 million represents the US$300.0 million drawn down net of deferred financing costs of US$3.6 million. This loan has approximately 5 years remaining, with an interest rate over the life of the loan of LIBOR six-month plus 1.2%.

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

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

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

The Group has used interest rate swaps to swap the floating rate interest for fixed rate interest. At 31 December 2010 the Group had entered into contracts for a maximum notional amount of US$787.8 million at a weighted average fixed rate of 1.353% maturing in February 2011 and a maximum notional amount of US$840.0 million at a weighted average fixed rate of 3.372% maturing in February 2018.

(vii) This balance includes long term subordinated debt provided to Esperanza by Marubeni Corporation with a duration of 8 years and weighted average interest rate of LIBOR six-months plus 3.75%. Long term subordinated debt provided by Group companies to Esperanza has been eliminated on consolidation.

(viii) Finance leases at Esperanza are denominated in US dollars, Chilean Pesos and Unidades de Fomento (i.e. inflation-linked Chilean pesos) with a maximum remaining duration of 4 years and fixed rate with an average interest rate at approximately LIBOR three-month rate plus 2.8%.

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

(x) Railway and other transport services includes a balance of US$6.0 million related with bonds issued in the Bolivian stock market to refinance short term loans with a fixed interest rate of 5.5% and duration of 5 years. The balance at 31 December 2010 also includes customer advances of US$0.2 million.

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

(xii) The preference shares are sterling-denominated and issued by the Company. There were 2,000,000 shares of £1 each authorised, issued and fully paid at 31 December 2010. The preference shares are non-redeemable and are entitled to a fixed cumulative dividend of 5% per annum. On winding up they are entitled to repayment and any arrears of dividend in priority to ordinary shareholders, but are not entitled to participate further in any surplus. Each preference share carries 100 votes in any general meeting of the Company.

Maturity of borrowings

	At 31.12.10	At 31.12.09
	US$'m	US$'m
Short-term borrowings	**(137.6)**	(431.8)
Medium and long-term borrowings	**(2,058.9)**	(1,194.8)
Total (see Note 23)	**(2,196.5)**	(1,626.6)

At 31 December 2010 US$53.8 million (2009 – US$54.4 million) of the borrowings has fixed rate interest and US$2,142.7 million (2009 – US$1,572.2 million) has floating rate interest. The Group periodically enters into interest rate derivative contracts to manage its exposure to interest rates. Details of any derivative instruments held by the Group are given in Note 5.

18. Post-employment benefit obligation

	Year ended 31.12.10	Year ended 31.12.09
	US$'m	US$'m
Balance at the beginning of the year	**(48.2)**	(29.0)
Charge to operating profit in the year	**(16.1)**	(13.3)
Release of discount to net interest in year	**(1.6)**	(1.3)
Reclassification	**-**	(0.4)
Charge capitalised	**(3.7)**	(0.4)
Utilised in the year	**5.9**	4.6
Foreign currency exchange difference	**(4.3)**	(8.4)
Balance at the end of the year	**(68.0)**	(48.2)

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

19. Long-term provisions

	Year ended 31.12.10	Year ended 31.12.09
	US$'m	US$'m
Balance at the beginning of the year	**(127.9)**	(18.0)
Charge to operating profit in the year	**(69.6)**	(2.2)
Release of discount to net interest in the year	**(2.7)**	(1.5)
Charge capitalised	**(1.4)**	(1.3)
Capitalised adjustment to provision	**(44.4)**	(105.1)
Reclassification	**-**	0.4
Utilised in the year	**1.7**	-
Foreign currency exchange difference	**(0.1)**	(0.2)
Balance at the end of the year	**(244.4)**	(127.9)
Analysed as follows:		
Decommissioning and restoration	**(243.4)**	(127.1)
Termination of water concession	**(1.0)**	(0.8)
Balance at the end of the year	**(244.4)**	(127.9)

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

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

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

20. Deferred tax assets and liabilities

	Year ended 31.12.10	Year ended 31.12.09
	US$'m	US$'m
Net position at the beginning of the year	**(478.7)**	(355.4)
Charge to tax on profit in year	**(121.0)**	(132.6)
Deferred tax recognised directly in reserves and non-controlling interest	**4.0**	22.8
Deferred tax capitalised	**11.5**	(8.4)
Foreign currency exchange difference	**(2.1)**	(5.1)
Net position at the end of the year	**(586.3)**	(478.7)
Analysed between:		
Deferred tax assets	**110.0**	31.1
Deferred tax liabilities	**(696.3)**	(509.8)
Net position	**(586.3)**	(478.7)

21. Share capital and share premium

There was no change in share capital or share premium in the year ended 31 December 2010 or 2009.

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

	Year ended 31.12.10	Year ended 31.12.09
	US$'m	US$'m
Profit before tax	**2,573.2**	1,437.6
Depreciation and amortisation	**277.0**	217.5
Loss on disposal of property, plant and equipment	**9.8**	4.2
Asset impairment reversal	**(109.4)**	-
Net finance expense	**18.7**	25.9
Share of net loss/(profit) of associates	**2.6**	(4.5)
Increase in inventories	**(108.8)**	(59.8)
Increase in debtors	**(336.7)**	(266.2)
Increase/(decrease) in creditors and provisions	**107.5**	(186.9)
Cash flows from operations	**2,433.9**	1,167.8

23. Analysis of changes in net cash (restated)

	At 1.1.10	Cash flows	Other	Exchange	**At 31.12.10**
	US$'m	US$'m	US$'m	US$'m	**US$'m**
Cash and cash equivalents	2,590.5	127.0	-	17.2	**2,734.7**
Liquid investments	631.8	175.1	-	-	**806.9**
Total cash, cash equivalents and liquid investments	3,222.3	302.1	-	17.2	**3,541.6**
Bank borrowings due within one year	(426.5)	446.5	(154.8)	-	**(134.8)**
Bank borrowings due after one year	(1,145.7)	(1,021.5)	153.1	(0.1)	**(2,014.2)**
Finance leases due within one year	(5.3)	12.8	(10.1)	(0.2)	**(2.8)**
Finance leases due after one year	(45.9)	-	7.9	(3.6)	**(41.6)**
Preference shares	(3.2)	-	-	0.1	**(3.1)**
Total borrowings	(1,626.6)	(562.2)	(3.9)	(3.8)	**(2,196.5)**
Net cash	1,595.7	(260.1)	(3.9)	13.4	**1,345.1**

Net cash

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

	At 31.12.10	At 31.12.09
	US$'m	US$'m
Cash, cash equivalents and liquid investments	**3,541.6**	3,222.3
Total borrowings	**(2,196.5)**	(1,626.6)
	1,345.1	1,595.7

24. Business combinations

Twin Metals

On 21 July 2010 the Group signed a definitive Participation and Limited Liability Company Agreement pursuant to the legally binding Heads of Agreement (“HoA”) signed on 14 January 2010 with Duluth Metals Limited (“Duluth”), a company listed on the Toronto Stock Exchange (“TSX”), to acquire a 40% controlling interest in the project company Twin Metals Minnesota LLC (“Twin Metals”) which holds the Nokomis copper-nickel-platinum group metal (“PGM”) deposit (“Nokomis”), located in the highly prospective Duluth Complex in northeastern Minnesota, USA. The Group will fund a total of US$130.0 million of further exploration and feasibility study expenditure over a 3 year period and has the option to acquire an additional 25% interest in Nokomis under certain conditions.

25. Other transactions

a) Full Metal Minerals Limited

In August 2010, the Group entered into an agreement with Full Metal Minerals Limited (“Full Metal”) of Canada in respect of its Pyramid copper-gold-molybdenum porphyry project in southwest Alaska. The Group has the right to earn up to a 51% interest in the project over a four-year period by funding up to US$6.0 million of exploration activities and making cash payments totalling US$0.2 million. Antofagasta will have the right to further increase its interest in the project to 65% by funding a scoping study and can then earn an additional 15% interest by funding a feasibility study.

b) Minera Picacho (Codelco)

In August 2010, the Group entered into an agreement with Minera Picacho, a wholly-owned subsidiary of Corporacion Nacional del Cobre (Chile) ("Codelco"), in respect of the Cumbres prospect in Chile's Antofagasta Region. The Group has the right to earn a 60% interest over a four-year period by funding US$2.5 million in exploration (with a minimum commitment of US$0.3 milllion in the first year) and delivering a feasibility study within a further two years.

c) Monax Mining Limited

In September 2010 the Group entered into an agreement with Monax Mining Limited (“Monax”) in respect of its Punt Hill copper-gold project in South Australia. The Group has the right to earn a 51% interest in the deposit over a four year period by funding US$4.0 million of exploration activities, with a minimum commitment of US$1.5 million. Antofagasta will have the right to increase further its interest in the Punt Hill project to 70% by funding a further US$5.0 million of exploration and development activities.

d) Teal Exploration & Mining Incorporated

During 2008 the Group entered into an agreement with TEAL Exploration & Mining Incorporated ("TEAL") to acquire an initial 30% interest in two of TEAL's exploration licences on the Zambian Copperbelt for a consideration of US$5.0 million. After evaluation of the results of the exploration activities to date the Group has decided not to proceed further with the partnership with TEAL, and accordingly has withdrawn from the agreement. The Group received US$3.5 million from TEAL for assigning its interests in the mining licences relating to the project.

e) International Base Metals Limited

After evaluation of the results of the exploration activities to date, the Group decided in October 2010 not to proceed further with its agreement with International Base Metals Limited of Australia in respect of its Kopermyn mining property in northern Namibia.

26. Contingent liabilities

There are a number of claims currently outstanding to which Antofagasta plc or its subsidiaries ("the Group") is a party, for which no provision has been made in the financial statements and are currently not expected to result in any material loss to the Group. Details of the principal claims in existence either during or at the end of the year and their current status are set out below:

a) Los Pelambres - Mauro tailings dam

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

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

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

The petitioners have filed a Civil Petition for Leave to Appeal ("CPLA") against the judgment. The CPLA has now been allowed by the Supreme Court, converting it into an Appeal and is hearing it in its merits together with new constitutional petitions filed before the Supreme Court. The new petitions primarily relate to whether it is in the public interest for Tethyan to receive a mining lease. On 3 February 2011, the Supreme Court issued an interim order providing, among other things, that the Government of Balochistan may not take any decision in respect of the grant or otherwise of a mining lease to Tethyan until matters before the Supreme Court are decided. Further progress on this project will be dependent on the grant of the mining lease for which an application has been made and successful conclusion of litigation which is currently in progress before The Supreme Court of Pakistan.

27. Post balance sheet events

a) Eurasian Minerals Inc

On 18 February 2011, the Group has entered into an agreement in principle for a strategic alliance and earn-in agreement with Eurasian Minerals Inc. focused primarily on copper exploration in Sweden including the Kiruan South copper project. The Group will contribute funding of at least US$250,000 annually for a two year period.

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

The Group will also purchase 1,540,000 units from Eurasian Minerals Inc at a price of CDN$3.25 per unit. Each unit will consist of one common share and one half of one common share purchase warrant. Each full warrant will entitle AMSA to purchase one additional common share of Eurasian Minerals Inc. stock for a period of two years at a purchase price of CDN$4.00 per unit. The placement will be subject to TSX Venture exchange approval.

b) Franconia Minerals Corporation

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

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 year ended 31 December 2010 the Group contributed US$12.1 million (year ended 31 December 2009 - US$31.1 million) to Tethyan to provide funds for Tethyan's on-going work programme. The balance due from Tethyan to Group companies at 31 December 2010 was US$0.3 million. (31 December 2009 - US$0.5 million).

In October 2008 Energía Andina S.A. was formed as a vehicle for the exploration and exploitation of potential sources of geothermal energy. The company is 60% owned by the Group and 40% owned by Empresa Nacional del Petróleo ("ENAP") of Chile. The balance due from Energía Andina S.A. to the Group at 31 December 2010 was US$0.3 million (31 December 2009 – US$0.2 million).

(b) Associates

The Group has a 30% interest in Antofagasta Terminal Internacional S.A. ("ATI"), which is accounted for as an associate. During the year ended 31 December 2010 the Group received dividends of US$0.8 million (year ended 31 December 2009 – US$0.7 million), as disclosed in the 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. The Group made an initial payment on 15 July 2009 of US$80.9 million to GDF SUEZ, representing the Group's share of costs already incurred plus interest to date of acquisition. During the year ended 31 December 2010 the Group made a capital reduction of US$57.2 million (year ended 31 December 2009 – capital contribution of US$28.6 million) to Inversiones Hornitos. The balance due from Inversiones Hornitos to the Group at 31 December 2010 was US$101.1 million (year ended 31 December 2009 – US$22.5 million).

In October 2009 the Group acquired 17.8% of the issued share capital of Sunridge under a private placement. On 23 December 2010 the Group sold its 17.8% shareholding in Sunridge for US$17.5 million. Prior to this sale the interest was accounted for as an associate.

(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.

On 20 December 2010 the Group entered into arrangements with Duluth in connection with Duluth's proposed acquisition of 100% of Franconia Minerals Corporation ("Franconia"). Duluth and Antofagasta have agreed that following the proposed acquisition Franconia's assets will be transferred to Twin Metals and that Antofagasta will contribute approximately C$30.0 million in cash to Duluth's acquisition of Franconia in order to, in part, maintain the 40% and 60% interests of Antofagasta and Duluth, respectively, in Twin Metals. The Group has also subscribed for an aggregate of 7,604,563 subscription receipts of Duluth, by way of private placement, for a price of C$2.63 per subscription to become an approximately 12.8% shareholder in Duluth. Further details of the acquisition are given in Note 27(b). 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.

29. Currency translation

The principal exchange rates expressed in US dollars used in the preparation of the 2010 financial statements are as follows:

	2010	2009
Year end rate	US$1.5406=£1; US$1 = Ch$468	US$1.6062=£1; US$1 = Ch$507
Average rates	US$1.5442=£1; US$1 = Ch$510	US$1.5591=£1; US$1 = Ch$559

30. Distribution

The Annual Report and Financial Statements for the year ended 31 December 2010, together with the Notice of the 2011 Annual General Meeting, will be posted to all shareholders in April 2011. The Annual General Meeting will be held at Church House Conference Centre, Dean's Yard, Westminster, London SW1P 3NZ at 10.30 a.m. on Wednesday, 8 June 2011.

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

(See notes following Note 31(b).)

a) Production and sales volumes for copper and molybdenum

	Production		Sales	
	Year ended 31.12.10	Year ended 31.12.09	**Year ended 31.12.10**	Year ended 31.12.09
	000 tonnes	000 tonnes	**000 tonnes**	000 tonnes
Copper				
Los Pelambres	**384.6**	311.6	**379.1**	313.6
El Tesoro	**95.3**	90.2	**95.3**	89.8
Michilla	**41.2**	40.6	**41.6**	39.5
Group total	**521.1**	442.5	**516.0**	442.9
Molybdenum				
Los Pelambres	**8.8**	7.8	**8.9**	7.7

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

	Cash costs		Realised prices	
	Year ended 31.12.10	Year ended 31.12.09	**Year ended 31.12.10**	Year ended 31.12.09
	US cents	US cents	**US cents**	US cents
Copper				
Los Pelambres	**79.3**	80.4	**371.7**	286.8
El Tesoro	**169.2**	123.4	**351.9**	246.3
Michilla	**183.8**	157.6	**263.8**	195.7
Group weighted average (net of by-products)	**104.0**	96.3	**359.3**	270.6
Group weighted average (before deducting by-products)	**137.3**	120.3		
Group weighted average (before deducting by-products and excluding tolling charges from concentrates)	**124.3**	106.8		
Cash costs at Los Pelambres comprise:				
On-site and shipping costs	**106.8**	95.3		
Tolling charges for concentrates	**17.6**	19.2		
Cash costs before deducting by-product credits	**124.4**	114.5		
By-product credits (principally molybdenum)	**(45.1)**	(34.1)		
Cash costs (net of by-product credits)	**79.3**	80.4		
LME average			**342.0**	234.2
			US$	US$
Molybdenum				
Los Pelambres			**16.2**	11.3
Market average price			**15.7**	11.1

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 El Tesoro and 74.2% of Michilla.

(ii) Los Pelambres produces copper and molybdenum concentrates, and the figures for Los Pelambres are expressed in terms of payable metal contained in concentrate. Los Pelambres is 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. 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 year.

(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 prices at Los Pelambres 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 31(a) and the cash cost information in Note 31(b) are derived from the Group's production report for the fourth quarter of 2010, published on 2 February 2011.

32. Summary of mining companies' Chilean GAAP financial statements (not subject to audit or review)

The Group's four mining companies, Los Pelambres, El Tesoro, Michilla and Esperanza, will file financial statements under Chilean GAAP for the year ended 31 December 2010 with the Chilean securities regulator, the Superintendencia de Valores y Seguros de Chile ("SVS") on 25 March 2011.

The balance sheets, income statements and cash flow statements prepared under Chilean GAAP and to be filed with the SVS are summarised below.

(a) Balance sheets

	Los Pelambres At 31.12.10 US$'m	Los Pelambres At 31.12.09 US$'m	**El Tesoro At 31.12.10 US$'m**	El Tesoro At 31.12.09 US$'m	**Michilla At 31.12.10 US$'m**	Michilla At 31.12.09 US$'m	**Esperanza At 31.12.10 US$'m**	Esperanza At 31.12.09 US$'m
Cash and cash equivalents	**164.5**	385.8	**196.9**	96.7	**41.2**	40.2	**36.7**	323.7
Trade and other receivables	**458.9**	254.7	**113.2**	112.5	**33.1**	22.8	**25.1**	54.8
Inventories	**109.4**	54.1	**141.8**	129.7	**29.1**	26.2	**63.2**	3.0
Current and deferred tax assets	**18.2**	18.1	**10.3**	9.0	**4.2**	6.7	**79.2**	53.6
Current assets	**751.0**	712.7	**462.2**	347.9	**107.6**	95.9	**204.2**	435.1
Fixed assets	**2,634.3**	2,534.2	**704.3**	413.2	**25.7**	17.2	**2,310.2**	1,341.7
Other non-current assets	**164.1**	171.8	**238.2**	263.0	**7.8**	7.9	**362.5**	241.0
TOTAL ASSETS	**3,549.4**	3,418.7	**1,404.7**	1,024.1	**141.1**	121.0	**2,876.9**	2,017.8
Short term borrowings	**(138.3)**	(423.4)	**(1.5)**	(0.2)	-	-	**(13.4)**	(8.0)
Trade and other payables	**(188.0)**	(175.5)	**(60.7)**	(56.8)	**(50.0)**	(33.9)	**(174.8)**	(169.1)
Current and deferred tax liabilities	**(144.0)**	(8.4)	**(13.8)**	(6.4)	**(1.0)**	-	-	-
Current liabilities	**(470.3)**	(607.3)	**(76.0)**	(63.4)	**(51.0)**	(33.9)	**(188.2)**	(177.1)
Medium and long term borrowings	**(495.5)**	(404.0)	**(300.0)**	(0.1)	-	-	**(1,884.2)**	(1,039.7)
Trade and other payables	**(173.1)**	(59.7)	**(19.8)**	(17.7)	**(23.9)**	(21.7)	**(73.9)**	(90.3)
Deferred tax liabilities	**(301.5)**	(265.4)	**(55.0)**	(52.3)	-	-	**(49.3)**	(16.2)
Non-current liabilities	**(970.1)**	(729.1)	**(374.8)**	(70.1)	**(23.9)**	(21.7)	**(2,007.4)**	(1,146.2)
Total liabilities	**(1,440.4)**	(1,336.4)	**(450.8)**	(133.5)	**(74.9)**	(55.6)	**(2,195.6)**	(1,323.3)
Share capital	**(373.8)**	(373.8)	**(91.0)**	(91.0)	**(42.6)**	(42.6)	**(694.5)**	(694.5)
Reserves	**(1,735.2)**	(1,708.5)	**(862.9)**	(799.6)	**(23.6)**	(22.8)	**13.2**	-
Total shareholders' equity	**(2,109.0)**	(2,082.3)	**(953.9)**	(890.6)	**(66.2)**	(65.4)	**(681.3)**	(694.5)
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**(3,549.4)**	(3,418.7)	**(1,404.7)**	(1,024.1)	**(141.1)**	(121.0)	**(2,876.9)**	(2,017.8)

(b) Income statements

	Los Pelambres	Los Pelambres	**El Tesoro**	El Tesoro	**Michilla**	Michilla	**Esperanza**	Esperanza
	Year ended 31.12.10	Year ended 31.12.09	**Year ended 31.12.10**	Year ended 31.12.09	**Year ended 31.12.10**	Year ended 31.12.09	**Year ended 31.12.10**	Year ended 31.12.09
	US$'m	US$'m	**US$'m**	US$'m	**US$'m**	US$'m	**US$'m**	US$'m
revenue	**3,285.8**	2,024.5	**737.5**	485.6	**241.0**	170.3	-	-
Operating costs	**(904.1)**	(670.4)	**(423.4)**	(292.0)	**(170.2)**	(137.9)	-	-
Operating margin	**2,381.7**	1,354.1	**314.1**	193.6	**70.8**	32.4	-	-
Administrative and distribution expenses	**(212.1)**	(118.5)	**(48.2)**	(31.5)	**(21.0)**	(16.5)	**(15.9)**	-
Operating profit	**2,169.6**	1,235.6	**265.9**	162.1	**49.8**	15.9	**(15.9)**	-
Other income	**7.3**	1.9	**0.9**	1.1	**3.5**	6.5	**-**	-
Financial income	**2.6**	2.6	**6.3**	4.9	**0.4**	0.3	**-**	-
Financial expenses	**(16.9)**	(20.2)	**(0.4)**	(2.1)	**(0.2)**	(0.1)	**-**	-
Other expenses	**(20.6)**	(12.1)	**(3.6)**	10.8	**(3.2)**	(1.9)	**-**	-
Exchange difference	**0.3**	0.2	**0.8**	(0.6)	**1.1**	(0.7)	**-**	-
Net non-operating income	**(27.3)**	(27.6)	**4.0**	14.1	**1.6**	4.1	**-**	-
Profit before tax	**2,142.3**	1,208.0	**269.9**	176.2	**51.4**	20.0	**(15.9)**	-
Income tax expense	**(495.6)**	(251.7)	**(56.6)**	(35.5)	**(13.0)**	2.5	**2.7**	-
Profit for the financial year	**1,646.7**	956.3	**213.3**	140.7	**38.4**	22.5	**(13.2)**	-

(c) Cash flow statements

	Los Pelambres	Los Pelambres	**El Tesoro**	El Tesoro	**Michilla**	Michilla	**Esperanza**	Esperanza
	Year ended 31.12.10	Year ended 31.12.09	**Year ended 31.12.10**	Year ended 31.12.09	**Year ended 31.12.10**	Year ended 31.12.09	**Year ended 31.12.10**	Year ended 31.12.09
	US$'m	US$'m	**US$'m**	US$'m	**US$'m**	US$'m	**US$'m**	US$'m
Net cash flow from operating activities	**1,806.8**	775.6	**327.4**	169.5	**55.8**	14.4	**(50.9)**	50.3
Investing activities								
Additions to fixed assets	**(213.0)**	(465.0)	**(377.2)**	(44.4)	**(18.7)**	(12.2)	**(1,056.3)**	(652.5)
Disposals of fixed assets	**0.1**	-	**-**	-	**1.4**	1.3	**-**	-
Other loans to related parties	**-**	-	**-**	(100.0)	**-**	-	**-**	-
Net cash used in investing activities	**(212.9)**	(465.0)	**(377.2)**	(144.4)	**(17.3)**	(10.9)	**(1,056.3)**	(652.5)
Financing activities								
New Loans	**245.0**	1,308.0	**300.0**	-	**-**	-	**820.2**	999.3
Dividends paid	**(1,620.0)**	(700.0)	**(150.0)**	(100.0)	**(37.5)**	-	**-**	-
Loans repaid	**(440.2)**	(858.7)	**-**	-	**-**	-	**-**	(346.2)
Net cash used in financing activities	**(1,815.2)**	(250.7)	**150.0**	(100.0)	**(37.5)**	-	**820.2**	653.1
Net (decrease)/increase in cash and cash equivalents	**(221.3)**	59.9	**100.2**	(74.9)	**1.0**	3.5	**(287.0)**	50.9
Cash and cash equivalents at the beginning of the year	**385.8**	325.9	**96.7**	171.6	**40.2**	36.7	**323.7**	272.8
Cash and cash equivalents at the end of the year	**164.5**	385.8	**196.9**	96.7	**41.2**	40.2	**36.7**	323.7

Notes to Chilean GAAP financial statements

(i) The above balance sheets, income statements and cash flow statements have been derived from the financial statements of Los Pelambres, El Tesoro, Michilla and Esperanza for the year ended 31 December 2010 to be filed with the SVS in Chile on 25 March 2011. Certain detailed lines in the individual statements have been combined.

(ii) The balance sheets, income statements and cash flow statements above have been prepared under Chilean GAAP and therefore do not necessarily equate to the amounts that would be included in the Group's consolidated financial statements for a corresponding period either as to measurement or classification.

(iii) The amounts disclosed above represent the full amount for each company and not the Group's attributable share. The Group owns 60% of Los Pelambres, 70% of El Tesoro, 74.2% of Michilla and 70% of Esperanza.

(iv) A translation into English of the full financial statements as filed with the SVS for each company shown in summary form above will be available on the Group's website www.antofagasta.co.uk after these have been filed.

33. Reconciliation of Chilean GAAP results to Revenue and EBITDA under IFRS for individual business segments

(a) Revenue

	Notes	**Los Pelambres Year ended 31.12.10 US$'m**	Los Pelambres Year ended 31.12.09 US$'m	**El Tesoro Year ended 31.12.10 US$'m**	El Tesoro Year ended 31.12.09 US$'m	**Michilla Year ended 31.12.10 US$'m**	Michilla Year ended 31.12.09 US$'m	**Esperanza Year ended 31.12.10 US$'m**	Esperanza Year ended 31.12.09 US$'m
Chilean GAAP - revenue		**3,285.8**	2,024.5	**737.5**	485.6	**241.0**	170.3	-	-
Mark-to-market of provisionally priced sales	33(i)	**62.5**	57.0	**2.2**	2.0	**1.0**	0.2	-	-
IFRS - revenue		**3,348.3**	2,081.5	**739.7**	487.6	**242.0**	170.5	-	-

(b) EBITDA

	Notes	**Los Pelambres Year ended 31.12.10 US$'m**	Los Pelambres Year ended 31.12.09 US$'m	**El Tesoro Year ended 31.12.10 US$'m**	El Tesoro Year ended 31.12.09 US$'m	**Michilla Year ended 31.12.10 US$'m**	Michilla Year ended 31.12.09 US$'m	**Esperanza Year ended 31.12.10 US$'m**	Esperanza Year ended 31.12.09 US$'m
Chilean GAAP - Operating profit		**2,169.6**	1,235.6	**265.9**	162.1	**49.8**	15.9	**(15.9)**	-
Depreciation & amortisation		**157.8**	127.1	**116.2**	80.5	**8.2**	7.3	**-**	-
Chilean GAAP - EBITDA		**2,327.4**	1,362.7	**382.1**	242.6	**58.0**	23.2	**(15.9)**	-
Mark-to-market of provisionally priced sales	33(i)	**62.5**	57.0	**2.2**	2.0	**1.0**	0.2	**-**	-
Other IFRS and consolidation adjustments	33(i)	**(14.9)**	(10.8)	**(29.4)**	(12.9)	**1.6**	4.5	**15.9**	-
IFRS - EBITDA		**2,375.0**	1,408.9	**354.9**	231.7	**60.6**	27.9	-	-

Notes to reconciliation of revenue and EBITDA

(i) Copper and molybdenum concentrate sale agreements and copper cathode sale agreements generally provide for provisional pricing of sales at the time of shipment, with final pricing being based on the monthly average London Metal Exchange copper price or monthly average molybdenum price for specified future periods. This normally ranges from 30 to 120 days after shipment to the customer.

Under Chilean GAAP, the Group's accounting treatment is to value sales, which remain open as to final pricing at the period end, in aggregate at the lower of provisional invoice prices and mark-to-market prices at the balance sheet date. Mark-to-market adjustments in respect of tolling charges (whether positive or negative) are not taken into account. The Group determines mark-to-market prices using forward prices at each period end for copper concentrate and cathode sales, and period-end month average prices for molybdenum concentrate sales due to the absence of a futures market for that commodity.

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. Under IFRS, the Group determines mark-to-market prices in the same way as under Chilean GAAP.

This results in a GAAP adjustment in cases where the mark-to-market prices are higher than the provisional invoice prices. For Los Pelambres this results in a credit of US$62.2 million in respect of copper concentrate sales. The adjustment in respect of molybdenum concentrate sales at Los Pelambres is a credit of US$0.3 million. For Michilla this results in a credit of US$1.0 million and for El Tesoro a credit of US$2.2 million.