Annual report 2014

ANTOFAGASTA PLC

INTRODUCTION

ANTOFAGASTA IS A CHILEAN COPPER MINING GROUP WITH SIGNIFICANT BY-PRODUCT PRODUCTION AND INTERESTS IN TRANSPORT AND WATER DISTRIBUTION.

THE GROUP CREATES VALUE FOR ITS STAKEHOLDERS THROUGH THE DISCOVERY, DEVELOPMENT AND OPERATION OF COPPER MINING OPERATIONS. THE GROUP IS COMMITTED TO GENERATING VALUE IN A SAFE AND SUSTAINABLE WAY THROUGHOUT THE COMMODITY CYCLE.

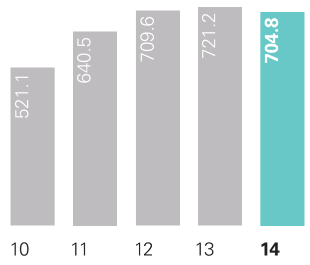
For further information on the mining lifecycle, please see page 12

INSIDE THIS REPORT

2014 HIGHLIGHTS

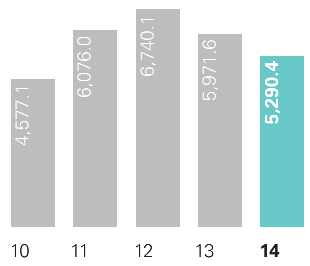
704,800 tonnes
Copper production of 704,800 tonnes, a 2.3% decrease on 2013.

COPPER PRODUCTION



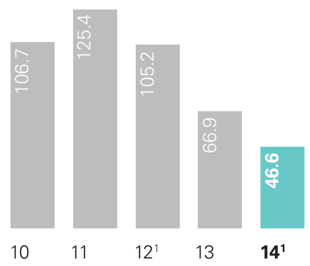
$5,290.4m
Strong revenue of $5,290.4 million, 11.4% lower than 2013 due to fall in realised prices.

REVENUE



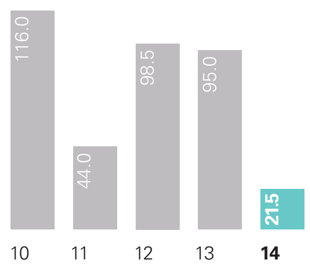
46.6 cents
Earnings per share fell 29.0% to 46.6 cents per share due to lower realised prices and higher operating costs.

EARNINGS PER SHARE



21.5 cents
Total dividend for the year of 21.5 cents per share, representing a total distribution to shareholders of $212.0 million, and a pay-out ratio of 35%.

DIVIDEND PER SHARE



1 2014: Includes deferred tax charge as a result of Chilean tax reform (61.0 cents per share excluding deferred tax charge)
2012: Post exceptional items

THE BUSINESS

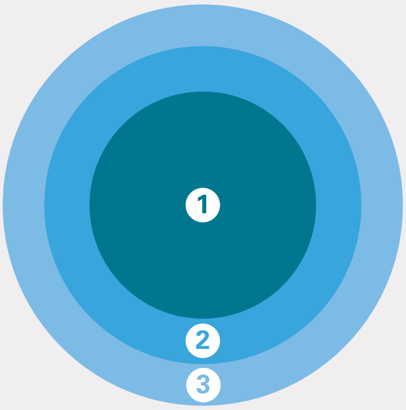
Mining is the Group's core business, representing over 90% of Group revenue and EBITDA. The Group operates three copper mines located in Chile, two of which also produce significant by-products. The Group has a major portfolio of growth opportunities, also located predominantly in Chile.

Further information on page 39 to 49

GROUP STRATEGY

The strategy for growing the Group's mining business is based around three pillars:

Further information on page 28



1 **The existing core business**

2 **Organic and sustainable growth of the core business**

3 **Growth beyond the core business**

MINING

1 The existing core business

LOS PELAMBRES

60% owned

The Group's flagship mine, generating over 55% of overall production and approximately 65% of EBITDA. Produces copper concentrates containing gold and silver and a separate molybdenum concentrate.

Further information on page 39

CENTINELA

70% owned

The Group's second largest operation is located in a world-class mining district. Centinela produces copper concentrates containing gold and silver, and copper cathodes.

Further information on page 41

MICHILLA

99.9% owned

Under the current mine plan, 2015 will be the final year of operation. Michilla produces copper cathodes.

Further information on page 43

Production	Copper (tonnes)		Molybdenum (tonnes)		Gold (ounces)	
	2014	2015 forecast	**2014**	2015 forecast	**2014**	2015 forecast
Los Pelambres	**391,300**	385,000	**7,900**	8,000	**66,500**	55,000
Centinela Concentrates	**172,800**	175,000			**204,400**	195,000
Centinela Cathodes	**93,800**	80,000				
Michilla	**47,000**	30,000				
Antucoya[1]		40,000				
Total	**704,800**	710,000	**7,900**	8,000	**270,900**	250,000

1 Antucoya is expected to start production in the second quarter of 2015

2 Organic and sustainable growth of the core business

Under construction

ANTUCOYA

70% owned

An 85,000 tonne per annum producer that is expected to start copper production during the second quarter of 2015.

Further information on page 44

CENTINELA

A debottlenecking project is currently under way to reach 105,000 tonnes daily throughput of ore in the concentrator by the end of 2015.

Further information on page 44

ENCUENTRO OXIDES

The project was approved and early works started during 2014. This project allows Centinela Cathodes to maintain 100,000 tonnes per annum of copper cathode production to 2023 while opening up the larger Encuentro Sulphide deposit below the oxides.

Further information on page 45

Growth projects

LOS PELAMBRES INCREMENTAL EXPANSION

Feasibility study to increase daily throughput of ore by 15% to 205,000 tonnes per day is under way.

Further information on page 45

CENTINELA SECOND CONCENTRATOR

Following the merger of Esperanza and El Tesoro, the Group's development of the Centinela Mining District, which includes the construction of a second concentrator, will now be carried out as part of the integrated Minera Centinela. A pre-feasibility study on the second concentrator is currently under way.

Further information on page 46

LOS PELAMBRES

The current resource base is triple the size of the current mine plan and has potential for a further expansion in the longer term.

Further information on page 46

3 Growth beyond the core business

Greenfield

TWIN METALS

Copper, nickel and platinum group metals underground mining project located in northeastern Minnesota. Pre-feasibility study completed in 2014.

Further information on page 46

EXPLORATION

Active exploration programme internationally and in Chile. Continue to advance a portfolio of early-stage exploration activities.

Further information on page 47

ENERGY

The Group has a number of investments in energy assets in Chile, with particular focus on renewable energy.

Further information on page 47

TRANSPORT

The transport division operates the main cargo transport system in the Antofagasta region of Chile, moving goods and materials such as sulphuric acid and copper cathodes to and from mines by road and on its 900 km rail network. It also operates a railway in Bolivia.

Further information on page 48

Volume transported	('000 tonnes)
	2014
Combined rail and road	7,302

WATER

Aguas de Antofagasta operates the concession for the distribution of water in the Antofagasta region, supplying domestic and industrial users.

Further information on page 49

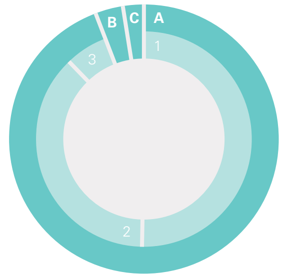
Volume transported	(million m^3)
	2014
Water	50.9

PERFORMANCE HIGHLIGHTS

$5,290.4m

A Mining	**4,984.7**
1 Los Pelambres	2,663.6
2 Centinela	1,985.7
3 Michilla	335.4
B Transport	**180.8**
C Water	**124.9**

REVENUE BY DIVISION



$2,221.6m

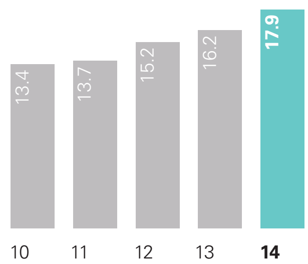
A Mining	**2,077.8**
B Transport	**68.7**
C Water	**75.1**

EBITDA BY DIVISION

17.9bn tonnes

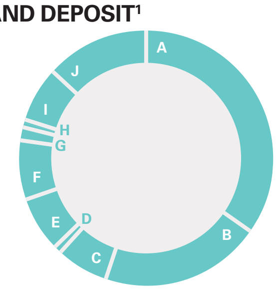
(including ore reserves)
Mineral resources were increased by 10% during the year.

MINERAL RESOURCES[1]



A Los Pelambres 6,224 Mt @ 0.51% Cu	**F Polo Sur** 1,335 Mt @ 0.35% Cu
B Centinela 3,691 Mt @ 0.38% Cu	**G Penancho Blanco** 293 Mt @ 0.42% Cu
C Antucoya 1,204 Mt @ 0.31% Cu	**H Mirador** 100 Mt @ 0.31% Cu
D Michilla 62 Mt @ 1.62% Cu	**I Los Volcanes** 1,281 Mt @ 0.47% Cu
E Encuentro 1,319 Mt @ 0.41% Cu	**J Twin Metals** 2,372 Mt @ 0.52% Cu

MINERAL RESOURCES BY OPERATION AND DEPOSIT[1]



1 Figures on a 100% basis. For attributable figures, please see pages 162 to 169

LETTER **FROM THE CHAIRMAN**

Jean-Paul Luksic

We continued to concentrate on what we know best – producing copper, reducing costs and building a platform for long-term growth.

Dear shareholders,

This year was one of consolidation. In 2013 we achieved a record year of production while focusing on cost control and productivity in a challenging macroeconomic environment with declining commodity prices. Those macroeconomic challenges continued through 2014 and were further complicated by heightened geopolitical tensions around the world that has created an atmosphere of uncertainty for investors. As a Group, we continued to concentrate on what we know best – producing copper, reducing costs and building a platform for long-term growth.

Our three-pillar strategy remains unchanged. We focus first on optimising our existing operations, where investment is generally most effective and generates the fastest and highest returns. Secondly, we look for sustainable, organic growth in the areas around our operations, particularly in the Los Pelambres and Centinela mining districts, where we benefit from our existing developed infrastructure and the ability to share common services. Finally, we look for growth further afield where considerable and more diverse opportunities exist, but where we do not have the benefit of any organic synergies. We have been active in all three areas during the course of this year.

The completion of the concentrator expansion at Centinela in 2015 will increase production there, and in our two mining districts we are advancing our Encuentro Oxides, Pelambres Incremental Expansion, and Centinela Second Concentrator projects. As part of the second pillar, we will bring our new Antucoya mine into production during the second quarter of 2015, while further afield we consolidated the ownership of the Twin Metals Minnesota project in the United States. Together, these projects provide the Group with a strong pipeline for growth over the coming years.

I am especially pleased that when Antucoya is commissioned it will be the first major copper mine in Chile to be brought into production on budget and on time for five years. This will be a major achievement and reflects all of the hard work that our team and our contractors have put into making the project a success. Construction has taken place in a more benign cost and working environment than we have seen for many years. This has also contributed to the success of the project and is one of the reasons we decided to proceed with it at a time when others were curtailing their own investment programmes. Antucoya is expected to come on-stream following a period when copper prices have declined to five-year lows and are expected to recover into the next upturn.

FINANCIAL PERFORMANCE

Total revenue for the year was $5,290.4 million, 11.4% lower than last year, primarily reflecting the decline in metal prices, but also slightly lower sales volumes. This decline was reflected in EBITDA, which coupled with increased cash costs, fell by 17.8% to $2,221.6 million, generating an EBITDA margin of 42.0%.

Earnings per share for the year were 61.0 cents, excluding the $142.2 million deferred tax provision (and 46.6 cents per share including the provision) resulting from the changes in the Chilean tax law during 2014. This was 5.9 cents lower than in 2013, reflecting lower revenue and the $76.3 million increase in depreciation at Centinela. Cash flow from operations remained healthy at $2.5 billion, $151 million lower than last year with the Group's attributable net cash reducing to $315.4 million by the end of the year.

21.5cents

Total dividend for 2014, representing a 35% pay-out ratio.

The Company's dividend policy is to determine the appropriate dividend each year based on consideration of the Group's cash balance, the level of free cash flow and earnings generated during the year, and significant known or expected funding commitments and to pay a total annual dividend equal to at least 35% of net earnings.

In view of the continued uncertainty in the copper market at the start this year, as well as uncertainties at Los Pelambres arising from an adverse court decision and actions by some protestors in February and March 2015, the Board decided to recommend a final dividend of 9.8 cents per share, bringing the total dividend for the year to 21.5 cents per ordinary share. This represents a total amount of $212.0 million and a pay-out ratio of 35% (based on earnings excluding the deferred tax provision resulting from the changes in the Chilean tax law during 2014).

This is in line with the Company's policy to determine the appropriate dividend each year based on consideration of the Group's cash balance, the level of free cash flow and earnings generated during the year and to pay a total annual dividend equal to at least 35% of net earnings. However, given the uncertainties at Los Pelambres, the Company will keep its dividend policy, and the amount of future dividends, under close review until it has greater clarity as to the resolution of these matters.

> When Antucoya is commissioned it will be the first major copper mine in Chile to be brought into production on budget and on time for five years.

BOARD CHANGES

During the year there were a number of changes to the Board and I was pleased to welcome two new members, Vivianne Blanlot who joined in March and Jorge Bande, who joined in December. Both Vivianne and Jorge have extensive experience across the energy, mining, and water sectors and Vivianne has also held several senior positions in the public sector, including as Executive Director of the Chilean Environmental Agency. Both Directors are regarded by the Board as independent and will bring new ideas and perspectives to our discussions.

In September I decided to step back from the position of Executive Chairman to become Non-Executive Chairman. At the same time Diego Hernández took on the role of Group CEO, having previously been responsible for the mining division. These changes reflect the development of the Group and my role is now less focused on the day-to-day operations and more concerned with the strategic development of the Group and leading the Board.

At the end of August Nelson Pizarro stepped down as a Director to take up the position of CEO of Codelco. Nelson had been on the Board for two years and I thank him for the valuable contributions he made while he was with us.

In addition, certain changes were made to the composition of the Board Committees. The responsibilities of the Nomination Committee were extended to include corporate governance matters and the name of the Committee has been changed to reflect this. All of the Committees have performed well and I thank the members of the Board serving on the Committees for their efforts during the year.

> We look beyond just the short term and invest in renewable energy and water, and in improving our environmental standards.

As part of a series of actions taken by UK regulators to strengthen minority shareholder protection in controlled companies such as ours, new Listing Rules came into force this year that require the Company to enter into a relationship agreement with its controlling shareholders. The Company has therefore replaced the existing relationship agreement it had with its controlling shareholders, the Luksic family, with a new agreement. This reflects the requirements of the new Listing Rules through the inclusion of certain mandatory independence provisions in the agreement. The Company and I, as a representative of the controlling shareholders, believe that this further level of transparency will clarify the relationship and provide comfort to all shareholders on how the Company conducts its business. The new agreement was signed in November.

AN EVOLVING MINING ENVIRONMENT IN CHILE

The election of President Michelle Bachelet in 2014 has resulted in a period of legislative change in Chile. The President, who with her coalition partners enjoys a majority in both houses of Congress, has placed reform at the centre of her legislative programme. This programme has seen Congress approve a tax reform law in September and an education reform bill in January 2015 with other reforms in labour and constitutional affairs expected in the coming months. Antofagasta, and the private sector as a whole, will continue to monitor and adapt to these changes in the years ahead and to participate fully in the consultative processes.

The Chile Mining and Development Commission was established in 2014, reflecting not only the critical importance of mining to the Chilean economy but the need to balance demands for faster socioeconomic development and redistribution with a period of prolonged uncertainty for the global mining industry. I was honoured to accept an invitation to serve on this panel of private and public sector industry leaders, co-ordinated by the National Innovation Council, tasked with identifying strategic priorities for Chile's mining sector over the next 20 years.

At Antofagasta we are proud to be part of a group of people and companies committed to the future of mining in Chile. In December last year the Commission presented the President with a series of proposals to promote the development of sustainable mining, putting three principles at the heart of future development; that mining should be sustainable, inclusive and mutually beneficial for both operators and communities.

As the listed mining company with the largest operations in Chile, Antofagasta holds these principles at the heart of our business and as a sustainable mining company we look beyond just the short term and invest in renewable energy and water, and in improving our environmental standards. As an inclusive company we also work with the local authorities, our peers, employees, and the communities in which we operate to create shared value for all stakeholders.

SAFETY

Despite our continued efforts to avoid any fatalities at our operations, five people died during the course of the year. This is terrible, and the Board and I offer our heartfelt sympathy to the families of the deceased. We owe it to their memory, and the memory of the others lost over the years, to redouble our efforts to achieve our target of zero fatalities. I know that this is much easier to say than do, but I want to make sure that each and every employee knows that it is our top priority.

OUTLOOK

Sustainability and the health and safety of our employees are key to our success. We are proud to be in the mining business in Chile, creating shared value for all our stakeholders. We will continue to invest in our business and in the country to ensure a steady, stable, secure and profitable future for all.

2015 will be an important year for Antofagasta as we complete our current projects, prepare for our next phase of growth and face the challenges that the current macroeconomic environment brings.

I would like to thank the senior management team and all of our employees for their valuable contribution over the year and look forward to another productive year ahead.

STATEMENT **FROM THE CEO**

Diego Hernández

While this prolonged downturn has certainly created a more difficult environment, it is not exceptional; this situation has arisen several times during my career.

When I joined Antofagasta in August 2012 the mining industry was already starting to move into a cyclical downturn and it was clear that 2013 was going to be a difficult year as we adjusted to the changing business environment.

The copper market continued to weaken throughout 2014, much as expected, with a surprisingly sharp drop at the beginning of 2015. However, while this prolonged downturn has certainly created a more difficult environment, it is not exceptional; this situation has arisen several times during my career. The secret is to use the opportunity to make changes that will benefit the Group once the market recovers – changes that are difficult to achieve in periods of high growth and high prices. We have therefore spent this year bedding down the improvements made in 2013 and implementing further initiatives. In our 2013 Annual Report I noted that the process of resetting the Group's cost base would take at least until the end of 2014 and this has been the case. The work continues and we are making good progress in reorganising our supply structures, cutting inventories and reducing operating and capital costs.

2014 HIGHLIGHTS

Copper production declined by 2.3% to 704,800 tonnes in 2014, slightly lower than the record production levels achieved in 2013. Gold and molybdenum production were also lower at 270,900 ounces and 7,900 tonnes, respectively. This decline reflected expected lower grades for all metals, particularly copper grade at Los Pelambres and Centinela Cathodes and the gold grade at Centinela. Overall production of metals was, however, slightly better than we forecast at the beginning of the year.

Cash costs before by-product credits were $1.83/lb, 2.2% higher than in 2013, impacted by the lower grades and the one-off signing bonuses paid during the year, partly offset by the weakening of the Chilean peso. Net cash costs, at $1.43/lb, were 5.1% higher than last year as by-product credits were lower due to lower production and a weaker gold price.

The single most significant pressure on costs came from the payment of bonuses to employees on the signing of new labour contracts at each of our mining operations. In Chile, we enter into labour agreements with employees for periods of up to four years, which included agreed pay increases and cash bonuses, typically paid up-front in line with local industry practice. During 2014 the payment of the one-off bonuses and the provision of loans totalled some $0.04/lb.

The bonus payments were offset by movements in the Chilean peso, which weakened by 15.2% during the year, reducing costs by $0.10/lb. As copper makes up over 50% of Chile's exports, when copper prices have fallen historically the peso has fallen as well, acting as a natural hedge for copper producers. In addition the Group made some $80 million of savings during the year, equivalent to $0.05/lb. These were achieved mainly through the merger of the Esperanza and El Tesoro mines into Minera Centinela, but also from other savings initiatives. Further savings will be made in both areas during 2015 and are expected to total $130 million.

Constrained sources of potential supply from greenfield projects will ensure that the longer-term copper fundamentals remain strong.

Although the expected surplus in the copper market in 2014 did not materialise, the average copper price fell from $3.32/lb in 2013 to $3.11/lb and closed the year at $2.88/lb. This resulted in the average realised price of copper being 8.5% lower in 2014 at $3.00/lb. The average realised gold price declined by 7.1% to $1,261/oz, while the realised molybdenum price increased by 10% to $11.0/lb.

HEALTH AND SAFETY

I am sorry to report that during 2014 we had five fatalities in three separate incidents at the Group's mining operations. This is unacceptable and I, and everyone at Antofagasta, extend our deepest condolences to the families of the deceased. The circumstances have been fully investigated and have led us to make changes to our procedures and practices. The health and safety of our employees and our contractors is of paramount importance to us and we are constantly striving to improve our performance. In 2013, we introduced a new safety and occupational health model and during 2014 several new measures were implemented as part of a process seeking to achieve continuous improvement. Our most important target remains zero fatalities and we will continue to endeavour to achieve this.

POSITIONED FOR GROWTH

During 2014, we made good progress advancing the projects under construction at Antucoya and Centinela, and early works started at Encuentro Oxides shortly before the completion of its feasibility study in November. The feasibility study on the Pelambres Incremental Expansion continued through the year and the pre-feasibility study on Centinela's Second Concentrator will be completed in mid-2015. A pre-feasibility study was also completed in 2014 on the Twin Metals Minnesota project. These projects provide a healthy growth pipeline for the Group over the coming five to ten years.

At Antucoya, construction has continued throughout the year with all major milestones being achieved on schedule. The operation is scheduled for start-up during the second quarter of 2015 and will be operating at full production of 85,000 tonnes per year of cathodes in 2016. The project is expected to be completed at the budgeted construction cost of $1.9 billion.

At the Encuentro Oxides project we are trialling the use of our own project team to manage construction. Normally a project of this size would be managed by an EPCM contractor, but, following a review of management processes, we established that this project management model increased costs and reduced our control over project construction, potentially resulting in lost opportunities. We also undertook to reduce the original $756 million capital cost estimated in the pre-feasibility study and we have succeeded in this, with the feasibility study estimate showing capital costs reduced by $156 million.

Completion of the feasibility study for the Pelambres Incremental Expansion project was expected by the end of 2014. The technical aspects of the feasibility study have been completed, but the necessary permitting required before construction has not. The Environmental Impact Assessment ("EIA") requires a baseline study of at least 12 months which is currently under way. The formal completion of the feasibility study will be after the EIA is submitted as it may indicate that additional work should be included in the feasibility study. At this stage the pre-feasibility study capital expenditure estimate of $1.2 billion is unchanged.

The pre-feasibility study for the construction of a second concentrator at Centinela will be completed in mid-2015. The 90,000 tonnes per day concentrator will be located about 7 km south of the existing concentrator and will be fed by ore from Esperanza Sur to the north and Encuentro Sulphides to the south. The scoping study estimate of the capital cost of the project is $2.7 billion and will increase Centinela's annual production by an average of 140,000 tonnes of copper, 150,000 ounces of gold.

The EIA for the project will be submitted to the appropriate regulatory authorities in mid-2015. If it proceeds smoothly through the approval process the EIA should be ready approximately as the feasibility study is completed in mid-2016. Production is then expected to start in 2019.

At Centinela the feasibility study on the molybdenum plant has been completed and the necessary permits required before construction can commence are expected in mid-2015. The plant has now been designed to be easily expanded to accept feed from the Centinela Second Concentrator project. Capital costs are estimated to be $125 million with average production of some 2,400 tonnes per annum of molybdenum in the first five years starting in late 2016.

Early in 2015, we completed the acquisition of Duluth Metals Limited to gain 100% ownership of the Twin Metals Minnesota project for a cash consideration of C$53m. The Duluth Complex is an attractive geological deposit and the Group will focus on further optimisations of the project while advancing the permitting process.

During the year the Group announced that the Michilla mine would run out of ore and close in December 2015 on completion of its current mine plan. The mine originally opened in 1959 and was acquired by the Group in 1980. Many of the workers from Michilla are being redeployed at other operations, but inevitably there will be some redundancies. Severance terms were agreed with the mine's unions at the end of 2014 for employees who work through this year, to help minimise the uncertainty and allow for planning in this difficult time. However, as an alternative a sale process has also been initiated to determine if there is a purchaser that wishes to acquire the operation on acceptable terms, and if there is, the mine may continue in operation for some time to come.

SUSTAINABILITY

In July 2014 we introduced a new clean source of energy at Los Pelambres when the El Arrayán wind farm came online. It now supplies the operation with about 20% of its energy needs. Pelambres also agreed to purchase energy from two solar plants that will begin producing in 2015 and 2016 respectively. By mid-2016, nearly 50% of Pelambres' energy will come from renewable sources.

The Group continues to work with the communities where it operates; promoting initiatives where communities, local governments and private companies formulate a joint vision for both public and private investments. These initiatives increase local involvement, strengthen social investment and contribute to improving the sustainable development of the surrounding communities.

OUTLOOK

The Group's forecast for 2015 production is 710,000 tonnes of copper, 250,000 ounces of gold and 8,000 tonnes of molybdenum. The copper production forecast comprises 385,000 tonnes at Los Pelambres, 255,000 tonnes at Centinela, 30,000 tonnes at Michilla and 40,000 tonnes at Antucoya. Local protests reduced expected copper production at Los Pelambres by some 8,000 tonnes of copper. These protests, along with the adverse court ruling mean that there is some inherent uncertainty as to the potential impact on Los Pelambres' 2015 production levels and the Group's cost forecasts of cash costs before by-product credits of $1.75/lb and net cash costs of $1.40/lb.

The new year started with a rapid drop in the copper price to below $2.50/lb and although there has been some recovery since then, the outlook for 2015 is for price volatility to continue. However, if the Chinese economy grows at the expected rate of 7.0% it now appears more likely that the copper market will be largely in balance rather than in surplus as was expected a few months ago. In the medium to long term the copper market continues to look positive. When the world economy picks up again and demand growth accelerates, constrained sources of potential supply, in particular from greenfield projects, will ensure that the longer-term copper fundamentals remain strong.

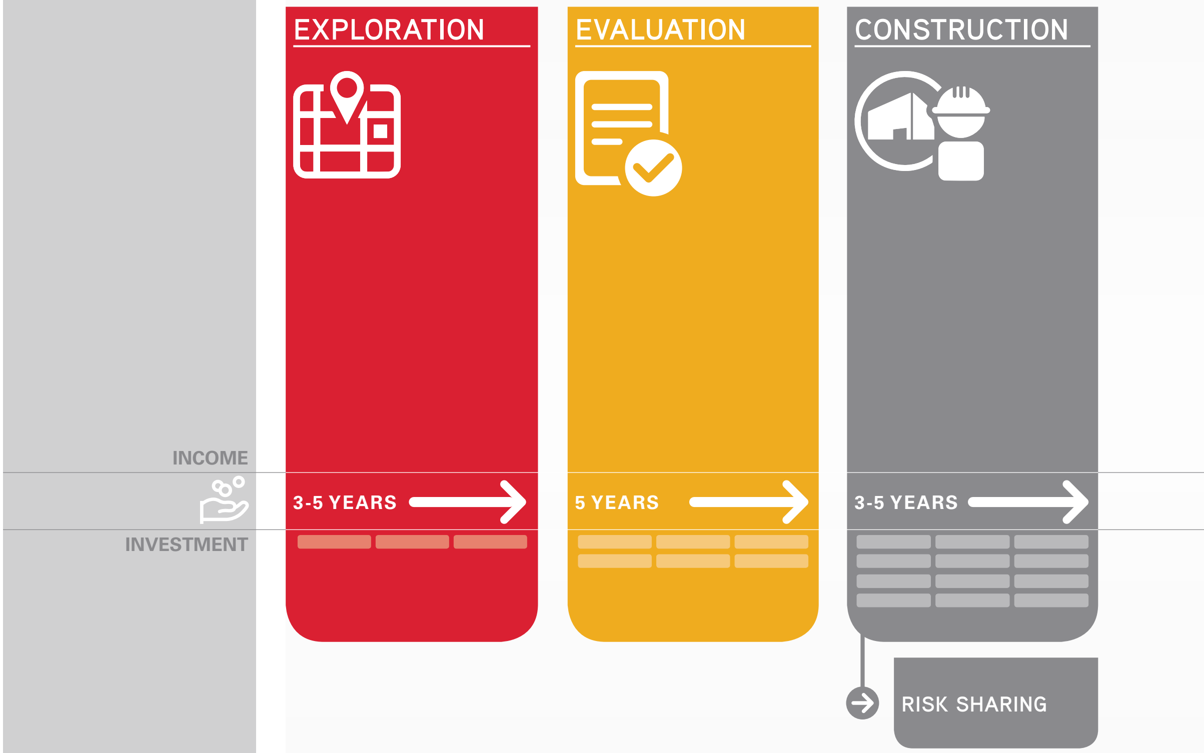
STRATEGIC *report*

BUSINESS MODEL
CREATING VALUE THROUGH THE MINING LIFECYCLE

INPUTS

INVESTMENT VERSUS INCOME

Mining is a long-term business. Timescales can run into decades. The period from initial exploration to the start of production often exceeds ten years. Then, depending on the nature of the project and market conditions, it may take more than five years of operation to recoup the initial investment. Mines usually plan to exploit higher-grade areas towards the start of the mine life, in order to maximise returns from the operation. As a result, average ore grades may decline over time, with production volumes decreasing along with revenues.



Further information on page 14

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Further information on page 15

Further information on page 15

INNOVATIVE SUSTAINABILITY

Innovative sustainable development is an integral component of Antofagasta's decision-making process, firmly embedded in the business model and strategy of the Group. Antofagasta is committed to operational excellence, safety, talent management, environmental management and working with employees and local communities.

This fall in revenues, however, depends on commodity prices. These tend to be cyclical, so even as production volumes decline revenues can increase, and vice versa. Long-life and low-cost operations increase the likelihood of a mine being able to benefit from the peaks in the commodity price cycle while withstanding the troughs. Also, during the life of a mine there will often be expansions that help it to keep down its unit costs of production – the most important financial KPI on a mine.

CORE OPERATIONS

EXTRACTION

+20 YEARS

- COPPER OXIDE ORE
- COPPER SULPHIDE ORE

Further information on page 16

PROCESSING

- HEAP-LEACHING AND SX-EW
- CONCENTRATOR

Further information on page 17

MARKETING

- COPPER CATHODES 99.99% Cu
- COPPER CONCENTRATES 25-35% Cu

Further information on page 18

RESTORATION

Further information on page 19

OUTPUTS

ONGOING VALUE CHAIN

The copper and by-products from the Group's mines go on to be further processed for use in a number of end markets. These include construction, electronics, industry, transport and consumer products.

INCOME

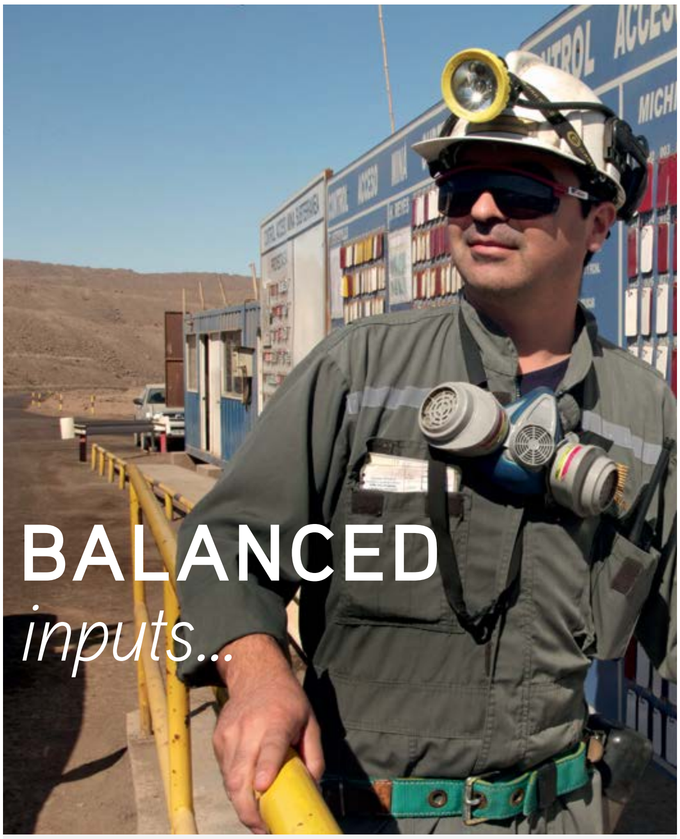
INVESTMENT

Further information on page 19

Sustainability drives business success and without it the Group would not operate as efficiently as it does.

For more information on the Group's commitment to sustainability see pages 50 to 60

INPUTS



The Group's mining operations are dependent on a range of key inputs, such as energy, water, labour and fuel. The management of these inputs has a significant impact on operating costs, so ensuring the long-term availability of key resources is a vital part of supply management.

RESOURCES

- Labour
- Financial capital
- Mineral resource-rich land
- Energy
- Water
- Reagents
- Plant and equipment
- Services and supplies
- Fuel

RELATIONSHIPS WITH

- Employees and contractors
- Customers
- Suppliers
- Neighbouring communities
- Environment
- Government and public authorities
- Infrastructure providers

EXPLORATION

In order to secure the future of the business in the long term, the Group must grow its mineral resource base. It undertakes in-house exploration activities in Chile. Exploration programmes further afield are carried out in partnership with local companies to benefit from their knowledge and experience.

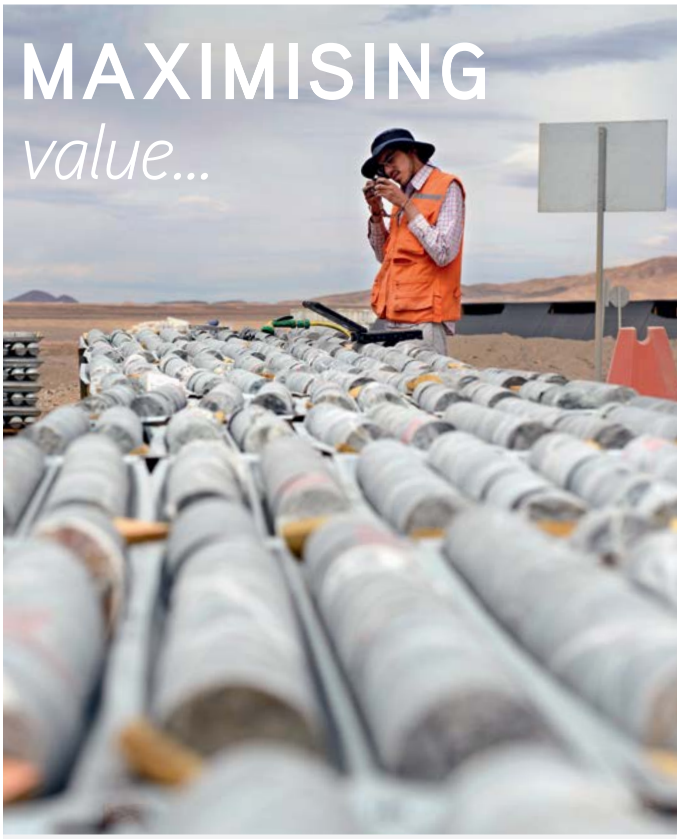
EXPLORATION PROJECTS – 3-5 YEARS

Exploration programmes throughout Chile.

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

More on page 47

EVALUATION



Effective evaluation and design of projects is critical to maximise value at this stage of the mining cycle. The Group has a wealth of experience in both areas that helps make the best use of mineral deposits.

Sustainability criteria are integrated into both design processes and project evaluation. The Group develops innovative solutions for challenges such as water, energy and community relations as part of the evaluation phase.

EVALUATION PROJECTS – 5 YEARS

LOS PELAMBRES INCREMENTAL EXPANSION

More on page 45

TWIN METALS

More on page 46

CENTINELA SECOND CONCENTRATOR

More on page 46

CONSTRUCTION

RISK SHARING

Once a project has been approved by the Board, construction begins. This stage requires significant input of capital and resources, and effective project management and cost control are key to maximising a project's return on investment.

The Group has a complementary and co-operative approach to developing projects. Typically, after the feasibility stage, and into the construction phase, the Group seeks a partner for projects, diversifying risk and providing a broader access to funding.

CONSTRUCTION PROJECTS – 3-5 YEARS

ANTUCOYA

More on page 44

CENTINELA

More on page 44

ENCUENTRO OXIDES

More on page 45

EXTRACTION

COPPER OXIDE ORE

COPPER SULPHIDE ORE

The Group is focused on developing two world-class mining districts in Chile: Los Pelambres and Centinela. A much smaller mine, Michilla, completed its last full year of production in 2014.

The Los Pelambres and Centinela districts have long-life operations with significant mineral resources and produce significant by-products: gold, silver and molybdenum. Within these operations are five open pit mines and one underground mine. At Michilla, the Group also purchases ore from underground operations run by third parties.

Key elements of operational efficiency are health and safety. These remain a top priority for the Board and management team.

OPERATIONS – 20+ YEARS

LOS PELAMBRES

Start of operation: 2000
Mine life: 23 years
Estimated output in 2015:

385,000 tonnes

More on page 39

CENTINELA CONCENTRATES

Start of operation: 2011
Mine life: 45 years
Estimated output in 2015:

175,000 tonnes

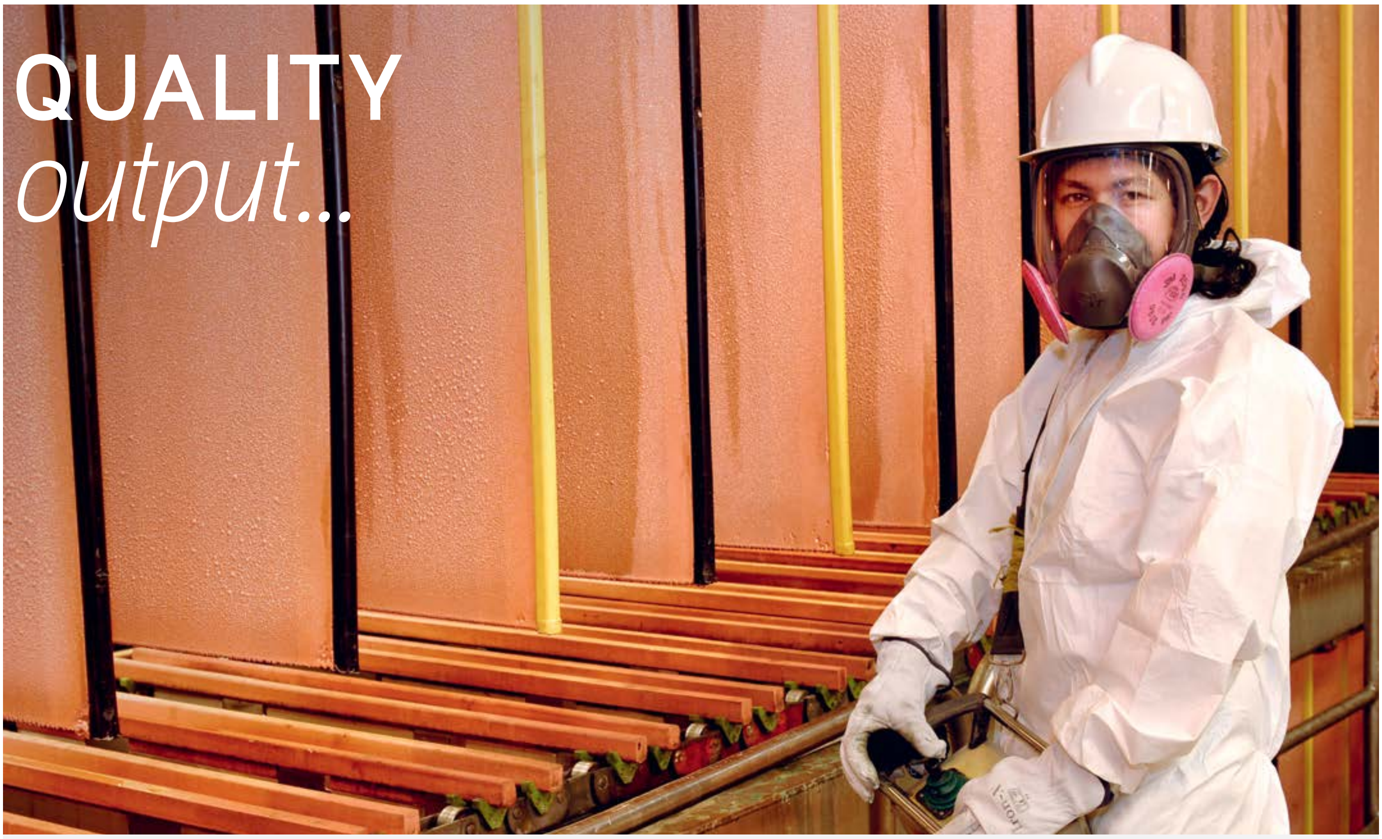
More on page 41

PROCESSING

HEAP-LEACHING AND SX-EW

CONCENTRATOR

QUALITY *output...*



The Group mines both copper oxide and copper sulphide ores, which require different processing routes:

– **Centinela Cathodes and Michilla:**
Mined oxide ore is crushed, piled into heaps and then leached with sulphuric acid, producing a copper sulphate solution. This solution is then put through a solvent-extraction and electrowinning ("SX-EW") plant to produce copper cathodes, which are sold to fabricators around the world.

– **Los Pelambres and Centinela Concentrates:**
Mined sulphide ore is milled to reduce its size before passing to flotation cells where it is upgraded to a concentrate containing some 25-35% copper. This concentrate is then shipped to a smelter operated by a third party and converted to copper metal.

CENTINELA CATHODES

Start of operation: 2001

More on page 41

Mine life: 8 years

Estimated output in 2015:

80,000 tonnes

MICHILLA

Start of operation: 1959

More on page 43

Mine life: 1 year

Estimated output in 2015:

30,000 tonnes

MARKETING

COPPER CATHODE

COPPER CONCENTRATE

LONG-TERM *relationships...*

The Group's marketing team is responsible for building long-term relationships with smelters and fabricators who purchase the Group's products, with approximately 75% of output going to Asian markets.

As well as copper, a number of the Group's mines produce significant volumes of metal by-products: gold, silver and molybdenum.

Gold is sold to customers for use in various industrial and electronic applications. It can also be used by customers in the making of jewellery or as an investment. Molybdenum goes to industrial sectors, where its main use is in steel alloys.

Most copper and molybdenum sales are made under annual contracts or longer-term framework agreements, with sales volumes agreed each year. This guarantees offtake and helps mitigate the risk of fluctuations in market prices.

For more information on the structure of the Group's sales contracts, please see page 25

20+ YEARS

RESTORATION

MANAGING OUR *impact...*

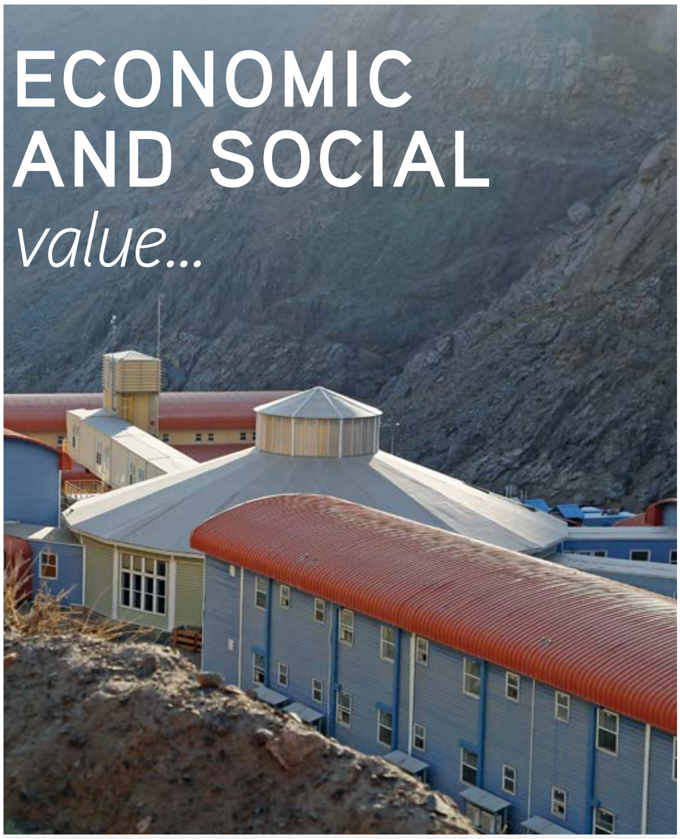
During the operation of a mine, impact on the environment and the neighbouring communities is carefully managed. At the end of its life a mine must be closed and the surrounding habitats restored to their original state.

A plan for the closure of each mine is maintained and updated throughout its life to ensure compliance with the latest regulations and to ensure closure on a sustainable basis.

20+ YEARS

OUTPUTS

ECONOMIC AND SOCIAL *value...*



The Group's mining operations create significant economic and social value for a wide range of stakeholders – local communities benefit from job creation and improved infrastructure, while the Chilean government and local municipalities receive tax payments and royalties. There are benefits to wider society – the copper the Group produces is used in a wide range of sectors, from industrial to medical.

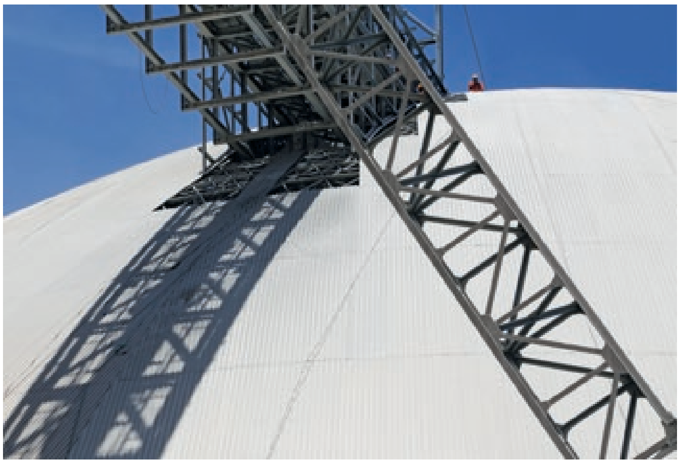
OUTPUTS

- Copper
- By-products: gold, silver and molybdenum

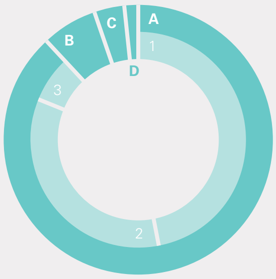
OUTCOMES

- Financial (reinvested profits, dividends to shareholders, taxes to government)
- Improved local infrastructure
- Impact on environment (minimised as far as possible, see page 60)
- Social and economic benefit to local communities (jobs and opportunities for partnerships with local business)
- Benefit to wider society and industry (products are used in a wide range of sectors)

THE MARKETPLACE

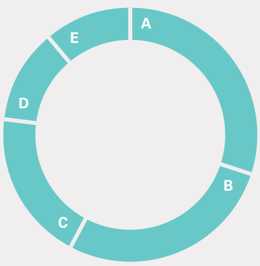


MINING DIVISION REVENUE BY PRODUCT ($4,984.7M)



	$m
A Copper	**4,389.7**
1 Los Pelambres	2,348.6
2 Centinela	1,705.7
3 Michilla	335.4
B Gold Los Pelambres / Centinela	**336.8**
C Molybdenum Los Pelambres	**182.8**
D Silver Los Pelambres / Centinela	**75.4**

GLOBAL COPPER CONSUMPTION BY SECTOR[1]



	%
A Construction	**30**
B Consumer products	**28**
C Electrical and electronic products	**19**
D Transport	**12**
E Industrial machinery	**11**

1 Source: Wood Mackenzie's Long Term Copper Outlook – December 2014

PRODUCTS

The Group's mining operations produce copper with by-products of gold, molybdenum and silver. Los Pelambres and Centinela produce copper concentrate containing gold and silver, which is sold to smelters for further processing and refining into copper cathodes as well as the production of gold and silver. Centinela also produces copper cathodes, as does Michilla, which are sold to fabricators. The Group's cathodes production will increase with the start-up of Antucoya during 2015. In addition, Los Pelambres produces molybdenum concentrate, which is sold to roasters for further processing and refining.

For more information on the structure of the Group's sales contracts, please see page 25

COPPER

The principal end markets for refined copper are construction and consumer products, which account for approximately 58% of global copper demand. These are followed by electrical and electronic products, transport and industrial machinery. The price of copper is typically determined by the major metals exchanges – the London Metal Exchange ("LME"), the Commodity Exchange, Inc. ("COMEX") and the Shanghai Futures Exchange ("SHFE"). The price of copper is affected by supply-demand fundamentals as well as by financial investors. This can lead to volatile and cyclical movements, as has been seen at the start of 2015.

GOLD

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

MOLYBDENUM

The main use of molybdenum is as a key alloying element in steel, although it is also used in other products such as catalysts. Contract prices are typically based on price benchmarks such as those reported by Platts.

MARKET ENVIRONMENT

REFINED COPPER

2014 market performance

The average LME copper price during 2014 was $3.11/lb, representing a 6.3% decrease compared with the 2013 average. Over the course of the year there was a substantial destocking of material stored in Chinese bonded warehouses. The copper cathode market was tight during the year due to the combined effect of a sustained increase in demand, especially in China and the rest of Asia, and lower-than-expected production due to mine disruptions and some tightness in scrap availability. This resulted in a market deficit, reflected in the reduction of material stored in Chinese bonded warehouses and in stocks on the LME, COMEX and SHFE. These reached a combined level of only 250,000 tonnes, the lowest seen since 2008.

Global mine production is estimated to have grown by approximately 3.3%% in 2014, a slight drop-off against expectations due to more-than-expected mine disruptions, start-up delays and the slow ramp-up of new mines. The Indonesian government passed legislation to ban the export of copper concentrate, which lasted for nearly seven months and significantly affected copper concentrate availability, supporting the copper price. The surplus expected in the cathodes market did not materialise; this was as a result of the lower-than-expected supply growth explained above.

Overall, prices were supported by increased demand and restricted supply for the year, plus buying from China's State Reserve Bureau. The Group's average realised price in 2014 was below the average LME price, which reflected a net negative provisional pricing adjustment of $184.4 million for the year.

Market outlook

The general consensus is that the market will remain in balance or with a small surplus during 2015 and 2016, moving into a deficit from 2017 onwards. This has been further supported by the delays announced in greenfield and brownfield projects throughout the world. Demand growth will continue to be focused around Chinese consumption, which now accounts for approximately 45% of global copper demand. Outside China, Europe and North America remain the key consumers (16% and 11% respectively). Demand in these economies is dependent on, among other factors, continued global economic recovery.

The consensus price forecast for 2015 is lower than in 2014 at $2.92/lb due to the expectation that the market might move to a surplus and the strength of the US dollar. However, with the market's volatile start to 2015, revisions are expected during the year and the expectation of a surplus is already diminishing.

COPPER CONCENTRATE

2014 market performance

The concentrate market was impacted by the Indonesian concentrate export ban as well as the emergence of higher arsenic-content concentrates that caused material marketing challenges and increased costs for the affected producers. Spot treatment and refining charges ("TC/RCs") were tighter during the first half of the year as the result of production disruption and increases in smelting capacity, but rose during the latter part of 2014 after the ban in Indonesia was lifted and more production hit the market.

Market outlook

Benchmark TC/RCs, with respect to 2015, have been set at $107 per dry metric tonne of concentrate for smelting and 10.7 cents per pound of copper for refining. This reflects a softer market in favour of smelters, with an approximate increase of 16% on 2014 levels. The concentrate market for 2015 is expected to be in a balanced-to-deficit position as new smelter capacity in China ramps up and the new smelters start to operate. The outcome will mostly depend on how this new capacity performs, mine production disruptions over the year and scrap availability in a lower-price environment.

GOLD

The gold price declined during 2014 due to the acceleration of the global recovery and increased confidence in the equity markets. Since the financial crisis started, gold has provided a natural hedge against the weaker dollar, however, as the US Federal Reserve and other governments and central banks changed their monetary policies, gold no longer provided this security.

These factors led to significant outflows from gold Exchange Traded Funds ("ETFs") back into the equity and other markets, which resulted in a large volume of sales and a fall in the price. Gold averaged $1,266/oz in 2014 compared with $1,410/oz in 2013 and closed the year at $1,206/oz.

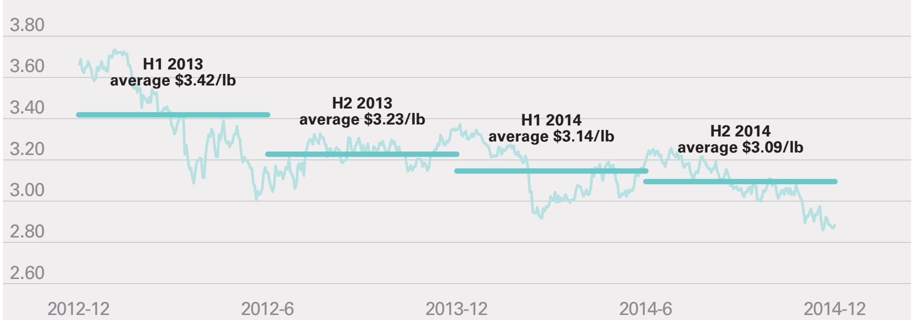
The consensus price forecast for 2015 is $1,230/oz.

MOLYBDENUM

Molybdenum prices recovered during the first half of the year, supported by good demand, a slight decrease in availability and delays in start-up of new production, hitting a 21-month high in April 2014. Following that, prices fell and the average price was $11.4/lb during the year, compared with $10.3/lb in 2013. The consensus price forecast for 2015 is $10.0/lb.

During 2015, new mines are expected to come on-stream, such as Sierra Gorda, which will have an impact on the supply of molybdenum in the global markets. Oversupply may lead to a weaker price environment, but demand is expected to remain strong.

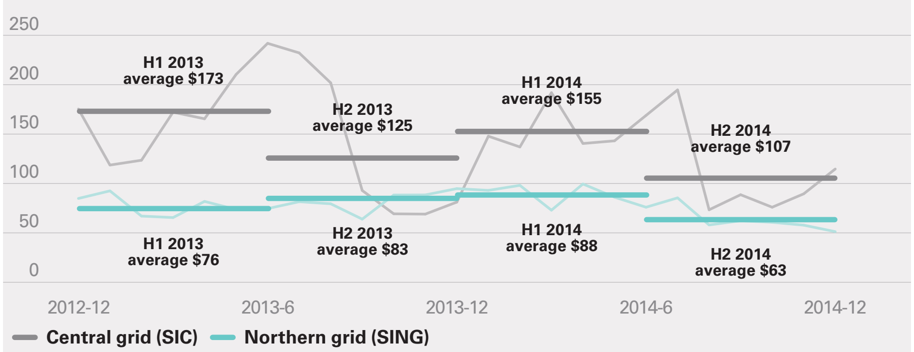
AVERAGE LME COPPER PRICE US dollars per pound



KEY INPUTS
AND COST BASE

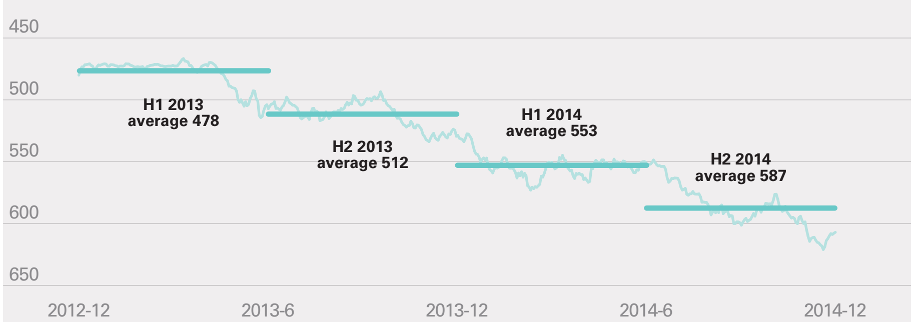
The Group's mining operations are dependent on a range of key inputs, such as energy, water, labour and fuel. For cathode producers such as Centinela, Michilla and from next year Antucoya, which use the SX-EW process, sulphuric acid is a key input. The availability and cost of such inputs lie at the heart of the Group's cost management strategy, which focuses on cost control and security of supply.

CHILEAN CENTRAL AND NORTHERN GRID SPOT ENERGY PRICES



Source: SIC and SING

EXCHANGE RATE



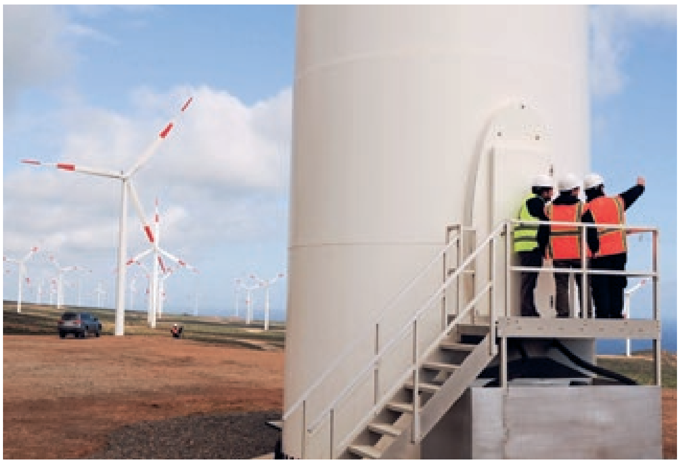
Source: Bloomberg

The Group's two largest operations, Los Pelambres and Centinela, are competitively positioned on the copper industry cost curve. This reflects a combination of low operating costs and significant by-product credits. The Group's net cash costs sit at the lower end of the second quartile of the cost curve and are well placed among its competitors. The cash cost guidance for 2015, before by-product credits, is $1.75/lb, lower than in 2014. The initiatives implemented by the Group's procurement department, explained below, contribute to achieving the cost reductions required to keep unit costs steady despite the decline in grade.

ENERGY

There are two electricity grids in Chile from which the Group sources its energy: the northern grid ("SING") supplies the Centinela and Michilla mines, and the central grid ("SIC") supplies Los Pelambres. In the SIC, approximately 40% of the energy is provided by hydroelectric plants, with the remainder coming from coal and diesel-fuelled plants. In the SING, approximately 80% of the energy comes from coal-fired power stations, with the remainder provided by LNG and diesel-powered plants. Due to its reliance on hydroelectric power, the costs of energy on the SIC fluctuate depending on the level of precipitation, whereas on the SING costs are more stable.

The Group endeavours to procure electricity through medium and long-term contracts at each mine. The cost, in most cases, is linked to either the current cost of electricity on the Chilean grids or the generation costs of a particular supplier, with the latter subject to adjustments for inflation and each generator's fuel input prices.



80%

of power at Los Pelambres coming from renewable sources by the end of 2018

With the ending of a favourable fixed-price contract in 2012, Los Pelambres has been exposed to the spot price, facing an energy market with scarce availability of long-term power purchase agreements ("PPAs") indexed to more stable commodity prices such as coal or LNG. To improve security of supply, the mine has invested in the largest wind-power plant in Chile, El Arrayán. This started providing some 20% of Los Pelambres' energy requirements from the middle of 2014. Later in the year Los Pelambres signed long-term PPAs with two solar power providers for a total of 50MW of power commencing in 2015 and 2016. These PPAs, together with those signed in 2013 as part of the Group's investment in Alto Maipo, come on-stream in 2015 and 2018 and will provide the remaining energy requirements for Los Pelambres at competitive and stable prices.

Currently, all of the Group's operations located on the SING benefit from long-term contracts indexed to the price of coal. The Group has also secured a competitive long-term PPA that will secure the energy provision for the Antucoya project, which commences operation in 2015.

WATER

Water for each of the operations is sourced either from the sea or from surface and underground sources. Each operation has secured the necessary permits for long-term supply of water at current production levels.

Water is a precious commodity in the regions where the Group's mines operate, so considerable effort is made to maximise the recycling of water. Water reuse rates depend on a range of factors and vary between 71% and 85% depending on the characteristics of each operation.

The Group has pioneered the use of untreated sea water for mining operations in Chile, with both its Centinela and Michilla mines using this process. In 2014, sea water accounted for 44% of total Group water use and from 2015, Antucoya will also use sea water, pumping supplies from Centinela's existing pipeline.

The Group believes that the use of surface and well water will generally no longer be feasible for new greenfield projects in Chile, and therefore greater use of sea water is expected across the industry.

LABOUR

Security of labour supply is key to the success of the Group's operations. Labour agreements with unions are in place at all of the Group's mining operations, generally covering periods of four years. New labour agreements were negotiated at all operations during 2014, securing terms of employment for all employees for up to four years. The Group has liaised with its workers and their labour unions to foster a good working relationship over the years and to date there has been no industrial action.

Contractors form a significant part of the Group's workforce at all operations making up approximately 75% of the total workforce. Labour negotiations for the contractors' workforce are the responsibility of contractors. The Group maintains strong relations with all contractors to ensure operational continuity.

> The procurement review programme will increase productivity, optimise major service contracts, reduce relevant supply costs and lead to better management of inventory levels.

SULPHURIC ACID

The sulphuric acid market strengthened during 2014, triggered by higher sulphur prices and higher acid consumption in Asia due to new nickel leaching mines. By the end of the year this raised acid prices in Chile.

The Group contracts the majority of its sulphuric acid requirements for a year or longer at specified rates, normally agreed in the latter part of the previous year. The increases in the spot acid price seen during the year have therefore had a limited impact on 2014 costs.

SERVICE CONTRACTS AND KEY SUPPLIES

The new corporate supply department focuses on standardising Group-wide procurement policies and procedures. Since this department was set up in 2013, its centralised supply approach has achieved a 22% reduction in inventories, equivalent to $47 million, as well as reductions in operating and capital expenditure of up to $150 million between 2014 and 2019. The Group continually reviews its procurement processes and expects additional savings to be captured in the coming years.

In total, the Group has over 1,000 contracts for services and supplies. Key supplies and services such as tyres, grinding media, equipment, chemicals, explosives, camp administration and maintenance services are covered by long-term agreements. Although contracts are normally between the operation and the supplier, tender and negotiation processes are mostly co-ordinated or even led centrally by the Group's corporate procurement department to maximise the leverage and benefits.

Price inflation of key mining supplies, particularly labour costs, has been a challenge to the Chilean mining sector in recent years. However, with the slowdown in growth, the Group is focusing on reducing operating costs through a more integrated and centralised supply chain that will allow the Group to negotiate collectively, increasing buying power and benefiting the operations. The Group's corporate procurement programme started as a Group-wide cost-reduction exercise, covering overall spend on goods and services, divided by product category, with specific approaches for key and non-key suppliers. The programme considers a variety of strategies, from full price competition, including sourcing in China, to working jointly with some strategic suppliers to reduce the costs of each party to achieve a sustainable, longer-term lower cost base for growth in the future. To foster this co-operative approach the Group is working with recognised best-in-class productivity experts. The costs for redesigning and running optimised contract operations are shared with the contractors.

The procurement review programme will increase productivity, optimise major service contracts, reduce relevant supply costs and lead to better management of inventory levels, as well as significantly consolidating minor suppliers for non-critical goods and services.

One significant achievement in contractor productivity is the Group-wide standardisation of a number of contractor requirements, agreed with the Chilean Mining Supplier Association and shared with major local mining groups.

OIL PRICE

Oil represents a small proportion of the Group's total costs, primarily as an input for transporting ore and waste at the mine sites. Improving fuel efficiency is a priority for the Group, with the litres of fuel consumed per tonne of material extracted being an efficiency measure. Fuel is supplied by Chile's two largest suppliers to avoid sole supplier risk. The oil price also affects the spot price of energy, the shipping rates of supplies and products and the cost of items such as tyres and conveyor belts that contain oil-based products. The oil price fell by approximately 50% during 2014 and this weakness has continued into 2015. This will have an impact on the Group's costs, but given the small proportion of costs that are affected by the oil price, this impact will not be significant.

EXCHANGE RATE

Costs are affected by the Chilean peso to US dollar exchange rate because approximately 35% of the mining division's operating costs are in Chilean pesos. However, the exchange rate often acts as a natural hedge: over half of Chile's foreign exchange is generated from copper sales and movements in the copper price tend to affect the Chilean peso. During 2014 the peso weakened, averaging Ch$570/$1, compared to an average rate of Ch$495/$1 in 2013. During the first two months of 2015, the peso averaged Ch$620/$1.

KEY RELATIONSHIPS

The Group recognises that it cannot run its business in isolation. The business model is underpinned by a series of relationships with stakeholders at local, national and international level, which contribute to its long-term success.

> The Group may develop long-term partnerships with some suppliers, while others are managed with a more short-term focus based on market competition.

CUSTOMERS

Most copper and molybdenum sales are made under annual contracts or longer-term framework agreements, with sales volumes agreed for the coming year.

The majority of sales are to industrial customers who refine or further process the copper – smelters in the case of copper concentrate production and copper fabricators in the case of cathode production. The Group's in-house marketing team seeks to build long-term relationships with these core customers, while maintaining relationships with trading companies that participate in shorter-term sales.

Approximately 75% of Group sales go to customers located in Asia. Metals sales pricing is generally based on prevailing market prices.

STRUCTURE OF THE GROUP'S SALES CONTRACTS

The Group's sales contracts typically set out the annual volumes to be supplied and the main terms for the sale of each payable metal, with the pricing of the contained copper in line with LME prices. In the case of concentrate, a deduction is made from LME prices to reflect TC/RCs – the smelting and refining costs necessary to process the concentrate into copper cathodes. These TC/RCs are typically determined annually and in line with terms negotiated across the concentrate market.

A significant proportion of the Group's copper cathode sales are made under annual contracts, priced in line with LME prices. In copper cathode transactions, a premium (or in some cases a discount) on the LME price is negotiated to reflect differences in quality, logistics and financing compared with the metal exchanges' standard copper contract specifications.

Similarly, the Group's molybdenum contracts are made under long-term framework agreements, with pricing usually based on Platts' average prices.

Across the industry neither copper producers nor consumers tend to make annual commitments for 100% of their respective production or needs. Therefore producers normally retain a portion to be sold on the spot market throughout the year.

The prices realised by the Group during a specific period will differ from the average market price for that period. This is because, in line with industry practice, sales agreements generally provide for provisional pricing at the time of shipment, with final pricing based on the average market price for the month in which settlement takes place.

For copper concentrate, sales remain open until settlement occurs, on average three to four months from the shipment date. Settlement for the gold and silver content in copper concentrate sales occurs approximately one month from shipment. Copper cathode sales remain open for an average of one month from shipment. Settlement for copper in concentrate sales is later than for copper cathode sales since further refinement of copper in concentrate is needed before sale. Molybdenum sales generally remain open for two or three months from shipment.

SUPPLIERS

Suppliers play a critical role in the Group's ability to operate, supplying a large range of products and services from sulphuric acid to haulage truck fleet maintenance.

More information on key inputs is included on pages 22 to 24

The Group currently conducts business with over 4,400 suppliers. This number will be notably reduced by the corporate supply department's strategy, covering all product and service categories. The Group has identified 300 categories across all mining operations and is negotiating with its suppliers on each of these. This strategic approach will allow the Group to extract greater benefits from its suppliers over a long period of time. For example, the Group may develop long-term partnerships with some suppliers, while others are managed with a more short-term focus based on market competition. The Group has an open-door policy that encourages suppliers to raise any issues or concerns. Suppliers are audited regularly to ensure compliance with the law and company standards, particularly concerning health and safety and the environment.

EMPLOYEES

The Group employs approximately 6,500 people, who work alongside approximately 20,000 contractors at its corporate offices, operations and projects. Mining is inherently risky. Ensuring the health and safety of every worker is an absolute priority: it is an ethical obligation and forms the core of the Group's strategic objectives.

Skilled workers remain in short supply throughout the mining sector in Chile, and the Group's efforts and initiatives over the last few years to secure and develop talent and bring young professionals into the industry have been notably successful.

Relationships with trade unions are based on mutual respect and transparency. This helps the Group retain workers and avoid labour disputes, contributing to the productivity and efficiency of its business. During the year the Group renewed the labour agreements at all of its mining operations for periods of up to four years, ensuring a further period of stability.

The Group undertakes an annual survey to assess employee satisfaction. Based on the results, action is taken to improve the work environment.

CONTRACTORS

The number of contractors working for Antofagasta varies according to business needs and the level of construction activity.

As at 31 December 2014, there were approximately 20,000 contractors working at the Group's operations and projects. This was some 5,000 higher than the same time last year, principally due to the Antucoya construction. Contractors are vitally important to mining operations and the Group aims to build long-term relationships with contractor companies based on the highest standards. Health and safety targets are included in performance contracts and compliance with safety, human rights and labour regulations is assessed by internal and external audits.

The minimum wage paid by Antofagasta Minerals to contractor employees is 70% higher than that required by Chilean law, and contractor staff have access to the same facilities as the Group's own employees at the mine camps.

Skilled workers remain in short supply throughout the mining sector in Chile, and the Group's efforts and initiatives over the last few years to secure and develop talent and bring young professionals into the industry have been notably successful.

> It is crucial to have strong relationships built on trust with local communities in the areas where the Group operates: it is not possible to run a mine successfully without their co-operation and agreement.

1:3

The ratio of employees to contractors across the Group.

LOCAL COMMUNITIES

It is crucial to have strong relationships built on trust with local communities in the areas where the Group operates: it is not possible to run a mine successfully without their co-operation and agreement.

Having clear social policies and regular contact with community members helps to manage potential conflicts and maintains the Group's social licence to operate. During 2014, Los Pelambres adopted a new approach to engagement with communities. The initiative is called "Somos Choapas" ("We are from Choapa", the region in which Los Pelambres is located).

More information on this is provided on page 57

OTHER LOCAL STAKEHOLDERS

Positive relationships with all local stakeholders near the Group's operations and projects are fundamental to the smooth operation of the business and its future growth.

All of the Group's operations appoint a manager to oversee relationships with external stakeholders such as the local authorities, local media and others.

GOVERNMENT AND PUBLIC AUTHORITIES

Political developments and changes to legislation or regulations can affect business, whether in Chile, the UK, or other countries where the Group has operations, development projects or exploration activities.

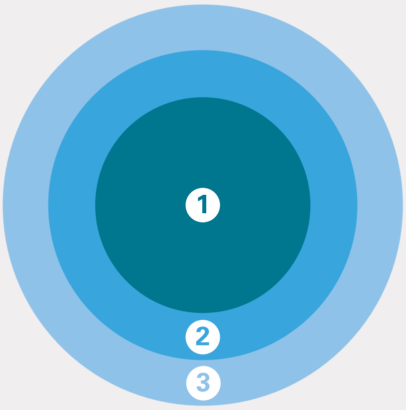
New and proposed legislation is monitored to enable the Group to anticipate, mitigate or reduce possible impacts, and to ensure it complies with all legal and regulatory obligations. The Group works with industry bodies to engage with governments on public policy, laws, regulations and procedures that may affect its business, including such issues as climate change and energy security.

The Group assesses political risk as part of its evaluation of potential projects, including the nature of foreign investment agreements already in place. It also monitors political, legal and regulatory developments affecting its operations and projects, and utilises internal and external legal expertise to ensure its rights are protected.

STRATEGY FOR THE MINING BUSINESS

MINING DIVISION BUSINESS STRATEGY

An international mining company based in Chile focused on copper and related by-products, recognised for operational efficiency, value creation and as a preferred partner in the global mining space.



1 The existing core business
The first pillar of the strategy for the mining division is to optimise and enhance its existing core business: Los Pelambres, Centinela and Michilla.

2 Organic and sustainable growth of the core business
The second pillar of the strategy is to achieve sustainable, organic growth from further developing the areas around the Group's existing asset base in Chile: Antucoya, Encuentro Oxides, Los Pelambres Incremental Expansion and Centinela Second Concentrator.

3 Growth beyond the core business
The third pillar of the strategy is to seek growth beyond the Group's existing operations – both in Chile and internationally. The primary focus is on potential early-stage developments: Twin Metals Minnesota.

1 The existing core business

CURRENT STRATEGIC FOCUS:

Deliver efficient and competitive performance at all of the Group's operations, through improvements in safety, production and costs

Further information on pages 38 to 43

2 Organic and sustainable growth of the core business

CURRENT STRATEGIC FOCUS:

Develop an attractive portfolio of assets in the Group's world-class mining districts in Chile: Los Pelambres and Centinela

Further information on pages 44 to 47

3 Growth beyond the core business

CURRENT STRATEGIC FOCUS:

Work to develop the long-term growth pipeline beyond the Los Pelambres and Centinela mining districts

Further information on pages 44 to 47

ACTIONS IN 2014

The Group had five fatalities during the year in three separate incidents, despite the development and strengthening of its integrated safety and occupational health awareness programme. This is unacceptable and the Group has redoubled its efforts, working with contractors and suppliers to ensure similar commitment throughout all operations

Copper production of 704,800 tonnes, ahead of guidance issued at the beginning of 2014

Group net cash costs for the full year 2014 of $1.43/lb, 1.4% better than guidance for the year

OBJECTIVES FOR 2015

Zero fatalities

Copper production of 710,000 tonnes, while reducing cash costs before by-product credits to $1.75/lb

Maintain and improve the Group's competitive position through the use of innovation, best practices and process optimisation

Complete mining activities at Michilla and focus on restoration works

ACTIONS AND ACHIEVEMENTS IN 2014

Progressed Antucoya project on time and on budget

Completed Encuentro Oxides feasibility study and started early works

Advanced Centinela Second Concentrator and Los Pelambres Incremental Expansion studies

Advanced expansion of Centinela concentrator to 105,000 tpd

OBJECTIVES FOR 2015

Start production at Antucoya in the second quarter

Start construction of the Centinela Molybdenum Plant

Start baseline study for the Los Pelambres Incremental Expansion's environmental impact assessment

Advance construction of the Encuentro Oxides project

Complete Centinela expansion project

Advance the Centinela Second Concentrator feasibility study and environmental impact assessment

ACTIONS AND ACHIEVEMENTS IN 2014

Near-mine and grassroots exploration activity increased the Group's resource inventory by 10% during the year

Continued international exploration programme with existing and new joint ventures partners

Implemented strategy to consolidate ownership of the Twin Metals Minnesota project

Mineral resources of 1.3 billion tonnes declared for Los Volcanes deposit

OBJECTIVES FOR 2015

Focus on further optimisations of the Twin Metals Minnesota project and advance the permitting process

Continue national and international grassroots exploration

Identify potential new growth opportunities in Chile and abroad

KEY PERFORMANCE INDICATORS

The Group uses KPIs to assess performance in terms of meeting its strategic and operational objectives.

Performance is measured against the following financial, operational and sustainability objectives:

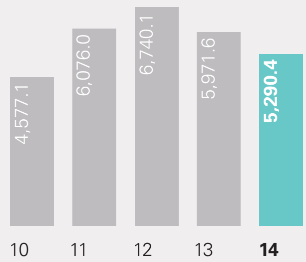
FINANCIAL KPIs

GROUP REVENUE

$5,290.4m

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

Performance in 2014
Revenue fell 11.4% in 2014 mainly due to lower realised copper prices, lower copper sales volumes and reduced gold by-product revenues.

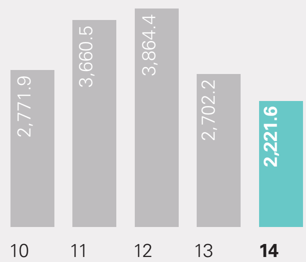


EBITDA

$2,221.6m

Why it is important
This is a measure of the Group's underlying profitability.

Performance in 2014
EBITDA fell 17.8% in 2014 as a result of lower revenue, partly offset by lower operating costs.

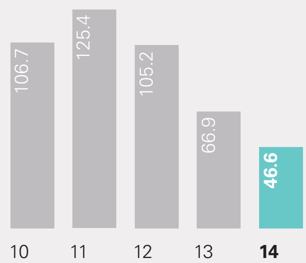


EARNINGS PER SHARE[1]

46.6 cents

Why it is important
This is a measure of the profit attributable to shareholders.

Performance in 2014
EPS was impacted by lower profitability as costs rose and realised prices fell.



An analysis of Financial KPIs is included within the Financial review on pages 61 to 66

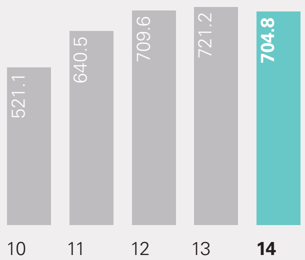
1 2014: Includes deferred tax charge as a result of Chilean tax reform (61.0 cents per share excluding deferred tax charge). 2012: Post exceptional items.

OPERATIONAL KPIs

COPPER PRODUCTION
704,800 tonnes

Why it is important
Copper is the Group's main product and its production is a key operational parameter.

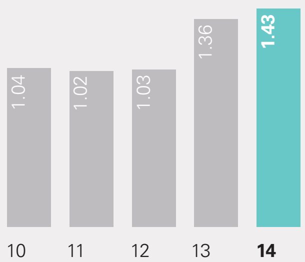
Performance in 2014
Copper production decreased by 2.3% in 2014 primarily due to lower grades at Los Pelambres.



NET CASH COSTS[2]
$1.43/lb

Why it is important
This is a key indicator of operational efficiency and profitability.

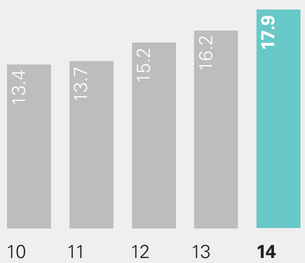
Performance in 2014
Net cash costs rose 5.1% primarily due to one-off signing bonuses paid following the conclusion of labour negotiations at all operations and lower gold production and realised gold prices at Centinela.



MINERAL RESOURCES[3]
17.9 billion tonnes

Why it is important
Expansion of the Group's mineral resources base has supported its strong organic growth pipeline.

Performance in 2014
The mineral resource base grew by 10.5%, reflecting the incorporation of additional resources at Los Volcanes.



An analysis of the Group's copper production and cash costs is included in the Operational review on pages 38 to 47 and within the Financial review on pages 61 to 66

Mineral resources – a review of the Group's exploration activities is set out in the Operational review on pages 38 to 47, and the ore reserves and mineral resources estimates, along with supporting explanations, are set out on pages 162 to 169

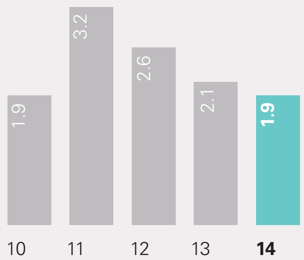
2 Cash costs are an industry measure of the cost of production.
3 Mineral resources relating to the Group's subsidiaries on a 100% basis.

SUSTAINABILITY KPIs

LOST TIME INJURY FREQUENCY RATE[4]
1.9

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

Performance in 2014
The LTIFR of the Group in 2014 was 1.9 accidents with lost time per million hours worked. Five fatalities reported in 2014 is not acceptable and the Group continues to target zero fatalities.

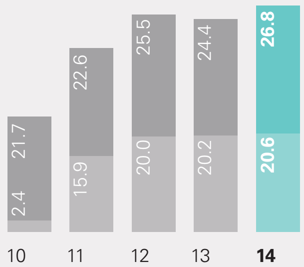


WATER CONSUMPTION[5]
47.4 million m^3

Why it is important
Water is a precious resource and the Group is focused on maximising efficient use and utilising the most sustainable sources as production grows.

Performance in 2014
Consumption of continental water increased at Los Pelambres during 2014.

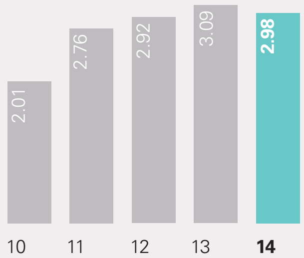
Continental
Sea



CARBON EMISSIONS[6]
2.98 tonnes

Why it is important
The Group recognises the risks and opportunities of climate change and the need to measure and mitigate its greenhouse gas ("GHG") emissions. The Group is investing in renewable energy projects both to address rising costs and as part of its approach to mitigate climate change.

Performance in 2014
Carbon emissions fell due to a lower emission factor at the central energy grid which supplies Los Pelambres.



Further information on health and safety, water consumption and carbon emissions is provided in the Sustainability section on pages 50 to 60

4 The Lost Time Injury Frequency Rate is the number of accidents with lost time during the year per million hours worked.
5 Water consumption relates to the mining division only.
6 Total CO_2 emissions per tonne of copper produced. Data relates to the mining division only.

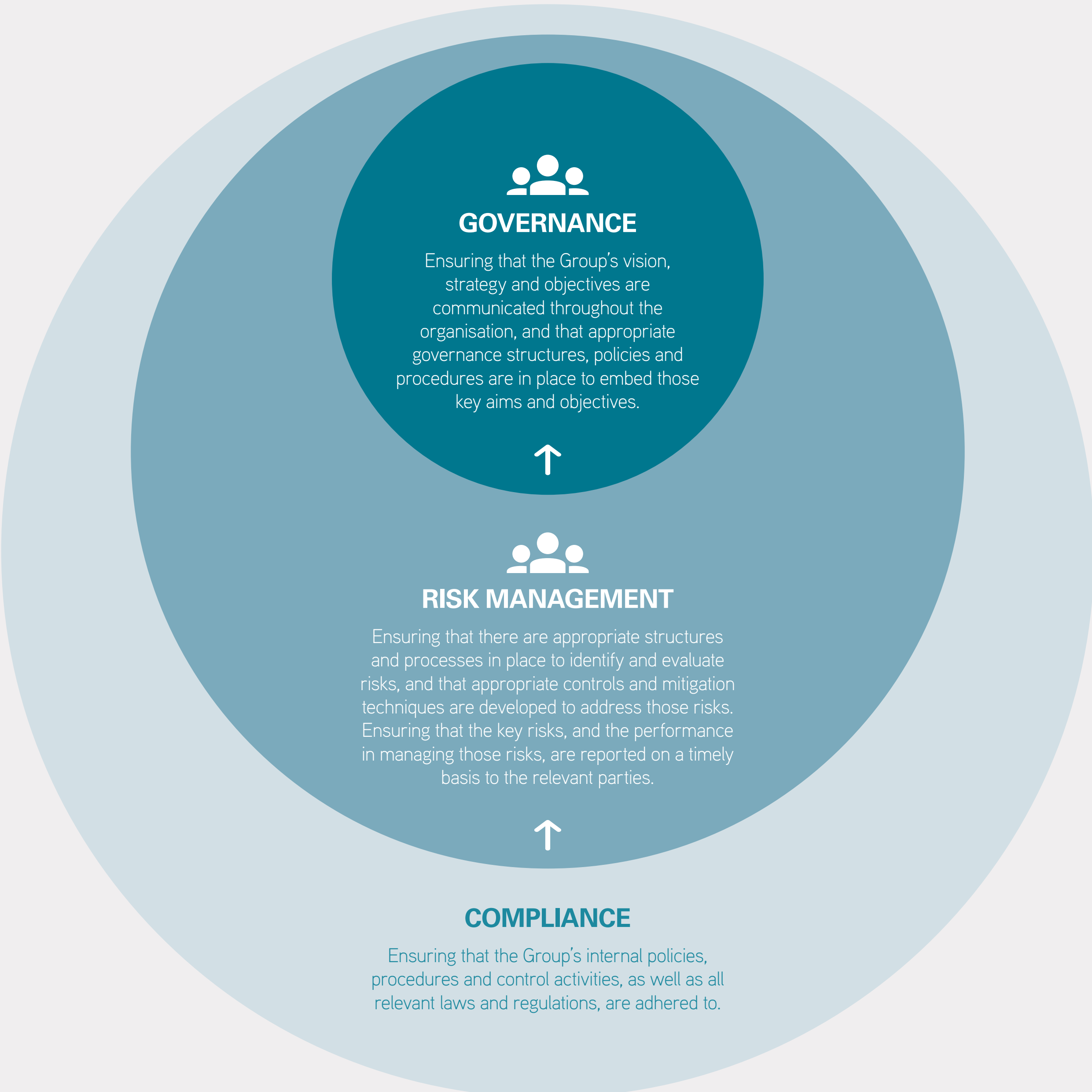
RISK MANAGEMENT

RISK MANAGEMENT FRAMEWORK

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

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

Risk management department:
- Provides guidelines, standards and best practice examples of risk management at the corporate and business unit levels
- Takes responsibility for risk management systems
- Maintains the Group's risk register
- Organises and promotes risk workshops
- Supervises the operations' risk registers
- Reviews effectiveness of mitigating actions
- Supports internal stakeholders in key strategic decisions



GOVERNANCE

The Board has responsibility for determining the nature and extent of the significant risks that the Group is willing to accept in order to achieve its strategic objectives, and for maintaining sound risk management and internal control systems. The Board receives detailed analysis of key matters for consideration in advance of Board meetings. This includes reports on the Group's operational performance, including health and safety, financial, environmental, legal and social matters, key developments in the Group's exploration and business development activities, information on the commodity markets, updates on talent management and analysis of financial investments. The regular provision of this information allows the timely identification of potential issues and the assessment of any necessary mitigating actions.

The Audit and Risk Committee assists the Board with its review of the effectiveness of the risk management process and the monitoring of key risks and mitigation procedures. The Chairman of the Audit and Risk Committee reports to the Board following each Committee meeting, allowing the Board to understand, and if necessary, further discuss the matters considered in detail by the Committee.

These processes allow the Board to monitor the Group's major risks and related mitigation procedures, and assess the acceptable level of risk that arises from the Group's operations and development activities. Risk management reports are sent quarterly to the Board.

The Code of Ethics sets out the Group's commitment to undertake business in a responsible and transparent manner. The Code requires honesty, integrity and responsibility from all employees and contractors, and includes guidelines for identifying and managing potential conflicts of interest. An Ethics Committee comprising members of senior management is responsible for implementing, developing and updating the code and monitoring compliance. The Code of Ethics and other compliance matters form an integral part of the induction programme for new employees.

Further information on the Board and Committees is given in the Governance section on pages 67 to 102

RISK MANAGEMENT AND COMPLIANCE

The Group's risk management department has responsibility for risk management systems across the Group. The department maintains the Group's risk register, which includes the strategic risks that represent the most significant threats to the Group's performance and achievement of its strategy, along with mitigation activities. The risk register is updated on a continuous basis and annual strategic risk workshops are held at which senior management from across the business comprehensively review the Group's key strategic risks and related mitigation activities. The risk management department reports quarterly to the Audit and Risk Committee on the overall risk management process, including a detailed update of the Group's key risks, mitigations and the key actions being taken.

The General Managers of each of the operations have overall responsibility for leading and supporting risk management. Risk Champions within each operation have direct responsibility for risk management processes in their operations and for the continuous update of individual business risk registers, including any relevant mitigation activities. Finally, the owners of the risks and controls at each business unit are identified, providing an effective and direct management of risk. As part of this process, risk workshops for each operation are held annually, in which the business unit's risks and mitigation activities are reviewed in detail to allow a thorough updating of these business risks. These workshops are used to assess and monitor key risks that may affect the business unit's relationships with its stakeholders, limit its resources, interrupt its operations and/or negatively affect its potential future growth. Mitigation techniques for the significant strategic and business unit risks are reviewed by the risk management department annually.

The Board regularly reviews the compliance of the Group with all relevant laws and regulations, internal policies, procedures and control activities.

The Vice President of Finance and Administration is responsible for setting, operating and monitoring the Crime Prevention Model, developed to ensure compliance with the anti-bribery and anti-corruption laws in the United Kingdom and in Chile.

As part of the Crime Prevention Model the following activities were undertaken during the year:

- all employees took e-learning courses on ethics, anti-corruption and anti-trust matters
- all reports made by whistleblowers were investigated
- due diligence was performed on all business partners
- new terms of reference for the Ethics Committee were approved
- the Code of Ethics and Crime Prevention Manual were updated
- the Crime Prevention Model was reviewed by an external third party

AREAS OF FOCUS DURING 2014 AND DEVELOPMENT OF KEY RISKS

During 2014, the focus was on implementing better risk management processes, which included the following measures:

- Achieving maturity level 4 (Managed) of the Capability Maturity Model (out of five levels). This focuses on developing the maturity of the Group's risk management processes as measured against internal targets
- Establishing best practices in risk management:
  - Implementing the International Council on Mining and Metals' ("ICMM") recommendations
  - Introducing a Disaster Recovery Plan and Business Continuity Plan
- Updating the Risk Management Methodology, incorporating new areas, such as a specific risk chapter for change management
- Improving key risks controls and executing actions to reduce their impact and/or probability
- Including compliance matters in the Group's training programme
- Following up agreed actions for materialised risks
- Enhancing procedures and processes for community, environment and legal risks
- Receiving certification for the third consecutive year of the Crime Prevention Model as required by Chilean law

Further information about the Group's risk management systems is given in the Governance section in pages 67 to 102 and in the Sustainability section on pages 50 to 60. Further detailed disclosure in respect of financial risks relevant to the Group are set out in Note 23 to the financial statements.

PRINCIPAL RISKS AND UNCERTAINTIES

SET OUT BELOW ARE THE GROUP'S PRINCIPAL RISKS AND RELATED MITIGATION TECHNIQUES

RISK	MITIGATION
COMMUNITY RELATIONS Failure to identify and manage local concerns and expectations can have a negative impact on the Group. Relations with local communities and stakeholders affect the Group's reputation and social licence to operate and grow.	The Group engages with local communities to establish and maintain relations based on trust and mutual benefit throughout the mining lifecycle, from exploration to final remediation. The Group seeks to identify any potentially negative operational impacts and minimise these through responsible behaviour. This means acting transparently and ethically, prioritising the health and safety of its workers and contractors, promoting dialogue and complying with commitments to stakeholders and establishing mechanisms to prevent or address a crisis. These steps are undertaken in the early stages of each project and continue throughout the life of each operation. The Group also contributes to the development of communities in the areas of influence in which it operates, particularly through human capital development – the education, training and employment of the local population. The Group endeavours to communicate clearly and transparently with local communities, in line with the established Community Relations Plan, including the use of a grievance management process, local perception surveys, local media and community engagement. Details of the Group's community relations activities are included in the Sustainability section on page 57
STRATEGIC RESOURCES Disruption to the supply of any of the Group's key strategic inputs such as electricity, water, fuel, sulphuric acid and mining equipment could have a negative impact on production. Longer term, any restrictions on the availability of key strategic resources such as water and electricity could affect the Group's opportunities for growth. A significant portion of the Group's input costs are influenced by external market factors.	Contingency plans are in place to address potential short-term disruptions to strategic resources. The Group commences early negotiations in supply contracts for key inputs to ensure supply continuity. Certain key supplies are purchased from several sources to mitigate potential disruption arising from exposure to a single supplier. Technological and innovative solutions, such as using sea water in the Group's mining operations, can help mitigate exposure to the potential lack of availability of scarce resources. Access to energy is a priority for the Group and during 2014 the Group secured several sources of non-traditional energy such as wind and solar power. Information on the Group's arrangements for the supply of key inputs are included within the Key inputs section on pages 22 to 24, and details of significant operational or cost factors related to key inputs are included within the Operational review on pages 38 to 49
OPERATIONAL Mining operations are subject to a number of circumstances not wholly within the Group's control. These include damage to or breakdown of equipment or infrastructure, unexpected geological variations or technical issues, extreme weather conditions and natural disasters, any of which could adversely affect production and/or costs.	The key risks relating to each operation are identified as part of the regular risk review process undertaken by the individual operations. This process also identifies appropriate mitigation techniques for such risks. Monthly reports to the Board provide a variance analysis of operational and financial performance, allowing potential key issues to be identified in a timely manner and any necessary actions, such as monitoring or control activities, to take place. During 2014, the Group implemented a Business Continuity Plan and Disaster Recovery Plan for all key processes within its operations in case of crisis or natural disaster. The Group has insurance to provide protection from some, but not all, of the costs that may arise from such events. Additionally, the Group has reinforced the corporate supply strategy, productivity innovation plan and geometallurgical standards and guidelines. Details of the operational performance of each of the Group's operations are included within the Operational review on pages 38 to 49
PROJECT MANAGEMENT Failure to effectively manage the Group's development projects could result in delays in the start of production and cost overruns. Demand for supplies, equipment and skilled personnel could affect capital and operating costs. Increasing regulatory and environmental requirements could result in delays in construction or increases in project costs.	The Group has a project management system consisting of standards, manuals and procedures containing the best practices applicable and enforceable in all phases of project development. The project management system supports the decision-making process by balancing risk versus benefit, increasing the likelihood of success and providing a common defining language and standards. All geometallurgical models are reviewed by independent experts. Additionally, during the project lifecycle, quality checks for each of the standards applied are carried out by a panel of experts from within the Group. This panel reviews the feasibility study in order to assess the technical and commercial viability of the project. Detailed progress reports on ongoing projects are regularly reviewed, including assessments of progress against the key project milestones and performance against budget. Details of the progress of the Group's projects are included within the Operational review on pages 44 to 47
POLITICAL, LEGAL AND REGULATORY The Group may be affected by political instability and regulatory developments in the countries in which it is operating, pursuing projects or conducting exploration activities. Issues regarding the granting of permits or amendments to permits already granted, and changes to the legal environment or regulations, could adversely affect the Group's operations and development projects.	The Group assesses political risk as part of its evaluation of potential projects, including the nature of any foreign investment agreements. Political, legal and regulatory developments affecting the Group's operations and projects are monitored closely on a continuous basis. The Group operates in full compliance with the existing laws, regulations, licences, permits and rights in each country in which it operates. The Group monitors proposed changes in government policies and regulations and participates in several associations that consult with the government on these changes. Details of any significant political, legal or regulatory issues that impact the Group's operations are included within the Operational review on pages 38 to 49

RISK	MITIGATION
HEALTH AND SAFETY Health and safety incidents could result in harm to the Group's employees, contractors or to local communities. Ensuring their safety and wellbeing is first and foremost an ethical obligation for the Group and is stated in the Charter of Values. Poor safety records or serious accidents could have a long-term impact on the Group's morale, reputation and production.	Health and safety risk management procedures are being strengthened, with particular focus on preventing fatalities and the early identification of risks. The corporate Health and Safety department provides a common strategy to the Group's operations and co-ordinates all health and safety matters. The Group is currently introducing a Significant Incident Report system as an important part of the Group's overall approach to safety. The Group's goal is for zero fatalities and to minimise the number of accidents. This goal requires all contractors to comply with the Group's Occupational Health and Safety Plan, which is monitored through monthly audits and supported by regular training and awareness campaigns for employees and contractors. The Plan is also being extended to employees' families and local communities, particularly with regard to road safety. Further information about the Group's activities in respect of health and safety is set out in the Sustainability section on pages 53 to 54
ENVIRONMENTAL MANAGEMENT An operational incident which impacts the environment could affect the Group's relationship with local stakeholders, its reputation and ultimately undermine its social licence to operate and to grow. The Group operates in challenging environments, including the Atacama desert where water scarcity is a key issue.	The Group has a comprehensive approach to incident prevention. Relevant risks have been assessed and are monitored and controlled. The Group's approach includes raising awareness among employees and providing training to promote operational excellence. Potential environmental impacts are key considerations when assessing project viability, including the integration of innovative technology in the project designed to mitigate these effects. The Group has pioneered the use of sea water for mining operations in Chile and strives to ensure maximum efficiency in water use, achieving high rates of reuse and recovery. Further information in respect of the Group's environmental activities is set out in the Sustainability section on pages 50 to 60
GROWTH OPPORTUNITIES The Group may fail to identify attractive acquisition opportunities or may select inappropriate targets. The long-term commodity price forecast and other assumptions used when assessing potential projects and other investment opportunities have a significant influence on the forecast return on investment and if incorrectly estimated could result in the wrong decisions being made.	The Group assesses a wide range of potential growth opportunities, both internal projects and external opportunities. A rigorous assessment process is followed to evaluate all potential business acquisitions, which are subjected to different stress test scenarios for sensitivity analysis and to determine the risks associated with the project or opportunity under assessment. The Group's Business Development Committee reviews potential growth opportunities and potential transactions, and approves or recommends them within authority levels set by the Board. The sensitivity of Group earnings to movements in commodity prices is set out in Note 23 to the financial statements. Details of the Group's growth opportunities are set out in the Operational review on pages 44 to 47
COMMODITY PRICES The Group's results are heavily dependent on commodity prices – principally copper and, to a lesser extent, gold and molybdenum. The prices of these commodities are strongly influenced by a variety of external factors, including world economic growth, inventory balances, industry demand and supply, possible substitution, etc.	The Group considers exposure to commodity price fluctuations to be an integral part of the Group's business and its usual policy is to sell its products at prevailing market prices. The Group monitors the commodity markets closely to determine the effect of price fluctuations on earnings, capital expenditure and cash flows. Very occasionally the Group uses derivative instruments to manage its exposure to commodity price fluctuations when it feels it to be appropriate. The Group runs its business plans through various different commodity price scenarios and develops contingency plans as required. Details of hedging arrangements put in place by the Group are included in Note 23 to the financial statements
FOREIGN CURRENCY EXCHANGE The Group's sales are mainly denominated in US dollars and some of the Group's operating costs are in Chilean pesos. The strengthening of the Chilean peso may negatively affect the Group's financial results.	As copper exports account for over 50% of Chile's exports, there is a correlation between the copper price and the US dollar/Chilean peso exchange rate. This natural hedge partly mitigates the Group's foreign exchange exposure. However, the Group closely monitors the foreign exchange markets and the macroeconomic variables that affect it and on occasion maintains a focused currency hedging programme to reduce short-term exposure to fluctuations in the US dollar against the Chilean peso. Details of the Group's currency hedging arrangements are shown in Note 23 to the financial statements

RISK	MITIGATION
IDENTIFICATION OF NEW MINERAL RESOURCES The Group needs to identify new mineral resources to ensure continued future growth. The Group seeks to identify new mineral resources through exploration and acquisition. There is a risk that exploration activities may not identify sufficient viable mineral resources.	The Group conducts exploration programmes both in Chile and other countries. The Group has entered into early-stage exploration agreements and strategic alliances with third parties in a number of countries and has also acquired equity interests in companies with known geological potential. The Group focuses its exploration activities on stable and secure countries to reduce country risk exposure. A review of the Group's exploration activities is set out in the Operational review on page 47
ORE RESERVES AND MINERAL RESOURCES ESTIMATES The Group's ore reserves and mineral resources estimates are subject to a number of assumptions and estimates, including geological, metallurgical and technical factors, future commodity prices and production costs. Fluctuations in these variables may result in some reserves or resources being deemed uneconomic, which could lead to a reduction in reserves and/or resources.	The Group's reserves and resources estimates are updated annually to reflect material extracted during the year, the results of drilling programmes and any revised assumptions. The Group follows the Joint Ore Reserves Committee ("JORC") Code in reporting its ore reserves and mineral resources, which requires that the reserves and resources estimates are based on work undertaken by a Competent Person, as defined by the Code. In addition, the Group's reserves and resources estimates are subject to a comprehensive programme of internal and external audits. The ore reserves and mineral resources estimates, along with supporting explanations, are set out on pages 162 to 169
TALENT MANAGEMENT AND LABOUR RELATIONS The Group's highly skilled workforce and experienced management team are critical to maintaining current operations, implementing development projects, achieving long-term growth and preserving current operations without major disruption. Managing talent and maintaining a high quality labour force is a key priority for the Group and any failures in this respect could have a negative impact on the performance of the existing operations and future growth.	There are long-term labour agreements in place with employees at each of the Group's mining operations, which help to ensure labour stability. These agreements were renegotiated for a period of up to four years for all of the Group's operations in 2014. The Group seeks to identify and address labour issues that may arise throughout the period covered by existing labour agreements, to anticipate any potential issues in good time. Contractors are also an important part of the Group's workforce and under Chilean law are subject to the same duties and responsibilities as the Group's own employees. The Group's approach is to treat contractors as strategic associates and its goal is to build long-term mutually beneficial contractor relationships. The Group maintains constructive relationships with its employees and the unions that represent them through regular communication and consultation. Union representatives are regularly involved in discussions about the future of the workforce. The Group develops the talents of its employees through training and development, invests in initiatives to widen the talent pool and focuses on maintaining good relationships with employees, unions and contractors. The Group's performance management system is designed to provide reward and remuneration structures and personal development opportunities to attract and retain key employees. The Group has in place a talent management system to identify and develop internal candidates for critical management positions, as well as processes to identify suitable external candidates where appropriate. Details of the Group's relations with its employees and contractors are set out within the Sustainability section on page 55 and within the Operational review on pages 38 to 49

OPERATIONAL REVIEW
MINING DIVISION

The Group's existing operations are located in the Antofagasta Region of northern Chile, except for the flagship operation, Los Pelambres, which is in the Coquimbo Region of central Chile.

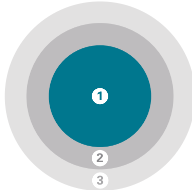
704,800

Tonnes of copper produced in 2014.

$1.43/lb

Net cash costs in 2014.

THE EXISTING **CORE BUSINESS**



LOS PELAMBRES

60% owned

Los Pelambres is a sulphide deposit 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.

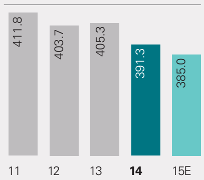
MINE LIFECYCLE POSITION

2014 PRODUCTION

COPPER	MOLYBDENUM	GOLD
Tonnes (2013: 405,300)	Tonnes (2013: 9,000)	Ounces (2013: 56,700)
(3.5)%	(12.2)%	17.3%
391,300	7,900	66,500

COPPER PRODUCTION

'000 tonnes

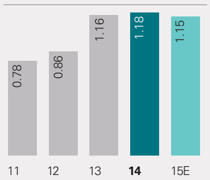


2014 FINANCIALS

NET CASH COSTS	OPERATING PROFIT
(2013: $1.16/lb)	(2013: $1,635.3m)
1.7%	(18.2)%
$1.18/lb	$1,337.8m

NET CASH COSTS

$/lb



2015 FORECAST

COPPER	MOLYBDENUM	GOLD	NET CASH COSTS
Tonnes	Tonnes	Ounces	$/lb
385,000	8,000	55,000	1.15

2014 PERFORMANCE

OPERATING PROFIT

Operating profit at Los Pelambres was $1,337.8 million in 2014, compared with $1,635.3 million in 2013, reflecting lower realised prices. Realised copper prices fell to $2.95/lb from $3.25/lb, significantly impacting operating profits, and cash costs increased slightly, as detailed below.

PRODUCTION

Copper production was 391,300 tonnes in 2014, which slightly exceeded the original forecast for the year, but was below 2013 production of 405,300 tonnes. The decrease in production was due to lower ore grades (2.8% lower than in 2013) and lower recoveries.

Molybdenum production decreased by 12.2% to 7,900 tonnes in 2014 compared with production of 9,000 tonnes in 2013. This was mainly due to mining a lower grade molybdenum phase of the pit, partially offset by improved recoveries. Gold production was 17.3% higher in 2014 at 66,500 ounces, compared with 56,700 ounces in 2013.

CASH COSTS

Cash costs before by-product credits in 2014 were slightly higher than 2013 at $1.56/lb. In 2014, the Group signed a new four-year employment contract with the unions at Los Pelambres. These contracts typically involve a one-off signing bonus, a loan and agreed real salary increases for the duration of the contract. The signing bonus and loan impacted cash costs by $0.03/lb. Offsetting this were lower cash costs as energy costs as spot prices averaged lower than in 2013 and Pelambres benefited from the start of the provision of lower cost power from the El Arrayán wind farm. Net cash costs increased 1.7% to $1.18/lb.

Total capital expenditure in 2014 was $229.6 million, which included continued works on new mine infrastructure, including the workshop, and the El Mauro tailings dam facilities. Capital expenditure is expected to be approximately $210 million in 2015, reflecting sustaining investments in line with 2014 and feasibility study costs relating to the incremental expansion.

More details on this project can be found on page 45

LEGAL UPDATE – EL MAURO TAILINGS DAM

The El Mauro tailings dam began operating in 2008. Since then there have been a series of civil claims filed by some members of the Caimanes community seeking to stop the operation of the dam. Two of these claims are ongoing and allege that the dam interferes with the rights of the Caimanes community on the grounds that it affects the flow and quality of the Pupio stream and that the tailings dam wall would not withstand extreme seismic events. These claims have been through various courts and stages of appeal, but Los Pelambres has always complied with all applicable laws, regulations and controls and successfully defended its right to continue operating the dam.

In October 2014, the Supreme Court, by split decision, upheld an appeal filed by a section of the Caimanes community, and ordered Los Pelambres to submit a plan of works to ensure the operation of the tailings dam does not affect the normal flow and quality of the Pupio stream. In November 2014, Los Pelambres submitted this plan to the Civil Court in Los Vilos. On 9 March 2015 that Court found that the plan was not sufficient to address the requirements of the Supreme Court order, and as a consequence Los Pelambres must demolish part, or all, of the tailings dam wall. Los Pelambres considers the ruling of the Civil Court of Los Vilos to be flawed, has appealed the Court's decision and is considering the exercise of all available legal measures that may be required to overturn this decision and address its potential consequences.

Additional details of these claims are set out in Note 35 to the financial statements

POWER PURCHASE AGREEMENTS ("PPAs")

In July the El Arrayán wind farm, in which the Group has a 30% interest, started supplying Los Pelambres with power under a 20-year PPA at an average of 40MW, approximately 20% of the mine's total energy requirement.

During 2014, Los Pelambres also signed long-term PPAs with two solar power providers for a total of 50MW of power that will start in 2015 and 2016.

These PPAs will provide power at significantly lower cost than Los Pelambres has been paying in the spot market over the last two years and, together with other PPAs, will reduce the variability and cost of Los Pelambres' power requirement over the coming years.

For more information on these PPAs, please see page 47

OUTLOOK

PRODUCTION

The forecast production for 2015 is approximately 385,000 tonnes of payable copper, compared with 391,300 tonnes in 2014. This decrease is mainly due to lower plant throughput as a result of increased hardness of the ore. The forecast for 2015 molybdenum production is approximately 8,000 tonnes, similar to 2014 volumes. Gold production is forecast to be 55,000 ounces, a decrease of 11,500 ounces as a result of lower grades and recoveries. Local protests in March 2015 have reduced expected copper production at Los Pelambres by some 8,000 tonnes of copper. These protests, along with the adverse ruling from the Civil Court of Los Vilos, mean that there is some inherent uncertainty as to the potential impact on Los Pelambres' 2015 production levels.

CASH COSTS

Cash costs before by-products for 2015 are forecast to be approximately $1.50/lb, lower than 2014 levels, and net cash costs are forecast at approximately $1.15/lb, assuming a molybdenum price of $9.50/lb and a gold price of $1,300/oz. As noted above, local protests have disrupted production. These protests, along with the adverse ruling from the Civil Court of Los Vilos, mean that there is some inherent uncertainty as to the potential impact on Los Pelambres' 2015 cash costs. Energy prices remain a key input cost for Los Pelambres and are dependent, in part, on the level of precipitation in the region, where much of the power is generated by hydroelectric schemes. However, following the commissioning of the El Arrayán wind farm in 2014 and one of the solar plants in 2015, and the start in 2015 of a 50MW PPA signed with a coal-fired power generator in 2013, some 55% of the mine's power will be under long-term agreements by the end of the year.

More information on El Arrayán is set out in Energy opportunities on page 47

INNOVATIVE SUSTAINABILITY

Further information on pages 50 to 60

CENTINELA

70% owned

Centinela was formed during the year from the merger of the Esperanza and El Tesoro mines. Centinela is located in Chile's Antofagasta Region, 1,350 km north of Santiago, in an important mining region with sulphide and oxide deposits.

It produces copper concentrate (containing gold and silver) through a milling and flotation process and copper cathodes using a solvent-extraction electrowinning process ("SX-EW").

MINE LIFECYCLE POSITION

2014 PRODUCTION

COPPER IN CONCENTRATE
Tonnes (2013: 174,900)

(1.2)%

172,800

COPPER CATHODE
Tonnes (2013: 102,600)

(8.6)%

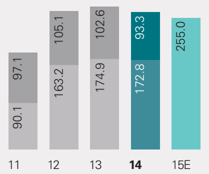
93,800

GOLD
Ounces (2013: 237,100)

(13.8)%

204,400

PRODUCTION
Copper in concentrate | Copper cathode
'000 tonnes



2014 FINANCIALS

NET CASH COSTS – COPPER IN CONCENTRATE
(2013: $1.43/lb)

7.7%

$1.54/lb

CASH COSTS – COPPER CATHODE
(2013: $1.36/lb)

31.6%

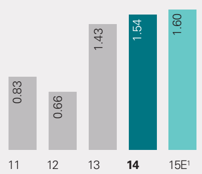
$1.79/lb

OPERATING PROFIT
(2013: $845.0m)

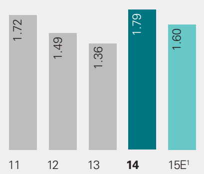
(45.0)%

$464.4m

NET CASH COSTS – COPPER IN CONCENTRATE
$/lb



CASH COSTS – COPPER CATHODE
$/lb



2015 FORECAST[1]

COPPER
Tonnes

255,000

GOLD
Ounces

195,000

NET CASH COSTS
$/lb

1.60

1 Following the merger of Esperanza and El Tesoro, production and cash costs will be reported on a combined basis from 2015 onwards

CENTINELA MERGER

In June 2014, the Group announced the merger of the Esperanza and El Tesoro mines into a single operating company, Minera Centinela. This merger was completed in November 2014 and the Group is now in the process of integrating activities at the two operations.

The merger provides a greater focus for the Group's activities in the Centinela Mining District and creates value through operational and other synergies. These synergies come from the sharing of operational overheads, integration of mine plans, operating a single mining fleet, sharing of mining properties and facilities such as waste ore dumps, economies of scale from tendering larger contracts, and combining the management teams. The merger opens up potential opportunities and synergies through future development of other deposits in the Centinela Mining District, most immediately the Encuentro Oxides project.

For more information on these projects, please see pages 44 to 46

2014 PERFORMANCE

OPERATING PROFIT

The operating profit at Centinela in 2014 was $464.4 million, compared with $845.0 million in 2013, reflecting higher net cash costs and lower realised copper prices, partly offset by increased sales volumes of concentrates. The realised copper price fell from $3.28/lb in 2013 to $3.00/lb in 2014, as did the realised gold price, which fell from $1,358/oz in 2013 to $1,261/oz in 2014.

PRODUCTION

Copper production decreased by 3.9% to 266,600 tonnes in 2014 compared with 2013, due mainly to lower cathode production.

Copper in concentrate production in 2014 was 172,800 tonnes, a 1.2% decrease compared with 2013, reflecting a decrease in throughput, partially offset by higher grades and recoveries. Gold production in 2014 was 204,400 ounces compared with 237,100 ounces in 2013, due to lower grades and recoveries and slightly decreased throughput.

Copper cathode production was 93,800 tonnes compared with the 102,600 tonnes produced in 2013. This was primarily due to lower copper grades and recoveries following the completion of mining activities at the higher-grade Mirador pit in 2013, partially offset by higher throughput. The average ore grade decreased to 1.31% in 2014 from 1.52% in 2013. Throughput at the plant from the heap-leach operation averaged 25,200 tonnes per day in 2014, compared with 21,300 tonnes per day in 2013.

CASH COSTS

Cash costs before by-product credits for copper in concentrate in 2014 fell to $2.29/lb compared with $2.36/lb in 2013. This decrease was due to the weakening of the peso and lower input costs, partially offset by the one-off signing bonus paid during the year following the successful completion of a new four-year agreement with the union in the second quarter of 2014. Net cash costs rose to $1.54/lb in 2014, compared with $1.43/lb in 2013, primarily due to a $0.18/lb drop in by-product credits due to lower gold production and the 7.1% fall in realised gold prices.

Copper cathode cash costs increased from $1.36/lb in 2013 to $1.79/lb in 2014, primarily reflecting the increase in costs following the closure of the higher-grade Mirador ore in 2013, and the one-off bonus payment.

Capital expenditure in 2014 was $535.6 million, including approximately $330 million in respect of optimisation and development projects. Total capital expenditure in 2015 is expected to be approximately $680 million, including $380 million related to the construction of the Encuentro Oxides and Molybdenum Plant projects.

More information on these projects can be found on pages 44 to 46

OUTLOOK

PRODUCTION

The forecast for 2015 is for production of approximately 255,000 tonnes of payable copper and 195,000 ounces of gold. This forecast is based on an increase in throughput at the concentrator plant, as the benefits of the optimisation and expansion will be seen progressively from mid-2015. This will be offset by a decrease in cathode production compared with 2014, as grades decline at the pits being mined, and this decline will continue until the Encuentro Oxides project starts production in 2016.

CASH COSTS

Cash costs before by-products for 2015 are forecast to be approximately $2.10/lb compared with $2.12/lb in 2014. Net cash costs are forecast at approximately $1.60/lb, assuming a gold price of $1,300/oz. Net cash costs are sensitive to the gold price, with each $100/oz movement in the realised gold price having a $0.03/lb impact on net cash costs in 2015.

A feasibility study was approved in the first quarter of 2015 for the construction of a separate molybdenum plant that would produce approximately 3,500 tonnes per year of molybdenum over the remaining life of the mine. Production should commence in 2016.

INNOVATIVE SUSTAINABILITY

Further information on pages 50 to 60

MICHILLA

99% owned

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 SX-EW process. The ore that is processed at the Michilla plant comes from a variety of sources: underground and open pit mines operated by Michilla, and from other underground operations owned by Michilla and leased to third-party operators.

MINE LIFECYCLE POSITION

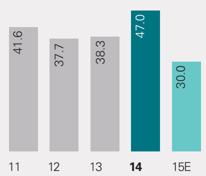
2014 PRODUCTION

COPPER
Tonnes (2013: 38,300)

22.7%

47,000

PRODUCTION
'000 tonnes



2014 FINANCIALS

CASH COSTS
(2013: $3.22/lb)

(26.1)%

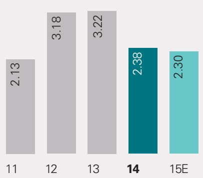
$2.38/lb

OPERATING PROFIT/(LOSS)
(2013: $(43.1)m)

32.7%

$(29.0)m

CASH COSTS
$/lb



2015 FORECAST

COPPER
Tonnes

30,000

CASH COSTS
$/lb

2.30

2014 PERFORMANCE

OPERATING PROFIT

Michilla had an operating loss of $29.0 million in 2014, compared to an operating loss of $43.1 million in 2013. 2014 was the last full year of production at Michilla with the mine closing at the end of 2015. Michilla's realised copper price of $3.30/lb was significantly higher than that of the other operations due to hedging instruments covering approximately 80% of production in 2014.

Further details of the effects of commodity hedging are given in Note 23 to the financial statements

PRODUCTION

Total production in 2014 was 47,000 tonnes of copper cathodes, an increase of 22.7% on the 2013 production of 38,300 tonnes as a result of mining higher-grade areas of the Lince pit.

CASH COSTS

Cash costs decreased significantly to $2.38/lb in 2014 compared with $3.22/lb in 2013. This decrease is due to the completion of the stripping programme in 2013 and higher than expected grades at the Lince open pit, together with the weaker peso, which reduced costs in US dollar terms.

Capital expenditure for the year was $11.1 million in 2014 compared with $17.2 million in 2013.

OUTLOOK

Cathode production in 2015 is forecast to be approximately 30,000 tonnes.

The forecast cash costs for 2015 are approximately $2.30/lb, slightly higher than in 2014 reflecting the ramp-down of the mine in anticipation of its closure at the end of the year.

The decision has been made to close the mine at the end of 2015, but the Group is conducting a sale process during the year to ascertain whether any parties are interested in acquiring the operation to try to extend its life beyond the closure date.

Michilla has been in operation since 1959 and the Group acquired its original interest in the company in 1983.

INNOVATIVE SUSTAINABILITY

Further information on pages 50 to 60

GROWTH PROJECTS AND OPPORTUNITIES

The Group seeks growth in Chile and abroad through the development of projects and other potential opportunities. Brownfield development within the Group's Los Pelambres and Centinela mining districts in Chile remain the primary focus to maximise value, with new opportunities further afield also being considered.

The Group has a portfolio of longer-term growth options. These are currently being evaluated in pre-feasibility and feasibility studies. Given the early-stage nature of some of these projects, their potential and timing is inherently uncertain and so the following outline is only intended to provide a high-level indication of potential opportunities.

The Group's exploration and evaluation expenditure decreased by 39.1% to $167.5 million in 2014 compared with $274.9 million in 2013. The 2015 full-year forecast expenditure in relation to exploration and evaluation activities is approximately $115 million. The decrease in the exploration and evaluation expense reflects a tighter focus on high-potential activities in a period of lower copper prices and lower expenditure on pre-feasibility studies, especially at Twin Metals.

PROJECTS UNDER CONSTRUCTION

2 ANTUCOYA

Antucoya is an oxide deposit approximately 45 km east of Michilla, in Chile's Antofagasta Region. The Group has a 70% economic interest in the project.

Construction of the project was resumed in early 2013 and currently the project is on schedule and on budget with 99.1% total project progress (design, procurement and physical progress) and 98.3% construction progress as of 31 December 2014. Construction is expected to finish in the first half of 2015, with ramp-up to full production capacity of 85,000 tonnes per year of copper cathodes by 2016. Cash costs are expected to be approximately $1.80/lb for the first five years of full production and $2.10/lb in 2015. The mine plan includes proved and probable ore reserves of 681.6 million tonnes of 0.34% copper (using a cut-off grade of 0.20%) over the 20-year mine life.

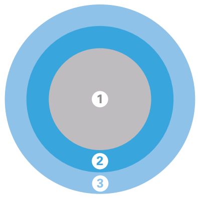
Total construction costs for the project are expected to be $1.9 billion, of which $1.6 billion has been incurred up to 31 December 2014.

BROWNFIELD GROWTH PROJECTS

The Group has always recognised the importance of capital cost control and optimising production from existing operations. The Group manages this by constantly monitoring the efficiency of mines, plants and transport infrastructure. Where possible, it conducts debottlenecking and incremental plant expansions to improve efficiency.

2 CENTINELA

During 2014, work continued on optimising Centinela's concentrator plant to bring the level of throughput to the original design capacity of 97,000 tonnes per day and later to 105,000 tonnes per day. The first stage includes the installation of two tailings thickeners, crushing equipment and flotation cells, and is due to be completed in the first half of 2015. The second stage, carried out simultaneously, involves the installation of a sixth tailings thickener at the plant as well as further mining equipment to support additional activities. Throughput of 105,000 tonnes per day should be achieved in late 2015.



2 LOS PELAMBRES INCREMENTAL EXPANSION

The feasibility study examining the options for an incremental expansion of Los Pelambres continued during 2014. As part of the project development, an EIA must be produced before the necessary permits are issued by the various authorities and construction can commence. As part of the EIA, an environmental baseline study first needs to be completed, which requires at least 12 months of data. This is under way and the EIA will be submitted in 2016. The study focuses on the project's environmental and social enablers and a dedicated team has been engaged to carry out this work. The completion of the feasibility study has been postponed until the EIA has been approved as the outcome of the EIA may impact the content of the feasibility study.

Capital expenditure for the expansion project, which will increase throughput to 205,000 tonnes per day, was estimated in the pre-feasibility study as approximately $1.2 billion and the feasibility study work to date confirms this amount. This estimate includes the purchase of additional mining equipment and the construction of a new grinding circuit and flotation plant. The capacity of the expansion is constrained by the increased proportion of harder ore in the mill feed, which reduces the rate of throughput, and the maximum capacity of the conveyor that transports ore from the pit to the concentrator plant. Average copper production will increase by 90-95,000 tonnes, with a net increase in average production of approximately 40-45,000 tonnes of copper per year, over the production that would have been achieved if there had been no increase in the hardness of the ore.

2 ENCUENTRO OXIDES

The Encuentro Oxides deposit is located within the Centinela Mining District. It is expected to produce an average of approximately 40,000 tonnes of copper cathode per year, averaged over an eight-year period, utilising the existing capacity at Centinela's SX-EW plant. This will enable the plant to continue to produce at full capacity of 100,000 tonnes per annum for a number of years from 2016, thereby helping to offset a decline in production that would otherwise occur due to falling mined grades at the existing oxide pits at Centinela.

The project entails the installation of new crushing and heap-leach facilities at the Encuentro Oxides deposit, a pipeline to take the leach solution to the existing SX-EW plant for processing some 15 km away, and the extension of the sea water pipeline from Centinela to Encuentro. The higher-grade ore will be crushed and sent to the new heap-leach facilities, while lower-grade ore will be processed later on a Run-of-Mine ("ROM") leach pad.

This deposit is geologically important for the Group's long-term development plan, as Encuentro Oxides sits on top of the large Encuentro Sulphide deposit. The Encuentro Oxides project will therefore act as a funded pre-strip for the sulphides below, opening it up for development as part of the Centinela Second Concentrator project (see below).

During 2014, the Board approved early works relating to pre-stripping and camp construction. The feasibility study was completed in November 2014 and full-scale construction started in early 2015. First production is expected in the second half of 2016.

The pre-feasibility study capital cost estimate of $756 million assumed that Centinela would build a spur from its sea water pipeline to Encuentro Oxides and sell the water to the project. This assumption was changed during the feasibility study and the spur will now be funded as part of the project, increasing the capital cost by $36 million to $792 million. Other changes in the feasibility study, including new foreign exchange assumptions, a lower mining cost for pre-stripping, lower contingencies, various optimisations of the project and the inclusion of several items that were omitted from the original study, resulted in a final estimate for capital expenditure of $636 million, some $156 million less than the adjusted pre-feasibility study estimate.

GREENFIELD GROWTH

2 CENTINELA SECOND CONCENTRATOR

The Group continues to evaluate the options for the development of the Centinela Mining District, a key area for the Group's longer-term growth opportunities. Following the merger of Esperanza and El Tesoro, the Group's development of the district, which includes the construction of a second concentrator, will now be carried out as part of the integrated Minera Centinela.

The second concentrator plant will be built some 7 km from Centinela's current concentrator. It is expected to have a daily ore throughput of approximately 90,000 tonnes per day, with annual copper and gold production of approximately 140,000 tonnes and 150,000 ounces respectively. It is currently planned that ore will first be sourced from the Esperanza Sur deposit and, once mining at Encuentro Oxides is completed, then ore will be sourced from Encuentro Sulphides.

The pre-feasibility study will be completed in mid-2015 and work will commence in parallel on the Environmental Impact Assessment and the feasibility study, with both scheduled for completion by the end of 2016. First production could start in 2019 and capital expenditure is estimated at $2.7 billion.

The project team is continuing to review options for reducing the capital cost of the project, including the use of existing infrastructure (power lines, pipelines, concentrate shipping and other facilities) as well as using a larger owner's team, as opposed to an EPCM contractor, together with other capital cost-saving initiatives.

The Group continues to evaluate other opportunities in the Centinela Mining District. Currently work is being carried out on the Polo Sur deposit, which has a resource of 1.3 billion tonnes at 0.35% copper (including 122.8 million tonnes of copper oxides at 0.40% copper, as well as some additional leachable supergene sulphides) with gold and molybdenum by-products. This oxide deposit is situated approximately 35 km from Centinela and may act as an additional source of feed for its SX-EW plant in the future.

Following the completion of the second concentrator in 2019, there is further scope to increase the plant capacity and the Group is evaluating the possibility of a further expansion. This could bring throughput capacity to approximately 150,000 tonnes per day and could increase annual production to approximately 200,000 tonnes of copper and 170,000 ounces of gold. No date has been set for when to commence a feasibility study on this expansion.

2 LOS PELAMBRES

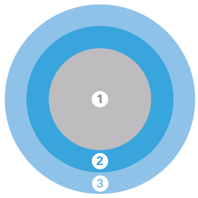
Given the size of the resource, which at 6.2 billion tonnes is more than three times the quantity of processed ore expected under the existing mine plan, there is significant scope to increase the plant capacity beyond the 205,000 tonnes per day planned for the incremental expansion project. Such an expansion will require extensive permitting and the support of the local communities and currently no significant evaluation work is planned.

3 UNITED STATES – TWIN METALS MINNESOTA

Twin Metals Minnesota LLC ("Twin Metals") is a copper, nickel and platinum group metals ("PGM") underground-mining project which holds the Maturi, Maturi Southwest, Birch Lake and Spruce Road copper-nickel-PGM deposits located in north-eastern Minnesota, USA.

In November 2014 the Group entered into an agreement to acquire all of the issued and outstanding shares of its project partner Duluth Metals Limited ("Duluth"), bringing Antofagasta's ownership in the project to 100%.

The acquisition was completed in early 2015 and following the change of control the Group will evaluate further optimisations on the pre-feasibility study that was completed in 2014 while advancing the permitting process.



3 OTHER EXPLORATION AND EVALUATION ACTIVITIES

The Group has an active early-stage exploration programme beyond the existing core locations of the Centinela and Los Pelambres mining districts. Exploration is conducted through its in-house exploration team and through partnerships with third parties to build a portfolio of longer-term opportunities across Chile and the rest of the world.

CHILE

The Group continues exploration activities to identify prospective targets on the main porphyry copper belts in Chile, focusing on the northern and central regions.

During the year, 1.3 billion tonnes of mineral inventory relating to the Los Volcanes project was upgraded to mineral resource, demonstrating the Group's ability to continually expand and develop its resource base. Exploration work continues at the Conchi, Brujulina Sur and Cerro Las Papas Sur deposits as well as in areas nearby.

The Group has land holdings throughout Chile and in some instances conducts exploration under agreements with the landowners or the state.

INTERNATIONAL

The Group has a portfolio of early-stage exploration interests held through a number of strategic alliances, joint ventures and earn-in agreements with companies focused on exploration in their respective regions. During 2014 the Group entered into new agreements with companies in Canada, Australia, Zambia, Mauritania, Finland and Argentina and terminated agreements in Australia, Canada, Mexico and the US.

The Group's strategy is to partner with experienced junior exploration companies, funding their exploration programmes and benefiting from their local knowledge and expertise.

3 ENERGY OPPORTUNITIES

Over the last few years the Group has acquired a series of interests in energy generators and projects as part of its strategy to support the power supply requirements of the mining operations. The strategy has a particular focus on renewable energy generation, supporting the Group's broader aim of increasing the sustainability of its operations.

Further information regarding the Chilean energy market is included in the Key inputs section on pages 22 to 24

ENERGÍA ANDINA

Energía Andina S.A. ("Energía Andina") is a geothermal energy joint venture with Origin Energy Limited of Australia. During 2014 Energía Andina took an option to invest in the Javiera solar project that will supply Los Pelambres with power and as part of this transaction the Group reduced its interest in Energía Andina to 50%. To date, exploration has demonstrated the existence of an active geothermal system at the Tinguiririca project near Santiago, but no further exploration is planned for the foreseeable future.

For further information on Los Pelambres' energy supply, please see page 40

EL ARRAYÁN

Antofagasta has a 30% interest in Parque Eólico El Arrayán SpA ("El Arrayán"), which in June 2014 commissioned the largest wind farm in Chile, about 400 km north of Santiago. The plant now supplies 40MW of power to Los Pelambres, accounting for approximately 20% of its total power requirement, under a 20-year supply contract. Prices are favourable compared with the current spot price.

INVERSIONES HORNITOS

Ferrocarril de Antofagasta a Bolivia ("FCAB") owns a 40% interest in Inversiones Hornitos S.A. ("Inversiones Hornitos"), which operates the 165MW Hornitos thermoelectric power plant in Mejillones, in Chile's Antofagasta Region. Inversiones Hornitos continues to supply Centinela under long-term PPAs.

ALTO MAIPO

The Group holds a 40% interest in the 531MW Alto Maipo run-of-river hydroelectric project located in the upper section of the Maipo river, approximately 50 km south-east of Santiago. Construction started in December 2013 and the total capital cost is expected to be $2.1 billion, with $1.2 billion funded by project financing secured in December 2013. The Group has signed two 20-year PPAs that will secure the provision of energy to Los Pelambres for up to 160MW, with the first PPA starting in 2015 and the second on completion of the project at the end of 2018.

SOLAR ENERGY

During 2014, Los Pelambres signed long-term PPAs with two solar power providers for a total of 50MW of power, approximately 25% of its total energy requirement. The first of these PPAs will provide Los Pelambres with solar energy from the first half of 2015 and the second from the beginning of 2016. These PPAs provide secure renewable energy supply to Los Pelambres for a 20-year period at favourable prices compared with the current spot price.

INNOVATIVE SUSTAINABILITY

Further information on pages 50 to 60

OPERATIONAL REVIEW

TRANSPORT

The transport division provides rail cargo services in Chile and Bolivia, and road cargo and other ancillary services in Chile. In Chile, the main business during 2014 was the transport of copper cathodes from, and sulphuric acid to, mines in the Antofagasta Region. In Bolivia, the Group has a 50% controlling interest in the Ferrocarril Andino, which transports zinc and lead concentrates from Bolivia via the border town of Ollagüe.

7.3m tonnes

transported in 2014

2014 TONNAGE TRANSPORTED

COMBINED RAIL AND ROAD TONNAGE

'000 tonnes (2013: 7,413)

(1.5)%

7,302

2014 FINANCIALS

OPERATING PROFIT

$m (2013: 63.0)

(27.6)%

45.6

TRANSPORT

The transport division typically provides services to customers under long-term contracts, often with agreed pricing levels. These are subject to adjustments for inflation and movements in fuel prices. The division offers cargo transfer, shipment and storage services both domestically and internationally.

The transport division's total volumes transported were lower in 2014, falling to 7.3 million tonnes, compared with 7.4 million tonnes in 2013. This was primarily due to a decrease in road transportation volumes during the year.

Turnover at the transport division was $180.8 million, a 8.0% decrease compared to turnover of $196.6 million in 2013, reflecting lower tonnage and a decrease in tariffs due to lower oil prices and the weaker peso (tariffs are set in pesos).

Operating profit fell to $45.6 million in 2014, mainly reflecting the decrease in tonnage. Capital expenditure in 2014 was $21.2 million compared to $28.7 million in 2013.

The Antofagasta port is managed by the Group's 30% associate ATI. ATI is a strategic investment for the Group and complements the transport division's principal business as the main transporter of cargo within Chile's Antofagasta Region.

The transport division 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 2014, Forestal continued its forestation, fertilisation and thinning programme to maintain these assets.

INNOVATIVE SUSTAINABILITY

The transport division focuses its sustainability efforts on preventing accidents and the safe management of cargoes, as the business involves working with heavy moving machinery and hazardous materials.

All employees and contractors undergo rigorous health and safety training when they join, with regular refresher courses throughout their careers. In addition, the division has a number of public safety measures in place to prevent traffic and pedestrian accidents around its tracks, including traffic lights, clear signalling at railway crossings, regular track maintenance and public education campaigns.

The public is informed about the safety issues relating to division's activities, as well as the dangers of rubbish collecting on tracks running through inhabited areas. This is a risk to the safe operation of the trains, as well as a public health and landscape issue.

The division also transports hazardous substances, such as sulphuric acid, so preventing spills and ensuring the safe disposal of any waste associated with its cargo are management priorities.

WATER

Aguas de Antofagasta ("ADASA") operates a 30-year concession for the distribution of water in Chile's Antofagasta Region, acquired from the state-owned Empresa Concesionaria de Servicios Sanitarios S.A. ("ECONSSA CHILE SA") in 2003. The division provides potable desalinated water to domestic and commercial customers in the Antofagasta Region, obtaining water from mountain catchment areas and the sea, and distributing it through its 1,140 km pipe network.

50.9m m^3

sold in 2014

2014 VOLUME SOLD

WATER

Million cubic metres (2013: 51.3)

(0.8)%

50.9

2014 FINANCIALS

OPERATING PROFIT

$m (2013: 57.2)

7.5%

61.5

WATER

The water division consists of two main businesses: a regulated water business supplying domestic customers and an unregulated business serving mines and other industrial users. Sales to domestic customers are priced in accordance with regulated tariff structures, while sales to industrial customers are generally contractually agreed. The division's activities in Chile are regulated by the Superintendencia de Servicios Sanitarios ("SISS").

In 2014, the water division sold 50.9 million cubic metres of water to domestic and commercial customers, compared with volumes of 51.3 million cubic metres in 2013.

Turnover in 2014 decreased by 8.1% to $124.9 million from $135.9 million in 2013, due to lower slightly lower volumes and tariffs. Operating profit rose in the year due to lower maintenance costs. Capital expenditure in 2014 was $25.0 million compared to $13.4 million in 2013.

INNOVATIVE SUSTAINABILITY

ADASA embodies the Group's commitment to providing innovative solutions to Chile's water scarcity by extracting water from the sea and treating it for human consumption. The company provides drinking water to the public and also operates waste water treatment facilities. Both utilities are tightly regulated by the national sanitary services.

Quality is a challenge because continental water in the region contains naturally high levels of arsenic. ADASA uses advanced water purification systems to produce drinking water with arsenic levels at less than 0.01 parts per million, supplying safe potable water in line with World Health Organisation quality requirements for over 160,000 people with 40% of this supply coming from treated sea water.

Consistency of supply is a major concern and ADASA's emergency response committee creates and supervises management protocols and contingency plans for potential disruptions in collaboration with local emergency response teams. The company communicates directly with customers, via text or online, about any planned or unplanned disruptions to supply. In addition, local organisations are regularly invited to tour the company's desalination plants to increase public understanding of how desalinated drinking water is produced.

Controlling odours from the sewerage networks and the safe disposal of treated sludge are also key priorities for the company.

MAINTAINING A
SUSTAINABLE BUSINESS

Sustainable development is an essential component of Antofagasta's decision-making process and business strategy.

To achieve sustainable development, the Group is committed to operational excellence, safety, talent management, environmental management and working with employees and local communities.

GUIDED BY BEST PRACTICE POLICIES AND STANDARDS

The Group's social strategy focuses on responsible behaviour, risk management and supporting local development. Environmental strategy covers environmental risk and impact management, resource efficiency and creating environmental value. Performance is measured by social and environmental Key Performance Indicators ("KPIs").

For more information on the Group's KPIs, please see pages 30 to 31

More information on the Group's social and environmental KPIs is included in the Antofagasta Minerals 2013 Sustainability Report, which can be found at www.antofagasta.co.uk

The Group's sustainability priorities (listed on page 52) are those issues most material to its business. In 2013 the Group defined materiality based on the GRI G4[1] guidelines, which are driven by stakeholder engagement, risk assessment and peer benchmarking. These definitions are updated regularly.

More detail on this materiality process can be found in the 2013 Antofagasta Minerals Sustainability Report which can be found at www.antofagasta.co.uk

1 The Global Reporting Initiative ("GRI") framework is a reporting system that provides metrics and methods for measuring and reporting sustainability-related impacts and performance. Using the GRI framework is a key commitment for ICMM member companies.

HUMAN RIGHTS

The Group respects the rights of its workers and contractors, as well as those of everyone that comes into contact with the business. This is reflected in the Group's commitments to employees, contractors and local communities in the tables below.

INDIGENOUS PEOPLES

The Group has no operations involving indigenous communities. However, it has had some exploration activity which has required engaging with indigenous communities and has been successful in maintaining a respectful and mutually beneficial relationship in accord with International Labour Organisation ("ILO") Convention 169 and ICMM recommendations.

ICMM Membership

In May 2014 Antofagasta became a member of the International Council on Mining and Metals ("ICMM"), the CEO-led industry organisation dedicated to promoting the highest principles and standards for sustainable mining. Acceptance by the ICMM required the Group to conduct an extensive review of its performance against the organisations's standards. The Group initiated an independent audit, which was submitted to an independent expert panel selected by the ICMM. On the panel's recommendation, Antofagasta was invited to become an ICMM member in May 2014 and is now formally committed to complying with the highest sustainability standards and industry best practices.

EMPLOYEES AND CONTRACTORS
High health and safety standards
Fair wages and good labour relations
Prevention of discrimination, harassment and bullying
Provision of good-quality accommodation and meals
Opportunities for training and development

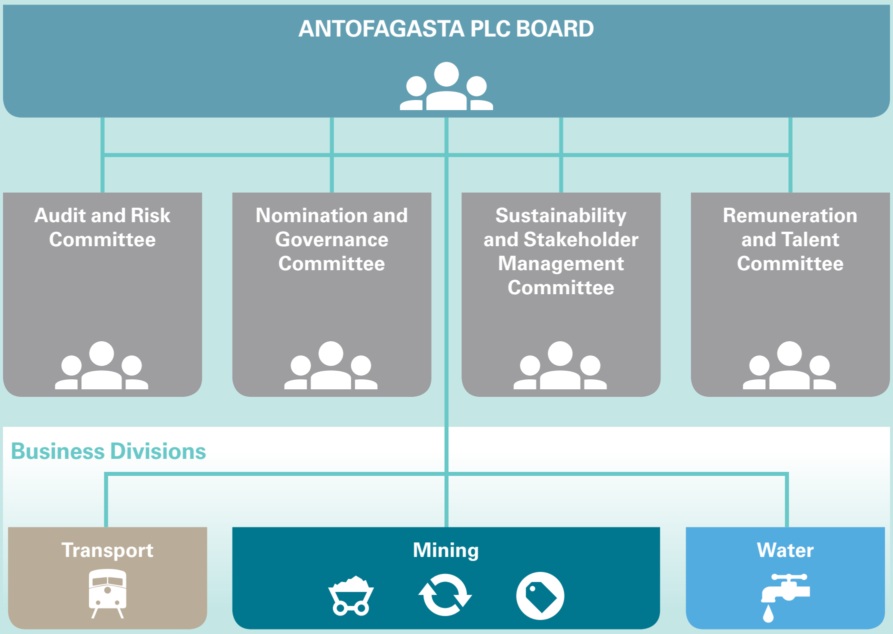
COMMUNITY
Prevention of corruption and malpractices
Prevention or mitigation of environmental and social impacts
Respect for communities' rights, culture and heritage
Engagement in dialogue through the mining cycle from exploration to closure
Listening and responding to grievances
Support of community development

GOVERNANCE ETHICS AND VALUES

The Board of Directors is responsible for ensuring that sustainability is embedded in the day-to-day operations of the Group.

The Board is assisted by four Committees, including the Sustainability and Stakeholder Management Committee. This Committee monitors the Group's performance and strategies for addressing challenges and risks in relation to health and safety, and its relationship with communities and the environment. The Committee reviews and updates operational sustainability standards, monitors relevant KPIs and highlights the most complex and important issues to the Board.

More can be seen on the workings of the Board and Committees on pages 67 to 102



ETHICAL STANDARDS AND VALUES

The Group's Code of Ethics covers issues such as conflicts of interest, prevention of corruption and bribery, confidentiality of information, safeguarding of working conditions, elimination of discrimination and harassment, respect for human rights, respect for neighbouring communities and mechanisms for reporting infringements. All employees are required to sign the Code upon joining the Company and complete periodic refresher courses on the Code's contents. The Code is available to employees on the Group intranet and from the human resources department or line managers.

Contractors are also made aware of the Code and employees and contractors can anonymously report any unethical conduct through a dedicated phone line, or via the intranet.

In 2013, a major project to reinforce the corporate culture of Antofagasta was carried out focusing on the definition of the Group's core values. Some three-quarters of the Group's workforce participated in a consultation process to draw up a new Charter of Values that underpins the corporate leadership model and the performance management of each employee.

The agreed values are:

- Respect
- Sustainability
- Excellence
- Health and safety
- Innovation
- Forward thinking

For more information on the Code of Ethics, please see page 77

MAINTAINING A **SUSTAINABLE BUSINESS**

FOCUSED ON THE ISSUES THAT MATTER MOST

The Group's sustainability strategy supports the business strategy by strengthening its social licence, delivering operational efficiency and facilitating access to resources.

The sustainability strategy focuses on the issues most material to the Group and its main stakeholders as identified through risk assessments, stakeholder engagement and GRI guidelines. The Group's main sustainability issues are:

1 Safety

Protecting the health, safety and wellbeing of employees and contractors

2 Talent management and labour relations

Building and maintaining a high-quality and committed workforce

3 Community relations

Maintaining positive relations with communities near the Group's operations and investing in local development

4 Water

Being efficient, using sea water and ensuring the availability and quality of water for other users

5 Energy and climate change

Improving efficiency in energy use and increasing the Group's use of renewable energy sources

6 Managing environmental impact

Identifying, preventing and managing the Group's operations' environmental impact on air quality, water quality and availability, greenhouse gas emissions, biodiversity and cultural heritage

MAINTAINING A **SUSTAINABLE BUSINESS**

1 SAFETY

Despite all the efforts made to focus on safety, in 2014 the Group failed to achieve its zero fatalities goal. There were five fatalities during the year in three separate incidents. Antofagasta is well aware that achieving zero fatalities is a long journey and setbacks must not derail that process. The Group has redoubled its efforts and is striving to achieve its target in 2015.

Why it matters

Ensuring its employees' and contractors' health and safety is of paramount importance to the Group, as reflected in the corporate Charter of Values and the Group's strategic objectives. Major incidents impact people's health, company morale, reputation and production.

Performance

1.9

Lost Time Injury Frequency Rate (LTIFR)

In focus

NEW SAFETY MEASURES

During 2014 a number of new measures were introduced, including:

- Identification of the top five high-potential risks in each operating unit, definition of specific controls for these and assigning individual responsibility for implementing these controls
- Focus on high-potential near-miss reporting
- Sustained efforts to raise standards and share lessons between operations
- Development of specific corporate safety standards and collaboration with contractor companies
- An intensive safety awareness-raising campaign with highly-visible leadership from senior management, including dedicated site visits by the Group CEO

MANAGEMENT FOCUS

Antofagasta remains dedicated to achieving its zero fatalities goal and improving overall safety at its operations. A corporate safety management team was formed in 2013 to strengthen existing teams at each operation. Together they have introduced a new safety and occupational health model based on international best practices that focuses on preventing high-potential fatal accidents. This approach is based on three pillars:

1. Early identification of high-potential risks and the definition of controls
2. Reporting high-potential near misses
3. Safety leadership

PERFORMANCE

Despite the Group's safety efforts, there were five fatalities in 2014. In January, a male contractor was killed while working on a pipeline section in Centinela. In September, a female truck driver was involved in a fatal accident at Los Pelambres and in October three male contractors lost their lives in a vehicle accident at Centinela. As a result, the Group has adopted higher driving standards with tighter enforcement, including mandatory fatigue control and the wider use of speed control devices. Antofagasta remains committed to the safety model introduced in 2013 and to achieving zero fatalities across all of its operations.

Overall safety performance is measured by the Lost Time Injury Frequency Rate ("LTIFR") and the All Injury Frequency Rate ("AIFR"). In 2014, the Group's LTIFR remained stable at 1.9, despite an approximate 30% increase in the total workforce. The AIFR increased from 3.9 in 2013 to 4.9 in 2014, but it must be noted that only 12% were high-potential accidents, that could have caused death or permanent incapacity.

All operations have a management system aligned with the OHSAS 18001 standard. Safety managers report to the Corporate Health and Safety Unit and to their operation's General Manager, who in turn reports weekly to the Vice-President of Operations. Performance is also reported to the Board of Directors monthly. Safety performance is tied to individual remuneration for senior management and employees.

Towards the end of 2014, 700 contractor companies were assessed to identify those with high exposure to any of the identified high-risk potential activities. Over 200 companies were prioritised to receive additional technical support, ensuring full implementation of Antofagasta's safety model. Contractors are regularly audited to ensure compliance with the Group's strategic model for managing safety and health risks.

PREVENTING HEALTH RISKS

In 2014 the Company undertook an exercise to determine an acceptable health baseline for its employees and contractors. This study identified six factors at the workplace that had potential to cause illness resulting in death or partial incapacity - silica dust, sulphuric acid haze, ionic radiation, solar radiation, height and noise. Once these factors were identified, critical controls were established for each one and a campaign was launched to raise awareness of these risks.

Occupational health plans seek to keep workers healthy and free from common and work-related injuries or illnesses. Work stations and equipment are designed to take into account employees' health and wellbeing. Employees and contractors are encouraged to report immediately unsafe or unhealthy working conditions. On site, the Group promotes a healthy and balanced diet and provides sporting facilities and equipment. Each employee is entitled to a thorough annual medical check-up paid for by the Company.

	Lost Time Injury Frequency Rate (LTIFR)					All Injury Frequency Rate (AIFR)					Number of fatalities				
	2014	2013	2012	2011	2010	2014	2013	2012	2011	2010	2014	2013	2012	2011	2010
Chilean mining industry[1]	N/A	2.1	2.9	3.1	3.6	N/A	N/A	N/A	N/A	N/A	N/A	N/A	25	26	45
Mining Division	1.1	1.1	1.3	2.1	1.6	5.0	3.9	5.4	9.2	10.1	5	2	1	–	2
Transport Division	10.3	10.3	13.0	9.6	9.5	22.2	17.7	28.6	28.3	25.9	–	–	–	1	–
Water Division	6.2	7.4	5.1	5.5	5.6	13.0	16.9	8.3	8.2	22.4	–	–	–	–	–
Group	1.9	2.1	2.6	3.2	1.9	6.3	5.5	7.9	11.5	11.0	5	2	1	1	2

1 Source: National Service of Geology and Mining (Servicio Nacional de Geología y Minería).

(Data includes employees and contractors.)

Definitions:
N/A: Not currently available.
LTIFR: Number of accidents with lost time during the year per million hours worked.
AIFR: Number of accidents with and without lost time during the year per million hours worked.

MAINTAINING A **SUSTAINABLE BUSINESS**

2 TALENT MANAGEMENT AND LABOUR RELATIONS

In a world of volatile markets and talent shortages, recruitment and retention are a constant challenge. Antofagasta seeks to be a preferred employer and to achieve this the Group's human resources strategy is to develop, promote and maintain a strong value proposition for employees.

Why it matters

The Group's management strongly believes that internal mobility, training and professional development opportunities foster engaged employees. This increases employee retention and promotes sustained productivity and growth.

Performance

76%

internal recruitment for key positions over total job openings.

In focus

A COMMON GROUP IDENTITY

In 2014, the Group worked to create a stronger sense of common identity and to standardise best practice across its operations, using a common Charter of Values defined after an intensive internal consultation process. These values help guide key processes such as business alignment, performance management and leadership development. As part of the effort to embed these values, a recognition programme has been implemented across the Group.

A NEW MANAGEMENT APPROACH

The Group has an ambitious long-term vision for operational excellence, world-class performance in health and safety, talent management, stakeholder management, labour relations and capitalising on growth opportunities. Human resources management supports this business strategy through:

- process standardisation and best practice sharing;
- ensuring the necessary talent is available when required;
- promotion of shared corporate values; and
- corporate management of critical human resources processes with a high positive impact in terms of competitiveness, employee value proposition, talent development and capturing synergies.

The human resources management model seeks to develop organisational capabilities to address the challenges in each of the Group's strategic pillars. This goal translates into, for example, succession plans for key positions and leadership development.

For more information on the Group's strategy, please see page 28

DEVELOPMENT

A new staff performance appraisal system was implemented across the Group. This aimed to emphasise individual performance, foster meritocracy and develop leadership competencies, while aligning employees' targets with the Group's objectives.

2 TALENT MANAGEMENT AND LABOUR RELATIONS

The corporate trainee programme recruits young professionals with the potential to become future leaders, giving them exposure in the organisation and offering internships across the Group. Since this initiative was launched in 2010, 114 young professionals have joined the programme, of whom 28 are women.

Gender diversity remains a challenge in many sectors of the Chilean economy, including mining. Women account for 7.4%[1] of the Chilean mining industry's labour force. At Antofagasta, 10% of its employees are women and of this 10%, 33% are supervisors.

During 2014, there were 655 women and 5,954 men employed by the Group. There is one woman in senior management out of a total of 25 people at that level and she is a member of the Executive Committee.

In March 2014, the Company welcomed its first woman Director to the Board, which has a total of 11 Directors. The Group continues to make efforts to increase the number of women it employs, while maintaining its policy of recruiting the best candidate for the job.

STRONG LABOUR RELATIONS

Labour relations grounded in trust, constant dialogue and good working conditions reflect our Charter of Values and are conducive to achieving the Group's strategic objectives.

In 2014 the Group had a total workforce of 26,151 including employees and contractors, compared to 20,660 people in 2013, of which 6,609 were employees. The increase in the total workforce is mainly due to the significant number of contractors working on the construction of the Antucoya mine.

At the operations the Group has eight unions: two at Los Pelambres, four at Centinela, one at Michilla and one at Antucoya.[2] On average some 55% of the Group's employees belong to a union. The labour contracts at Los Pelambres, Centinela, Michilla and Antucoya were all renewed during 2014 after successful collective bargaining processes. Michilla's labour contract included severance agreements for its workers in anticipation of the mine's closure in 2015. The new labour contracts at Los Pelambres, Centinela and Antucoya have fixed the pay increase for employees until 2018 when contracts will be renegotiated.

Good labour relations are evident from the fact that none of the Group's operations has experienced a strike since its activities began.

More information on the social and environmental provisions for Michilla's closure can be found in the Antofagasta Minerals 2014 Sustainability Report.

1 Source: Sernageomin 2013.
2 Antocoya will start operations in 2015.

3 COMMUNITY RELATIONS

Over the last few years Chile has faced growing opposition to industrial projects, often including legal action. The Group has recently adopted a new approach to stakeholder engagement and community relations, declaring a long-term commitment to enhancing local development in conjunction with public sector and other private stakeholders.

Why it matters

Both operational continuity and future growth both depend on the Group's capacity to become a preferred partner for all stakeholders, particularly its neighbouring communities. Due to the location of Los Pelambres in a narrow, populated valley, the challenge is particularly acute at this operation.

SOMOS CHOAPA
PROVINCIA SUSTENTABLE

Performance

$31.3m

was invested by Antofagasta during 2014 on community projects near to its operations.

In focus

A NEW APPROACH

Los Pelambres, the Group's largest operation, sits at the head of the Choapa Valley and interacts with 42 different communities. Under the new model adopted by the Group, Los Pelambres, together with regional and municipal authorities, is heavily involved in a wide, multi-stakeholder dialogue process among all these communities and other local stakeholders. The aim is to articulate a common vision for the sustainable development of the region, addressing structural challenges and bottlenecks (both related and unrelated to the mining operation) and defining a portfolio of projects to realise this vision funded through a public-private alliance.

MANAGEMENT AND STANDARDS

Responsiveness and consistency of approach in dealing with the impact of the Group's operations and managing community expectations are vital in demonstrating respect for local people, building trust and preventing conflict. Antofagasta's approach is guided by its social strategy, social relations policy, Code of Ethics and specific standards for community investment and grievance management, which are aligned with ICMM best practice. The Group has a team of professionals dedicated to stakeholder relations at each operation.

Antofagasta continues to promote a grievance management procedure that allows stakeholders to raise concerns and receive formal responses. The Group identifies local concerns and expectations through ongoing dialogue.

Social and environmental considerations are an integral part of all project design standards. When applying for environmental permits, the Group must commit to specific impact prevention, mitigation and compensation measures that become legally enforceable. The project construction stage is labour intensive and provides a window of opportunity for employing local people. This effort was particularly successful during the construction of Esperanza (now Centinela) when the Group's apprenticeship programme recruited and trained 400 local workers, 10% of whom were women, who later joined its permanent workforce.

4 WATER

Continental water is scarce in the central and northern parts of Chile where the Group operates. The situation is aggravated by rising demand, non-sustainable practices and climate change. The mining industry is a significant consumer of water and its activities can affect not only the availability of water but its quality due to the leaching of heavy metals and sulphates from waste dumps and tailings dams.

Why it matters

Prolonged drought in central Chile is a growing concern for all stakeholders and makes water an increasingly costly key input.

Performance

44%

of the water used at the Group's operations is sea water.

In focus

SEA WATER FOR NEW OPERATIONS

Centinela pioneered the use of raw sea water, thus reducing the pressure on scarce continental water resources and the energy required to desalinate water. New projects such as Antucoya and Encuentro Oxides are also designed to use raw sea water.

Centinela took on another unprecedented challenge for a project of its size when it replaced its traditional tailings dam with a higher pulp density deposit. Among the advantages of thickened tailings is more efficient water management, less land use and better control of dust emissions from the surface of the tailings dam.

LEADING WATER SOLUTIONS

All of the Group's operations have water management plans. Water accounting records are based on the Water Accounting Framework methodology developed by the Sustainable Minerals Institute of Queensland University and the Minerals Council of Australia. The Group participates in the Carbon Disclosure Project Water Program, publishing its information on water sources and consumption. In 2014, Group-wide water consumption was 47,444 million cubic metres, of which 44% was sea water and the remaining 56% was continental water.

The Group monitors the quantity and quality of water in its area of influence and uses as little high-quality continental water as possible. Water reuse rates as high as 85% are achieved at some operations and the Group has zero discharges to water courses. All water is reused unless it is trapped within the tailings or evaporates.

Precipitation has been below average for some years in the region where Los Pelambres is located. The mine continues to take actions to mitigate the impact of this on current and future water availability. Initiatives include the improvement of water capture and transport infrastructure, and research on reducing evaporation from tailings dams and recovering more water from tailings. Los Pelambres is conducting a detailed review of its water balance and data collection methods and the identification of where water loss occurs and potential solutions. The Company works with local communities to help them use water more efficiently, helping to finance schemes such as the lining of irrigation channels and the installation of drip irrigation. It also regularly monitors water quality and availability together with the affected communities and relevant authorities.

Over the years, Antofagasta has implemented several innovative solutions to address the issue of water scarcity, including pioneering the use of sea water and being the first mining company to use the more water-efficient large-scale thickened tailings deposit technology.

MAINTAINING A **SUSTAINABLE BUSINESS**

5 ENERGY AND CLIMATE CHANGE

High energy prices are affecting the competitiveness of the Chilean mining industry, while new power generation projects often face strong opposition from local communities and NGOs. The Group has focused on seeking sources of renewable energy for its operations and its projects.

Why it matters

Energy accounts for approximately 15% of the mining division's operating costs and consumption will increase as production grows.

Performance

20%

of the energy used at Los Pelambres is from wind power.

In focus

RENEWABLE ENERGY

By 2016, nearly 50% of Los Pelambres' energy supply will come from renewable energy sources and by the end of 2018, this will be some 80%.

RESPONDING TO THE ENERGY CHALLENGE

It is key to the Group's economic sustainability to ensure a continuous and dependable energy supply at competitive prices. Despite its efforts to increase energy efficiency, energy consumption will increase as output expands and ore grades fall. Ore grades fall as mines age, so more ore must be processed to maintain production and haulage distances are longer to access the minerals and reach the waste dumps, leading to increased fuel consumption.

The use of sea water by the Group in its new projects, Antucoya and Encuentro Oxides, will increase energy consumption as water needs to be pumped from the coast to the mine sites over 1,000 metres above sea level.

The Group constantly seeks innovative ways to increase the efficiency of electricity and fuel use, focusing on identifying and diversifying sources of energy supply and increasing the proportion of renewable energy used.

Since June 2014, 20% of Los Pelambres' energy has been supplied under a long-term PPA by El Arrayán, the largest wind farm in Chile, in which the Group has a 30% stake.

The company signed new PPAs with two photovoltaic solar plants currently under construction. One will come onstream in the first quarter of 2015 and the other in early 2016. The company has a 40% interest in the Alto Maipo run-of-river hydroelectric project that will supply 110MW (about 55%) of its current energy needs under a 20-year contract from the end of 2018.

For more information on the Group's energy opportunities, please see page 47

The Group recognises the risks and opportunities of climate change and the importance of measuring, mitigating and reducing its greenhouse gas ("GHG") emissions. In 2014, Antofagasta Minerals emitted 2,099,912 tonnes of CO_2 and the CO_2 emission intensity was 2.98 tonnes of CO_2 emitted per tonne of copper produced, which represents a 3.6% decrease compared to 2013.

CO_2 emissions by location (tonnes of CO_2 equivalent)	Scope 1 Direct emissions		Scope 2 Indirect emissions		Total emissions[1]		CO_2 emissions intensity[2]	
	2014	2013	2014	2013	2014	2013	2014	2013
Mining division								
Los Pelambres	173,943	179,923	454,885	551,568	628,828	731,941	1.61	1.80
Centinela Concentrates	225,013	242,977	713,253	717,620	938,266	960,597	5.43	5.49
Centinela Cathodes	145,533	125,366	212,098	234,972	357,631	360,338	3.81	3.51
Michilla	49,218	60,293	124,991	115,711	174,209	174,982	3.71	4.60
Corporate Offices	208	142	770	835	978	997	–	–
Total for mining division	**593,915**	**608,701**	**1,505,997**	**1,620,706**	**2,099,912**	**2,229,407**	**2.98**	**3.09**
Transport division	96,321	94,902	2,043	2,084	98,364	96,986	13.47[3]	13.08[3]
Water division	2,944	2,508	25,864	3,661	28,808	6,169	0.57[4]	0.12[4]
Total Antofagasta	**693,180**	**706,111**	**1,533,904**	**1,626,451**	**2,227,084**	**2,332,562**	**420.97[5]**	**390.61[5]**

1 Scope 1 + Scope 2. 2 Total CO_2 emissions per tonne of fine copper produced (scopes 1 and 2). 3 Tonnes CO_2 e/kiloton transported.
4 Tonnes CO_2 e/Mm^3 water volume sold. 5 Antofagasta's Intensity figure against 2013 turnover.

6 MANAGING ENVIRONMENTAL IMPACT

Mining operations generate significant quantities of waste rock, spent ore, leached minerals and tailings. As a result, natural habitats, local vegetation and animal species can be affected. Antofagasta has a strong track record in preventing and managing this impact while striving to add environmental value wherever possible.

Why it matters

The Group's legal permits, social licence to operate and reputation depend on its ability to prevent and manage any negative impact of its operations. Even when an operational incident has a limited environmental impact, it can damage community relations and trust between the Group and its stakeholders.

Performance

Zero

incidents with environmental impact in 2014

In focus

CLOSURE PLANNING

Antofagasta plans the closure of its operations well in advance so they can be decommissioned in a socially and environmentally acceptable manner. Chilean legislation requires that mining operations have closure plans approved by the Chilean Geology and Mining Service ("Sernageomin"), and that the plans are updated every five years. In 2012, the law on mine closures was modified to include additional requirements for the physical and chemical stability of the infrastructure, tailings dams and the financial provision for the closure process. As a result, in 2014, all of the Group's operations presented updated closure plans.

APPROACH TO ENVIRONMENTAL MANAGEMENT

The Group's environmental strategy focuses on using resources efficiently, controlling impact and, wherever possible, adding environmental value. To do this, the Group must proactively identify risks and monitor its control mechanisms. The Group measures its performance in this area using indicators included in its Assessment of Environmental Performance ("AEP") tool. These measure water, air quality, waste, biodiversity, greenhouse gas emissions and impact on cultural heritage. For each of these, the Group has defined guidelines, which are constantly monitored.

MANAGING MINING WASTE

In mining, it is necessary to ensure the physical and chemical stability of mining waste and to avoid contamination of both surface water courses and groundwater. Two of the Group's operations use an acid heap-leach process to produce copper cathodes and dispose of their mining waste in authorised dumps.

Los Pelambres and Centinela, which produce copper concentrate through flotation, store their tailings in dams. Los Pelambres has two tailings dams designed to withstand earthquakes and other natural disasters and have in place all the safety features required to prevent contamination of water courses.

Centinela has pioneered a thickened tailings deposit technology whereby virtually dry tailings are deposited in restricted areas.

SAFETY OF INSTALLATIONS

The installations at the Group's companies, including tailings dams, are built to withstand extreme weather and earthquakes. The physical and chemical stability of the Company's installations must comply with the strict requirements established in their environmental permits, which are audited regularly. The Group has operational procedures in case of emergencies that require both internal practice drills and drills co-ordinated with the relevant public services and local organisations.

PROTECTING BIODIVERSITY

Antofagasta recognises the importance of protecting local ecosystems. Efforts to foster biodiversity focus on the Choapa Valley – where Los Pelambres is located – due to its great natural richness. In Centinela the focus is on ensuring that coastal species are not affected at its port facilities.

In Conchalí, near Los Vilos, the Group transformed an unauthorised rubbish dump into the Conchalí Lagoon wetland, protected by Ramsar (the Convention on Wetlands of International Importance), which is now a sanctuary for marine birds and other species. The Group also protects one of the few remaining Chilean palm woods, the 746-hectare Santa Inés forest, known for its great biodiversity and located near the Los Vilos port. Los Pelambres acquired it in 2014, partly for conservation purposes and partly to provide opportunities for scientific research and environmental education.

FINANCIAL REVIEW

FOR THE YEAR ENDED 31 DECEMBER 2014

RESULTS

	Year ended 31.12.2014 $m	Year ended 31.12.2013 $m	Movement $m	Movement %
Turnover	**5,290.4**	5,971.6	(681.2)	(11.4)
EBITDA	**2,221.6**	2,702.2	(480.6)	(17.8)
Depreciation, amortisation and disposals	**(581.9)**	(530.1)	(51.8)	9.8
Net finance expense	**(62.1)**	(74.2)	12.1	(16.3)
Profit before tax	**1,573.5**	2,083.5	(510.0)	(24.5)
Tax	**(722.8)**	(843.7)	120.9	(14.3)
Earnings per share (US cents)	**46.6**	66.9	(20.3)	(30.3)
Net (debt)/cash	**(1.6)**	1,311.2	(1,312.8)	(100.1)

A detailed segmental analysis of the components of the income statement is contained in Note 4 to the financial statements.

The following table reconciles between the 2013 and 2014 EBITDA:

	$m
EBITDA in 2013	**2,702.2**
Turnover	
Decrease in copper realised price	(438.7)
Decrease in copper volumes sold	(127.0)
Increase in tolling charges	(42.6)
Decrease in turnover from copper	**(608.3)**
Decrease in gold revenues	(45.7)
Decrease in silver revenues	(2.9)
Increase in molybdenum revenues	2.5
Decrease in turnover from by-products	**(46.1)**
Decrease in transport division turnover	(15.8)
Decrease in water division turnover	(11.0)
Decrease in turnover from transport and water divisions	**(26.8)**
Decrease in Group turnover	**(681.2)**
Operating costs	
Decrease in copper volumes sold	70.2
Increase in unit cash costs	(5.0)
Decrease in exploration and evaluation costs	107.4
Decrease in charge for closure provisions	77.0
Increase in other mining division expenses	(65.1)
Decrease in operating costs for mining division	**184.5**
Decrease in transport division operating costs	7.7
Decrease in water division costs	8.4
Decrease in operating costs for transport and water divisions	**16.1**
Decrease in EBITDA	**(480.6)**
EBITDA in 2014	**2,221.6**

TURNOVER

Group turnover in 2014 was $5,290.4 million, 11.4% below the $5,971.6 million achieved in 2013. The decrease of $681.2 million mainly reflected a decrease in the realised copper price as well as lower copper sales volumes and reduced gold by-product revenues.

TURNOVER FROM THE MINING DIVISION

Turnover from copper

Turnover from copper sales decreased by $608.3 million, or 12.2%, to $4,389.7 million, compared with $4,998.0 million in 2014. The decrease reflected the impact of lower realised prices, and also lower sales volumes and increased tolling charges.

(i) Realised copper prices

The Group's average realised copper price decreased by 8.4% to $3.00 per pound in 2014 (2013 – $3.27). The decrease in the realised price was greater than the reduction in the average LME copper price, which decreased by 6.3% to $3.11 per pound (2013 – $3.32), due to a higher level of negative provisional pricing adjustments in the current period compared with the prior year. The decrease in the average realised price led to a $438.7 million reduction in turnover from copper sales.

Realised copper prices are determined by comparing turnover (gross of tolling charges for concentrate sales) with sales volumes in the period. 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. Final pricing is based on the average market price for future periods (normally about 30 days after delivery to the customer in the case of cathode sales and up to 150 days after delivery to the customer in the case of concentrate sales). Realised copper prices also reflect the impact of realised gain or losses of commodity derivative instruments hedge accounted for in accordance with IAS 39 "Financial Instruments: Recognition and Measurements".

Provisional pricing adjustments decreased initially invoiced sales by $201.7 million in 2014, compared with a decrease of $127.2 million in 2013. The negative adjustments in 2014 reflected the general decrease in the copper price during most of the year. Further details of provisional pricing adjustments are given in Note 5 to the financial statements.

In 2014 turnover also includes a gain of $18.4 million (2013 – gain of $25.4 million) relating to commodity derivatives which matured during the year, predominantly in respect of Michilla. Further details of hedging activity in the period are given in Note 23(d) to the financial report.

(ii) Copper volumes

Copper sales volumes decrease by 2.7% from 722,200 tonnes in 2013 to 703,000 tonnes in this year. The decrease in sales volumes accounted for a decrease of $127.0 million in turnover.

(iii) Tolling charges

Tolling charges for copper concentrate increased by $42.6 million to $258.9 million in 2014 (2013 – $216.3 million) mainly due to an increase in average tolling charges, as well as a smaller impact of increased sales volumes.

Tolling charges are deducted from concentrate sales in reporting turnover and hence the increase in these charges has had a negative impact on turnover.

Turnover from molybdenum, gold and other by-products

Turnover from by-products at Los Pelambres and Centinela relate mainly to molybdenum and gold, and a lesser extent silver. Turnover from by-products decreased by $46.1 million or 7.2% to $595.0 million in 2014, compared with $641.1 million in 2013.

Turnover from gold in concentrate (net of tolling charges) was $336.8 million (2013 – $382.5 million), a decrease of $45.7 million or 11.9%, which mainly reflected a decrease in the realised gold price, as well as lower volumes. The realised gold price was $1,262 per ounce in 2014 compared with $1,358 per ounce in 2013, with this 7.1% decrease largely reflecting the general reduction in average market prices. Gold sales volumes decreased by 5.4% from 282,700 ounces in 2013 to 267,400 ounces in 2014, mainly due to the lower gold grades and recoveries at Centinela Concentrates.

Turnover from molybdenum (net of roasting charges) was $182.8 million (2013 – $180.3 million), an increase of $2.5 million. The increase was mainly due to higher realised price of $11.0 per pound (2013 – $10.0 per pound) partly offset by decreased sales volumes of 8,200 tonnes (2013 – 8,800 tonnes).

Turnover from silver decreased by $2.9 million to $75.4 million in 2014 (2013 – $78.3 million). The decrease was mainly due to a decrease in the realised silver price from $22.7 per ounce in 2013 to $18.7 per ounce in 2014, partially offset by increased sales volumes of 4.1 million ounces (2013 – 3.5 million ounces).

TURNOVER FROM THE TRANSPORT AND WATER DIVISIONS

Turnover from the transport division ("FCAB") decreased by $15.8 million or 8.0% to $180.8 million. This mainly reflected a decrease in tonnages transported and the impact of the weaker Chilean peso. Turnover at Aguas de Antofagasta, which operates the Group's water business, decreased by $11.0 million or 8.1% to $124.9 million in 2014, mainly reflecting the impact of the weaker Chilean peso.

Operating costs (excluding depreciation, amortisation and disposals)

Operating costs (excluding depreciation and amortisation) amounted to $3,068.8 million (2013 – $3,269.4 million), a decrease of $200.6 million. This was mainly due to lower sales volumes, reduced exploration and evaluation expenses and a decrease in closure provision costs.

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

Operating costs at the mining division decreased by $184.5 million to $2,906.9 million in 2014, a decrease of 6.0%.

Of this decrease, $70.2 million is attributable to the lower copper sales volumes described above. As explained in more detail above, the reduction in turnover associated with the decreased copper sales volumes was $127.0 million, resulting in a net reduction in EBITDA of $56.8 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 (representing on-site and shipping costs in the case of Los Pelambres and Centinela Concentrates and total cash costs in the case of Centinela Cathodes and Michilla) remained stable at $1.65/lb.

Exploration and evaluation costs decreased by $107.4 million to $167.5 million (2013 – $274.9 million), mainly reflecting the completion of pre-feasibility studies at Twin Metals and Los Pelambres, which had been ongoing throughout 2013.

In 2014 there was a $7.4 million credit in respect of updates to mine closure provisions, compared with a charge of $69.6 million in 2013, with the relatively high charge in the prior year reflecting increases to the Los Pelambres provision in that year.

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

Operating costs at the transport division decreased by $7.7 million to $112.1 million. This was mainly due to lower fuel, maintenance and labour costs. Operating costs at the water division decreased by $8.4 million to $49.8 million, mainly reflecting the weaker Chilean peso.

EBITDA AND OPERATING PROFIT FROM SUBSIDIARIES AND JOINT VENTURES

EBITDA

EBITDA (earnings before interest, tax, depreciation and amortisation) from subsidiaries and joint ventures decreased by $480.6 million or 17.8% to $2,221.6 million in 2014 (2013 – $2,702.2 million), with the $681.2 million decrease in turnover partially offset by the $200.6 million reduction in operating expenses (excluding depreciation and amortisation) as described above.

EBITDA at the mining division decreased by 18.4% from $2,547.7 million in 2013 to $2,077.8 million in 2014. As explained above, this was mainly due to the decrease in the realised copper price, partly offset by lower exploration and evaluation expenses and a decrease in the cost relating to mine closure provisions.

EBITDA at the transport division decreased by $8.1 million to $68.7 million in 2014, reflecting the decreased revenue as explained above. The water division contributed $75.1 million in 2014 compared with $77.7 million in 2013, reflecting the decreased revenue as well as operating costs, as explained above.

Depreciation, amortisation and disposals

The depreciation, amortisation and disposals charge was higher at $581.9 million (2013 – $530.1 million). Increased depreciation at Centinela and Michilla was partly offset by a $28.6 million disposal gain related to the temporary loss of control of the Twin Metals project. This gain on disposal is largely offset by the related $26.3 million impairment charge in respect of the available-for-sale investment to Duluth Metals Limited, included within Other finance items as explained below.

Operating profit from subsidiaries

As a result of the above factors, operating profit from subsidiaries decreased by 24.5% to $1,639.7 million (2013 – $2,172.1 million), with the $532.4 million reduction mainly driven by the decreased revenue as a result of the lower realised copper price.

SHARE OF RESULTS FROM ASSOCIATES AND JOINT VENTURES

The Group's share of results from its associates and joint ventures was a loss of $4.1 million (2013 – loss of $14.4 million). This mainly reflects lower expenditures in respect of the Energía Andina joint venture, partly offset by lower profits at Inversiones Hornitos.

NET FINANCE EXPENSE

Net finance expense in 2014 was $62.1 million, a $12.1 million reduction compared with the net expense of $74.2 million in 2013.

	Year ended 31.12.14 $m	Year ended 31.12.13 $m
Investment income	**18.4**	12.6
Interest expense	**(44.6)**	(62.0)
Other finance items	**(35.9)**	(24.8)
Net finance expense	**(62.1)**	(74.2)

Investment income increased from $12.6 million in 2013 to $18.4 million in 2014, mainly reflecting additional interest income in respect of a loan from Los Pelambres to the Alto Maipo associate.

Interest expense decreased from $62.0 million in 2013 to $44.6 million in 2014, mainly due to a decrease of interest payable at Centinela as a result of a refinancing during the year.

Other finance items comprised a net expense of $35.9 million (2013 – net expense of $24.8 million). A loss of $5.1 million (2013 – loss of $13.5 million) has been recognised in respect of the time value element of changes in the fair value of commodity derivative options, which is excluded from the designated hedging relationship, and is therefore recognised directly in profit or loss. Foreign exchange losses included in finance items were $4.6 million in 2014, compared with a loss of $2.9 million in 2013. An expense of $9.1 million (2013 – $14.2 million) has been recognised in relation to the unwinding of the discount on provisions.

Also included within other finance items is an impairment charge of $26.3 million, recognised in respect of the available-for-sale investment relating to Duluth Metals Limited ("Duluth"). As explained in Note 8 to the financial statements, as at 31 December 2014 the Group held a 17.2% stake in Duluth. In November 2014 Antofagasta entered into a binding letter of agreement to acquire 100% of Duluth, with the acquisition completing subsequent to the year end following approval from Duluth's shareholders in January 2015. Movements in the fair value of the available-for-sale investment in Duluth had previously been recorded within the Consolidated Statement of Comprehensive Income. The agreed acquisition terms indicated a final fixed value for the Duluth shares, and that there had therefore been an impairment in the value of the Duluth shares to this amount. Fair value losses previously recorded within the Consolidated Statement of Comprehensive Income have therefore been transferred to the income statement and recognised within this impairment loss. This impairment charge has been largely offset by the related $28.6 million disposal gain in respect of the temporary loss of control of the Twin Metals project included within Depreciation, amortisation and disposals as described above.

PROFIT BEFORE TAX

As a result of the factors set out above, profit before tax decreased by $510.0 million or 24.5% to $1,573.5 million, compared with $2,083.5 million in 2013.

INCOME TAX EXPENSE

The tax charge in 2014 was $714.8 million (2013 – $843.7 million) and the effective tax rate was 45.4% (2013 – 40.5%).

	Year ended 31.12.2014 $m	Effective tax rate %	Year ended 31.12.2013 $m	Effective tax rate %
Profit before tax	1,573.5		2,083.5	
Taxes (Current and deferred)				
Corporate tax	(365.9)	23.3	(455.0)	21.8
Adjustment to deferred tax attributable to changes in tax rates	(220.6)	14.0	–	–
Mining tax (royalty)	(79.1)	5.0	(99.2)	4.8
Withholding tax	(56.8)	3.6	(289.1)	13.9
Exchange rate	(0.4)	–	(0.4)	0.1
Total tax charge	(722.8)	45.9	(843.7)	40.5

The tax charge for 2014 was $722.8 million and the effective tax rate was 45.9%. This rate varied from the standard rate (comprising first category tax) of 21% principally due to the deferred tax charge of $220.6 million reflecting the increase in tax rates as a result of the Chilean tax reform ($142.2 million impact on net earnings; 14.4 cents impact on earnings per share), the effect of items not deductible from first category tax (mainly corporate items which principally comprise exploration and evaluation costs), a withholding tax charge of $56.8 million and the effect of the mining tax which resulted in a charge of $79.1 million. In 2013 the total charge was $843.7 million, with an overall effective tax rate of 40.5% compared with the statutory rate of corporate tax of 20%. The main variance compared with the statutory rate in 2013 reflected a withholding tax charge of $289.1 million. Further details are given in Note 9 to the financial statements.

NON-CONTROLLING INTERESTS

Profit attributable to non-controlling interests was $390.9 million, compared with $580.2 million in 2013, reflecting the lower profit attributable to the non-controlling interests as a consequence of the decrease in the earnings of the mining operations analysed above.

EARNINGS PER SHARE

	Year ended 31.12.14 US cents	Year ended 31.12.13 US cents
Earnings per share	46.6	66.9

Earnings per share calculations are based on 985,856,695 ordinary shares. As a result of the factors set out above, profit in 2014 attributable to equity shareholders of the Company was $459.8 million compared with $659.6 million in 2013. Accordingly, earnings per share were 46.6 cents in 2014 compared with 66.9 cents in 2013, a decrease of 30.3%. Excluding the deferred tax provision resulting from the changes in the Chilean tax law during 2014 (14.4 cents impact on earnings per share), earnings per share were 61.0 cents, a 7.5% decrease compared with 2013.

DIVIDENDS

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

	Year ended 31.12.14 US cents	Year ended 31.12.13 US cents
Interim	11.7	8.9
Final	9.8	86.1
Total dividends to ordinary shareholders	21.5	95.0

The Board determines the appropriate dividend each year based on consideration of the Group's cash balance, the level of free cash flow and earnings generated during the year and significant known or expected funding commitments. It is expected that the total annual dividend for each year would represent a pay-out ratio based on net earnings for that year of at least 35%.

The Board has recommended a final dividend for 2014 of 9.8 cents per ordinary share, which amounts to $96.6 million and if approved at the Annual General Meeting, will be paid on 22 May 2015 to shareholders on the Register at the close of business on 24 April 2015. This gives total dividends for the year of 21.5 cents, including the interim dividend of 21.5 cents. In 2013 total dividends were 95.0 cents.

CAPITAL EXPENDITURE

Capital expenditure increased by $122.3 million from $1,458.7 million in 2013 to $1,581.0 million in 2014. This was mainly due to the ongoing construction at the Antucoya project and the expansion of the Centinela concentrator to a capacity of 105,000 tonnes per day.

DERIVATIVE FINANCIAL INSTRUMENTS

The Group generally sells its commodity production at prevailing market prices. It may periodically use derivative financial instruments to reduce exposure to commodity price movements in certain specific circumstances. At 31 December 2014 the Group did not have any significant level of commodity derivatives which fixed or limited its exposure to market prices.

The Group periodically uses interest rate swaps to swap floating rate interest for fixed rate interest. At 31 December 2014 the Group had entered into contracts in relation to the Centinela project financing for a maximum notional amount of $140 million at a weighted average fixed rate of 3.372% fully maturing in August 2018. The Group had also entered into contracts in relation to a financing loan at the Railway for a maximum notional amount of $150 million at a weighted average fixed rate of 1.634%, fully maturing in August 2019.

The Group also periodically uses foreign exchange derivatives to cover expected operational cash flow needs. At 31 December 2014 Antucoya had cross-currency swaps with a principal value of $45 million to swap Chilean pesos for US dollars at an average rate of Ch$564.6/$1, covering a total period up to 15 May 2015. The weighted average remaining period covered by these hedges calculated with effect from 1 January 2015 is 2.4 months. Additionally, at 31 December 2014 Antucoya had zero cost collar instruments with a principal value of $27 million covering a total period up to 15 March 2015. The weighted average remaining period covered by the zero cost collars calculated with effect from 1 January 2015 was 1.4 months. The instruments had a weighted average floor of Ch$589.6/$1 and a weighted average cap of Ch$550.0/$1.

CASH FLOWS

The key features of the Group cash flow statement are summarised in the following table.

	Year ended 31.12.2014 $m	Year ended 31.12.2013 $m
Cash flows from operations	**2,507.8**	2,659.2
Income tax paid	**(641.5)**	(896.5)
Net interest paid	**(45.4)**	(43.2)
Capital contributions and loans to associates and joint ventures	**(125.2)**	(128.2)
Change in ownership interest in subsidiaries	**(30.9)**	–
Capital increase from non-controlling interest	**50.0**	109.9
Acquisition of available-for-sale investments	**(5.9)**	(2.1)
Purchases of property, plant and equipment	**(1,646.3)**	(1,344.8)
Proceeds from sale of property, plant and equipment	**1.7**	10.6
Dividends paid to equity holders of the Company	**(964.2)**	(975.0)
Dividends paid to non-controlling interests	**(412.2)**	(452.1)
Dividends from associate	**20.0**	–
Other items	**8.7**	(0.2)
Changes in net cash relating to cash flows	**(1,283.4)**	(1,062.4)
Exchange and other non-cash movements	**(29.4)**	(29.1)
Movement in net (debt)/cash in the period	**(1,312.8)**	(1,091.5)
Net cash at the beginning of the year	**1,311.2**	2,402.7
Net (debt)/cash at the end of the year	**(1.6)**	1,311.2

Cash flows from operations were $2,507.8 million in 2014 compared with $2,659.2 million in 2013. This reflected EBITDA for the period of $2,221.6 million (2013 – $ 2,702.2 million) adjusted for a net working capital increase of $286.2 million (2013 – decrease of $43.0 million).

Cash tax payments in 2014 year were $641.5 million (2013 – $896.5 million), comprising corporation tax of $264.0 million (2013 – $528.0 million), mining tax of $98.2 million (2013 – $160.0 million) and withholding tax of $279.3 million (2013 – $208.5 million). These amounts differ from the current tax charge in the consolidated income statement of $714.8 million (2013 – $843.7 million) mainly because cash tax payments for corporation tax and the mining tax partly comprise the settlement of outstanding balances in respect of the previous year's tax charge and payments on account for the current year based on the prior year profit levels.

Contributions and loans to associates and joint ventures of $125.2 million mainly relate to the Group's share of the funding of the development of the Alto Maipo project, in which the Group acquired a 40% interest in 2013.

Cash disbursements relating to capital expenditure in 2014 were $1,646.3 million compared with $1,344.8 million in 2013. This included expenditure of $734.6 million at Antucoya (2013 – $596.5 million), $566.9 million relating to Centinela (2013 – $463.5 million) and $230.0 million relating to Los Pelambres (2013 – $194.6 million).

Dividends (including special dividends) paid to ordinary shareholders of the Company in 2014 were $964.2 million (2013 – $975.0 million), which related to the final dividend declared in respect of the previous year.

Dividends paid by subsidiaries to non-controlling shareholders were $412.2 million (2013 – $452.1 million), consisting of distributions by Los Pelambres, Centinela and Michilla.

FINANCIAL POSITION

	At 31.12.14 $m	At 31.12.13 $m
Cash, cash equivalents and liquid investments	2,374.5	2,685.1
Total borrowings	(2,376.1)	(1,373.9)
Net (debt)/cash at the end of the period	**(1.6)**	1,311.2

At 31 December 2014 the Group had combined cash, cash equivalents and liquid investments of $2,374.5 million (31 December 2013 – $2,685.1 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 $2,007.0 million (31 December 2013 – $2,420.8 million).

New borrowings in 2014 were $1,587.0 million (2013 – $194.1 million), mainly due to new long-term borrowings at Antucoya for $656.2 million, at Centinela for $548.4 million and the Railway and other transport services for $148.6 million, as well as new short-term borrowings at Los Pelambres of $206.0 million. Repayments of borrowings and finance leasing obligations in 2014 were $583.1 million, relating mainly to repayments by Centinela of $426.5 million and by Los Pelambres of $140.7 million.

Total Group borrowings at 31 December 2014 were $2,376.1 million (2013 – $1,373.9 million). Of this, $1,691.6 million (2013 – $948.5 million) is proportionally attributable to the Group after excluding the non-controlling interest shareholdings in partly-owned operations.

The Group's attributable net cash balance, excluding the non-controlling interest share in each partly-owned operation, was $315.4 million at 31 December 2014 (2013 - $1,472.3 million).

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. In 2014 the currency translation loss recognised in net equity was $26.2 million (2013 – loss of $20.8 million).

GOING CONCERN

The financial statements have been prepared on the going concern basis. Details of the factors which have been taken into account in assessing the Group's going concern status are set out within the Directors' report.

For more information, please see the Directors' report on page 100.

CAUTIONARY STATEMENT ABOUT FORWARD-LOOKING STATEMENTS

This annual report contains forward-looking statements. All statements other than historical facts are forward-looking statements. Examples of forward-looking statements include those regarding the Group's strategy, plans, objectives or future operating or financial performance; reserve and resource estimates; commodity demand and trends in commodity prices; growth opportunities; and any assumptions underlying or relating to any of the foregoing. Words such as "intend", "aim", "project", "anticipate", "estimate", "plan", "believe", "expect", "may", "should", "will", "continue" and similar expressions identify forward-looking statements.

Forward-looking statements involve known and unknown risks, uncertainties, assumptions and other factors that are beyond the Group's control. Given these risks, uncertainties and assumptions, actual results could differ materially from any future results expressed or implied by these forward-looking statements, which speak only as of the date of this report. Important factors that could cause actual results to differ from those in the forward-looking statements include: global economic conditions; demand, supply and prices for copper; long-term commodity price assumptions, as they materially affect the timing and feasibility of future projects and developments; trends in the copper mining industry and conditions of the international copper markets; the effect of currency exchange rates on commodity prices and operating costs; the availability and costs associated with mining inputs and labour; operating or technical difficulties in connection with mining or development activities; employee relations; litigation; and actions and activities of governmental authorities, including changes in laws, regulations or taxation.

Except as required by applicable law, rule or regulation, the Group does not undertake any obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

Past performance cannot be relied on as a guide to future performance.

Strategic report approved by order of the Board

JEAN-PAUL LUKSIC

Chairman

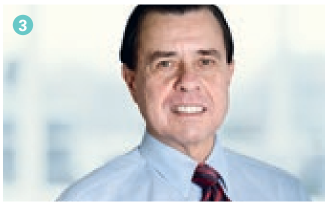
WILLIAM HAYES

Senior Independent Director and Chairman Audit and Risk Committee

16 March 2015

GOVERNANCE

BOARD OF DIRECTORS



1 JEAN-PAUL LUKSIC

Chairman, 50

Committees: Nomination and Governance (Chairman)

Appointed to the Board 1990

Jean-Paul Luksic has over 20 years' experience with Antofagasta. Prior to his appointment as Executive Chairman in 2004 he was Chief Executive Officer of Antofagasta Minerals, in which capacity he oversaw the development of the Los Pelambres and El Tesoro mines. He became Non-Executive Chairman on 1 September 2014.

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

He is Chairman of the Consejo Minero, the industry body representing the largest mining companies operating in Chile, and is a Non-Executive Director of Quiñenco S.A. and other listed companies in the Quiñenco group, including Banco de Chile and Sociedad Matriz SAAM S.A.

2 WILLIAM HAYES

Independent Non-Executive Director and Senior Independent Director, 70

Committees: Audit and Risk (Chairman), Remuneration and Talent Management, Nomination and Governance

Appointed to the Board 2006

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

He holds a B.A. degree in Political Science from the University of San Francisco and a Master's degree in International Management from the Thunderbird School of Global Management.

He is Chairman of Royal Gold Inc.

3 GONZALO MENÉNDEZ

Non-Executive Director, 66

Appointed to the Board 1985

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

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

He is a director of several companies including Quiñenco S.A. and Banco de Chile and is Chairman of the Board of Directors of Banco Latinoamericano de Comercio Exterior S.A. (Bladex).

4 RAMÓN JARA

Non-Executive Director, 61

Committees: Sustainability and Stakeholder Management (Chairman)

Appointed to the Board 2003

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

He is a director of several companies including Empresa Nacional del Petróleo ("ENAP"). He is Chairman of the Fundación Minera Los Pelambres and a director of the Fundación Andrónico Luksic A., which are charitable foundations in Chile.

5 JUAN CLARO

Independent Non-Executive Director, 64

Committees: Sustainability and Stakeholder Management

Appointed to the Board 2005

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

He is a former Chairman of the Sociedad de Fomento Fabril (Chilean Society of Industrialists), the Confederación de la Producción y del

Comercio (Confederation of Chilean Business) and the Consejo Binacional de Negocios Chile-China (Council for Bilateral Business Chile-China).

He is currently Chairman of Coca-Cola Andina S.A. and Energía Coyanco S.A., and is a director of several other companies in Chile, including Entel Chile S.A., Empresas Cementos Melon and Agrosuper. He is also a member of the governing boards of Centro de Estudios Públicos, a Chilean non-profit academic foundation.

6 HUGO DRYLAND

Non-Executive Director, 59

Appointed to the Board 2011

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

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

He is an Executive Vice-Chairman at Rothschild, and is global head of Rothschild's investment banking activities in the mining and metals sector.

7 TIM BAKER

Independent Non-Executive Director, 62

Committees: Audit and Risk, Remuneration and Talent Management (Chairman), Nomination and Governance

Appointed to the Board 2011

Tim Baker has significant mining operational experience across North and South America and Africa. He was previously Executive Vice-President and Chief Operating Officer at Kinross Gold Corporation and prior to that was executive General Manager of Placer Dome Chile. He has managed mining operations in Chile, the United States, Tanzania and Venezuela and held geological and production roles in Kenya and Liberia.

He has a B.Sc. in Geology from Edinburgh University and has an ICD.D from Canada's Institute of Corporate Directors.

He is Chairman of Golden Star Resources and a director of Sherritt International Corporation.

8 MANUEL LINO SILVA DE SOUSA-OLIVEIRA (OLLIE OLIVEIRA)

Independent Non-Executive Director, 63

Committees: Audit and Risk, Remuneration and Talent Management

Appointed to the Board 2011

Ollie Oliveira has over 35 years' experience in the mining industry, in corporate finance, operational and strategic roles. He held various senior executive positions within the Anglo American group and the De Beers group, including Executive Director – Corporate Finance and Head of Strategy and Business Development of De Beers S.A.

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

He is a Non-Executive Director of Ferrous Resources Limited and Dominion Diamond Corporation.

9 ANDRÓNICO LUKSIC

Non-Executive Director, 60

Appointed to the Board 2013

Andrónico Luksic has extensive experience across a range of business sectors throughout Chile, Latin America and Europe. He is Chairman of Quiñenco S.A. and Chairman of Compañía Cervecerías Unidas S.A. He is the Vice-Chairman of both Banco de Chile and Compañía Sudamericana de Vapores S.A., and a director of Invexans S.A. and Tech Pack S.A., all of which are listed companies in the Quiñenco group. He is also a director of Nexans S.A., a company listed on NYSE Euronext Paris.

10 VIVIANNE BLANLOT

Independent Non-Executive Director, 60

Committees: Sustainability and Stakeholder Management

Appointed to the Board 2014

Vivianne Blanlot is an economist with extensive experience across the energy, mining, water and environmental sectors and has worked in the public and private sector in Chile. She served as Executive Director of the Comisión Nacional de Medio Ambiente (Environmental Agency in Chile) from 1995 to 1997, Undersecretary of Energy (Comisión Nacional de Energía) from 2000 to 2003 and Minister of Defence from 2006 to 2007, among other positions.

She holds an Economics degree from the Pontificia Universidad Católica de Chile and a Master's degree in Applied Economics from the American University of Washington, DC.

She is a Non-Executive Director of Colbún S.A., an energy company listed on the Santiago stock exchange, and is also a member of the Consejo Para La Transparencia (Transparency Council), the Chilean body responsible for enforcing transparency in the public sector.

11 JORGE BANDE

Independent Non-Executive Director, 62

Committees: Audit and Risk

Appointed to the Board 2014

Jorge Bande has more than 30 years' experience in the mining industry as well as considerable experience in the energy and water sectors. He co-founded the Centre for Copper and Mining Studies ("CESCO"), an independent not-for-profit think tank focused on mining policy issues, where he was its first Executive Director from 1984 to 1988. He was Vice President of Development at Codelco from 1990 to 1994 and then became the CEO of AMP Chile, a subsidiary of AMP, one of Australia's largest institutional investors. He was a director of Codelco from 2006 to 2013. Jorge advised the World Bank as a Consultant between 2012 and 2013 and was a member of the Global Agenda Council for Responsible Minerals Resource Management at the World Economic Forum from 2009 to 2013. He is a professor of the International Post-Graduate Programme in Mineral Economics at the University of Chile and a member of the Experts Committee for Copper Prices for the Chilean Ministry of Finance.

He has a Master's degree in economics from the American University in Washington, DC.

He is currently a member of the Advisory Council of The Sentient Group and a director of CESCO, Inversiones Aguas Metropolitanas S.A., Pershimco Resources Inc. and Bupa Chile S.A. He was previously a director of a number of other Chilean and international companies, including Edelnor S.A. and Electroandina S.A. (now E-CL S.A.).

EXECUTIVE COMMITTEE

1 DIEGO HERNÁNDEZ

Group CEO

Diego Hernández joined the Group as CEO of Antofagasta Minerals in August 2012 and in September 2014 was appointed CEO of Antofagasta plc.

Before joining the Group Diego was Executive President of Codelco, President of BHP Billiton Base Metals, Executive Director of Vale do Rio Doce and CEO of Compañía Minera Doña Inés de Collahuasi S.C.M. Diego was also CEO of Empresa Minera de Mantos Blancos S.A. and has also held other senior positions within the Anglo American group in Chile and with the Rio Tinto group in Brazil.

Diego was named 2010 Copper Man of the Year by the Copper Club, New York, and received the gold medal awarded by the Chilean Institute of Engineers in 2013 in recognition of his contribution to the development of engineering in Chile.

Diego holds a Civil Mining Engineering degree from the Universidad de Chile and is a graduate of the École Nationale Supérieure des Mines de Paris.

2 IVÁN ARRIAGADA

CEO – Antofagasta Minerals

Iván Arriagada joined the Group as CEO of Antofagasta Minerals in February 2015.

Before joining the Group, Iván was the Vice President of Administration and Finance at Codelco. Prior to that, he held various positions at BHP Billiton, including President of Pampa Norte, Vice President of Production for the Base Metals division and CFO for the Base Metals division. Iván also worked for almost 20 years at Shell, in Chile, the United Kingdom, Argentina and the United States.

Iván holds a Master's degree in Science from the London School of Economics and Political Science and an MBA from the Universidad Adolfo Ibáñez in Chile. He has also attended several executive education programmes at Wharton, INSEAD and the MIT Sloan School of Management.

3 ALFREDO ATUCHA

Vice-President of Finance and Administration, CFO

Alfredo Atucha joined Antofagasta Minerals as Vice-President of Finance and Administration and CFO in February 2013.

Before joining the Group, Alfredo worked at BHP Billiton where he served for eight years as the Vice-President of Finance for Minera Escondida and for two years as the Senior Manager of Base Metals Major Projects. Between 2000 and 2003 Alfredo was Finance and Administration Manager at Chilquinta Energía, a company belonging to the Sempra Energy and PSG Group. For the previous 11 years he worked as Chief Financial Officer for the multinational Reckitt & Colman (now Reckitt Benckiser) in Spain, Brazil and Chile. He began his career at British American Tobacco in the areas of Tax Planning and Treasury.

Alfredo is a Chartered Accountant (Universidad de Chile) and has an MBA from ESEUNE in Spain. He also holds an Economics degree from the Universidad de Chile.

4 ISAAC ARÁNGUIZ

Vice-President of Projects

Isaac Aránguiz joined Antofagasta Minerals as Vice-President of Projects in 2013.

Before joining the Group, Isaac was Vice-President of Development at Codelco, Project Manager at Freeport-McMoRan, President and General Manager of Compañía Contractual Minera Candelaria AUREX, Technical Manager at Antofagasta Minerals and General Manager of Phelps Dodge, El Abra and Candelaria.

Isaac holds a Civil Mining Engineering degree from the Universidad de Chile and a Business Management degree from the Universidad Católica de Chile. He also graduated from the Business Program of the American Graduate School in Phoenix and from the International Business Program at MIT.

5 PATRICIO ENEI

Vice-President of Legal

Patricio Enei joined Antofagasta Minerals as Vice-President of Legal in February 2014.

Before joining the Group, Patricio was General Counsel at Codelco from 2011 to 2014 and Corporate Affairs Manager of Minera Escondida from 2010 to 2011. He worked as a Senior Lawyer at BHP Billiton in Chile, as Chief Legal Counsel at Minera Doña Inés de Collahuasi, at the Instituto de Normalización Previsional and in private practice.

Patricio holds a Law degree from the University of Concepción and a combined MBA from the Universidad de Chile and the University of Tulane in the USA.

6 HERNÁN MENARES

Vice-President of Operations

Hernán Menares joined Antofagasta Minerals in 2008 as Project Development Manager for the Sierra Gorda District, where he was responsible for analysing the business and growth options for the area. He was appointed Vice-President of Operations in 2011.

Before joining the Group, Hernán was responsible for leading and managing mine and plant business units and for developing business plans for Codelco Norte, including the Chuquicamata, Radomiro Tomic and South Mine sites. He has also worked in the iron ore business for Compañía Minera del Pacífico and Compañía Minera Huasco S.A.

Hernán holds a Civil Mining Engineering degree from the Universidad de Santiago in Chile and a Master's degree in Science (Mineral Economics) from the University of Technology in Perth, Australia.

7 RICARDO MUHR

Vice-President of Mining Resources

Ricardo Muhr joined the Group as a Chief Geologist in 1984. In 1988 he led the evaluation of the Los Pelambres deposit. He was appointed Vice-President of Mining Resources in 1997.

Before joining the Group, he was a consultant working across different exploration projects in Chile and Argentina, including the Escondida copper mine, between 1982 and 1984.

Ricardo is a member of the Chilean Geological Society and the Society of Economic Geologists in the United States.

He holds a Geology degree from the Universidad de Chile.

8 ANA MARÍA RABAGLIATI

Vice-President of Human Resources

Ana María Rabagliati joined Antofagasta Minerals as Vice-President of Human Resources in 2013.

Before joining the Group, Ana María was Corporate Human Resources Manager at Masisa, Country Human Resources Vice-President at Citigroup and also worked at the Lafarge Group. Before that, she was Human Resources Manager at the Lubricants Business of Shell Oil Latin America and also worked across several divisions and areas at Shell Chile S.A.

Ana María holds a degree in Business Administration from the Universidad Católica de Chile.

9 ALEJANDRO RIVERA

Vice-President of Corporate Development

Alejandro Rivera joined the Group in 1997 as CFO of Los Pelambres. In 2004 he was appointed Vice-President of Corporate Finance and Business Development and in 2012 became the Vice-President of Corporate Development.

Before joining the Group, Alejandro was Finance Manager at Corpora Tresmontes S.A. and Finance Manager at Compañía de Teléfonos de Chile.

Alejandro holds a Civil Industrial Engineering degree from the Universidad de Chile.

10 GONZALO SÁNCHEZ

Vice-President of Sales

Gonzalo Sánchez joined Antofagasta Minerals as Deputy Commercial Director in 1996 and has been Vice-President of Sales since 2004. He has 25 years' experience in marketing and hedging of metals.

Gonzalo holds a Civil Engineering degree in Structural Engineering and a Postgraduate Diploma in Business Management from the Universidad de Chile.

11 FRANCISCO VELOSO

Vice-President of Corporate Affairs and Sustainability

Francisco Veloso joined the Group in 1993 as a lawyer at Michilla. From 1997 to 2002 he was General Counsel for Los Pelambres. In 2002, he was appointed Vice-President of Legal and Corporate Affairs, and he was acting Vice-President of Human Resources during 2012.

Francisco holds a Law degree from Universidad Católica de Chile and a Master's degree in International Business Law from the London School of Economics and Political Science.

CORPORATE GOVERNANCE REPORT

Maintaining a high standard of corporate governance is fundamental to the Board's ability to discharge its duties to shareholders. The Board and I remain committed to ensuring that the structures and procedures in place across the Group reflect the best principles of good governance and take into account the expectations of our stakeholders.

As I have highlighted in my Chairman's letter on pages five to seven, we were delighted to welcome Vivianne Blanlot and Jorge Bande to the Board as independent Non-Executive Directors in 2014. Both Mrs. Blanlot and Mr. Bande have extensive experience across the energy, mining and water sectors and Mrs. Blanlot has also held several senior positions in the public sector, including Executive Director of the Chilean Environmental Agency. The formal, rigorous process by which Mrs. Blanlot and Mr. Bande were appointed is described in the Nomination and Governance Committee report on page 82.

In September, I decided to step back from the position of Executive Chairman to become Non-Executive Chairman. At the same time, Diego Hernández took on the role of Group CEO, having previously been responsible for the mining division. These changes reflect the development of the Group; my role is now less focused on day-to-day operations and more concerned with the strategic development of the Group and leading the Board.

As part of the process for implementing these changes, all the Board's governance documents were reviewed and updated during the year, including the schedule of matters reserved for the Board and each Committee's terms of reference. As part of the review of its own terms of reference, the Nomination and Governance Committee (formerly, the "Nomination Committee") is now responsible for monitoring the Board's corporate governance arrangements, reviewing the Company's corporate governance framework at least annually and recommending any improvements or changes to the Board.

During the year, as part of a series of actions taken by UK regulators to strengthen minority shareholder protection in companies with a controlling shareholder, such as ours, new Listing Rules came into force that require such companies to enter into relationship agreements with their controlling shareholders. As set out on page 73, the Company has complied with these provisions. The Company and each controlling shareholder welcome the opportunity to clarify their relationship.

At this year's Annual General Meeting in May, all Directors will stand for election or re-election and, as is required by the new Listing Rules, our independent Non-Executive Directors will be subject to a dual vote by shareholders. As set out in my letter accompanying the Notice of Meeting, this means that each resolution to elect or re-elect an independent Non-Executive Director must be approved by both a majority vote of all shareholders and a majority vote of the Company's independent shareholders. Details regarding how the Company has determined that these Directors are independent, the process by which they were selected and any other relationships, transactions or arrangements to be disclosed are set out in the Notice of Meeting.

In the following pages, we outline our approach to corporate governance and demonstrate how our governance practices support this approach and how these practices are applied. We will continue to keep our corporate governance practices under review, particularly in light of the revised version of the UK Corporate Governance Code published in September 2014, which first applies to the Company for the 2015 financial year.

JEAN-PAUL LUKSIC

Chairman

COMPLIANCE WITH THE UK CORPORATE GOVERNANCE CODE

The UK Corporate Governance Code issued by the Financial Reporting Council in September 2012 ("the Code") (available on the Financial Reporting Council website at www.frc.org.uk) sets out the governance principles and provisions that applied to the Company during the 2014 financial year. The Company is committed to a culture of good governance, as embodied in the Code, and reports here on how it has applied the principles and complied with the provisions of the Code and explains the reasons for any non-compliance.

The Company complied with the detailed provisions contained in the Code throughout 2014, with the following exceptions before 1 September 2014:

– the Board did not have a separately identified Group CEO, and as Mr. Jean-Paul Luksic was Executive Chairman, there was no formal separation of the functions of Chairman and CEO (provision A.2.1) at Board level. Prior to 1 September 2014, Diego Hernández was the Chief Executive of Antofagasta Minerals (the Group's mining division, which represents nearly 95% of earnings). As such, he was invited to attend all Board meetings and was responsible for the activities of the Antofagasta Minerals Executive Committee. The Board considers that its predominantly non-executive composition, combined with the delegation of significant responsibility for operational management to Diego Hernández and the Executive Committee within the mining division, and to the divisional General Managers within the transport and water divisions, achieved an appropriate balance and prevented a concentration of power in its Executive Chairman; and

– performance-related pay measures did not apply to the Executive Chairman (principle D1 and provision D.1.1). The Board considers this appropriate given its predominantly non-executive composition at that time and the role of the Chairman (then the only Executive Director), who is a member of the controlling family. Performance-related remuneration applies to all of the executives within the Antofagasta Minerals Group, including the Executive Committee, as described in the Remuneration Report on page 86.

On 1 September 2014, Mr. Diego Hernández was appointed to the new role of Group CEO – he is not a member of the Board. On the same date, Mr. Jean-Paul Luksic became Non-Executive Chairman. The Board has adopted a charter setting out the division of responsibilities between the Chairman and the Group CEO. Following these changes, the Company complied with all the detailed provisions contained in the Code.

RELATIONSHIP AGREEMENT

In November 2014 the Company entered into relationship agreements with each controlling shareholder, which contain the mandatory independence provisions required by the Listing Rules. The Company has complied and, so far as the Directors are aware, each controlling shareholder and its associates have complied with the mandatory independence provisions at all times from the date of signing the Relationship Agreements until the end of the financial year.

As a practical matter, any transaction between the Company and any controlling shareholder is approved by the independent Directors, without the non-independent Directors voting. During 2014, a committee of independent Directors was convened to consider and approve the following on behalf of the Company: the Group's acquisition of Minera Cerro Centinela S.A.'s 8% interest in Michilla; the Company's position in relation to the Antomin joint venture that the Company has with the controlling shareholders in relation to undeveloped mining properties in Chile; and the Relationship Agreements signed with each controlling shareholder.

GROUP GOVERNANCE STRUCTURE

BOARD

The Board is collectively responsible for the long-term success of the Group. It is responsible for its leadership and strategic direction, and for the oversight of the Group's performance, risks and internal control systems. The Board is assisted in the fulfilment of its responsibilities by four committees: the Audit and Risk Committee, the Remuneration and Talent Management Committee, the Nomination and Governance Committee and the Sustainability and Stakeholder Management Committee. More details on the role of the Board and the Committees are set out in the following pages.

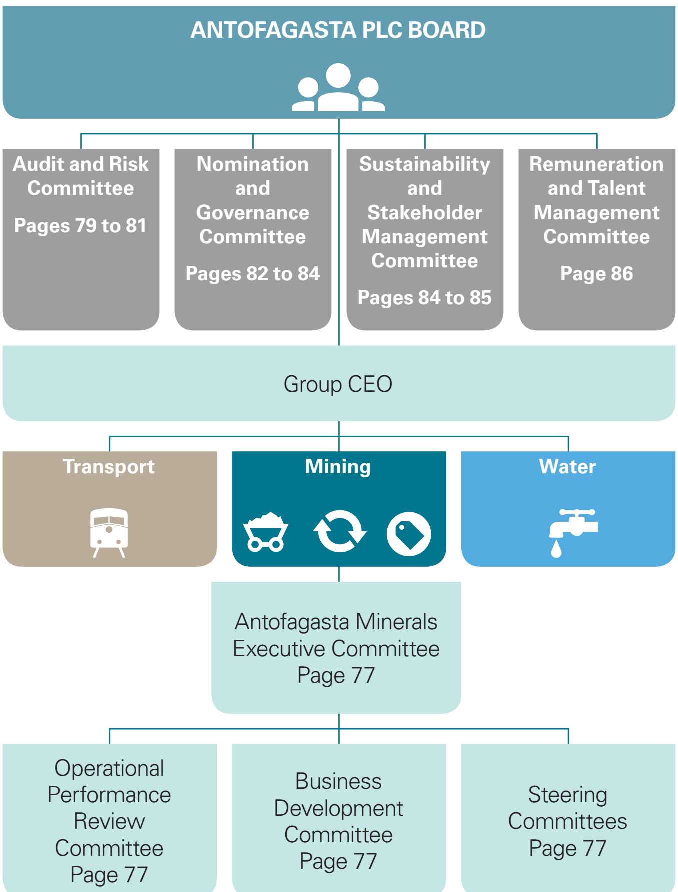
EXECUTIVE MANAGEMENT

Responsibility for the executive management of the Group sits with the Group CEO, Diego Hernández.

Mr. Hernández is not a Director of Antofagasta plc but is invited to attend Board, Remuneration and Talent Management, Audit and Risk, and Sustainability and Stakeholder Management Committee meetings, and is a member of the Board of Directors of the divisional Boards of the transport division (Ferrocarril de Antofagasta a Bolivia, the Chilean branch of Antofagasta Railway Company plc) and the water division (Aguas de Antofagasta S.A.).

The mining division is managed by the Antofagasta Minerals Executive Committee under the leadership of Iván Arriagada, the CEO of Antofagasta Minerals. More details on the role of the Group CEO and the Antofagasta Minerals Executive Committee are set out in the following pages.

ANTOFAGASTA PLC BOARD AND COMMITTEES



THE ROLE OF THE BOARD

The Board met nine times during 2014.

The Board is collectively responsible for the long-term success of the Group. The Chairman encourages an open culture and healthy challenge and debate are encouraged within the Board. He will always attempt to persuade the Board to act as a team by obtaining consensus at Board meetings, but in exceptional circumstances decisions may be taken by majority. A revised schedule of matters specifically reserved for the Board was adopted in 2014 to reflect structural and governance developments and the growth of the Group since the previous version was adopted.

The Board is responsible for:

- strategy and management, which includes responsibility for the overall management of the Group, approval of the Group's long-term objectives and strategy, approval of the Group's annual operating and capital expenditure budgets and oversight of the Group's operations and review of their performance in light of the Group's strategy, objectives, business plans and budgets;
- the structure of the Group, including any changes to capital structure, major changes to the Group's corporate structure and changes to the Group's senior management or control structure;
- financial items including the approval of preliminary announcements, annual financial reports and half-yearly financial reports, the Group's dividend policy and proposals, and any significant changes in accounting policies or practices;
- internal controls, including ensuring that there is a sound system of internal control and risk management and determining the nature and extent of principal risks that the Group is willing to take in achieving its strategic objectives;
- approving material contracts and transactions, including significant loans and repayments and major acquisitions or disposals and any acquisition that would involve the commencement of an activity of a substantially different nature or character to any activity from time to time carried on by the Group;
- Board membership, including reviewing and approving change to the structure, size and composition of the Board, the appointment of the Chairman and Senior Independent Director, ensuring that there is adequate succession planning for the Board, approving appointments to the boards of key subsidiaries and the appointment or removal of the Company Secretary;
- recommending the appointment, re-appointment or removal of the external auditor to shareholders for approval, following the recommendation of the Audit and Risk Committee;
- remuneration, including the Directors' remuneration policy to be submitted to shareholders for approval, approval of the remuneration of Directors and determining remuneration policy for senior management;
- appointing and delegating authority to the Group CEO and ensuring that there is adequate succession planning for the Group CEO and senior management;
- corporate governance matters, including reviewing the Group's overall corporate governance arrangements, receiving reports of the views of the Company's shareholders, undertaking a formal and rigorous annual review of its own performance, as well as that of the Committees and individual Directors, determining the independence of Directors, receiving declarations of interest from Directors and authorising any Director's conflict of interest;

- establishing committees of the Board that provide assistance on any of the matters set out above; and
- other matters, including approving key corporate policies and the schedule of matters reserved for the Board.

DURING 2014 THE BOARD

- approved key steps in the Group's growth plans, including the acquisition of 100% of Duluth Metals Limited and approval of the feasibility study and early works at the Encuentro Oxides project
- approved key steps in the consolidation of the Group's core business, including the consolidation of the Group's ownership of Michilla and approval of its closure or potential sale before the end of 2015, the merger of the Esperanza and El Tesoro operations into Minera Centinela and the approval of implementation of a new Group enterprise resource planning ("ERP") system and centralised procurement strategy to reduce costs
- approved the investment in the optimisation of the Group's existing operations to facilitate brownfield expansions
- approved a revised energy strategy based on the Group's anticipated future requirements
- approved a new dividend policy
- reviewed the Group's performance against KPIs, including safety indicators
- reviewed and monitored the Group's operational and project performance
- approved the Group's annual and half-year results
- reviewed the Group's ongoing capital management and approved the final and interim dividends paid out to shareholders during 2014
- approved the Group's 2015 budget, scorecard, commercial and financial parameters and base case and development case production scenarios
- reviewed and monitored the strategies, implementation of the strategies and performance of each Executive Committee members' team during the year
- reviewed the impact on the Group's position of new tax and other legislation adopted in Chile
- oversaw a review of the Group's internal control and risk management systems and reporting in accordance with these systems
- appointed Vivianne Blanlot and Jorge Bande to the Board as independent Non-Executive Directors
- appointed Diego Hernández as Group CEO and Iván Arriagada as CEO of Antofagasta Minerals
- adopted a revised schedule of matters reserved for the Board, revised terms of reference for each of the Committees, and revised documents setting out the responsibilities of the Chairman, Group CEO and Senior Independent Director.

The Board has delegated responsibility for implementing the Group's strategic and financial objectives to the Group CEO. The Group CEO is invited to attend Board meetings and leads the team with executive responsibility for running the Group's businesses.

The Group CEO, the Vice-President of Finance and Administration and the Vice-President of Legal are invited to attend all Board meetings.

The Board has delegated authority to its Committees to perform certain activities as set out in their terms of reference. They are the Audit and Risk Committee, the Remuneration and Talent Management Committee, the Nomination and Governance Committee, and the Sustainability and Stakeholder Management Committee. The activities of these Committees are set out in further detail on pages 79 to 85 of this Corporate governance report and pages 86 to 99 of the Remuneration Report. Revised terms of reference of these Committees were adopted in 2014 and are available on the Company's website at www.antofagasta.co.uk.

BOARD COMPOSITION

BOARD BALANCE

As at the date of this report the Board has 11 Directors, comprising a Non-Executive Chairman and ten Non-Executive Directors. The Board considers five of these Non-Executive Directors to be independent. The Board considers that a board comprising Non-Executive Directors is valuable both in terms of providing a range of outside perspectives to the Group and in encouraging robust debate with, and challenge of, the Group's executive management.

The Board is satisfied that the balance of the Board, in terms of background, gender and independence, limits the scope for an individual or small group of individuals to dominate the Board's decision-making.

During 2014, Vivianne Blanlot and Jorge Bande were appointed to the Board. Mrs. Blanlot brings extensive experience across the energy, mining, water and environmental sectors and Mr. Bande brings extensive Chilean and international experience across the mining, energy and water sectors.

Of the 11 Directors, seven are based in Chile, three are based in North America and one is based in the United Kingdom. Biographies of each of the Directors as at the date of this report are shown on pages 68 to 69 and demonstrate a detailed knowledge of the mining industry, as well as significant international business experience. Their biographies provide details of their Committee memberships as well as other principal directorships and external roles.

CHAIRMAN

Jean-Paul Luksic is Chairman of the Board. His role is that of Non-Executive Chairman and his other commitments do not prevent him from devoting sufficient time to this role. He is responsible for the leadership of the Board and for ensuring its effectiveness in all aspects of its role, and for promoting the highest standards of integrity, probity and corporate governance. He sets the agenda for Board meetings in consultation with the Secretary to the Board, other Directors and members of senior management. He also chairs the meetings, ensuring that there is adequate time available for discussion of all agenda items and that there is a focus on strategic, rather than routine, issues. He promotes a culture of openness and debate within the Board by facilitating the effective contribution of all Directors and is responsible for Director development, induction, performance evaluation and relations with shareholders.

SENIOR INDEPENDENT DIRECTOR

William Hayes is the Senior Independent Director. He provides a sounding board for the Chairman and supports the Chairman in the delivery of his objectives as required. Where necessary, the Senior Independent Director can act as an intermediary between the Chairman and the other members of the Board or the Group CEO. He is an additional point of contact for shareholders, providing a particular focus for shareholders on the Group's governance and strategy, and also gives shareholders a means of raising concerns other than with the Chairman or senior executives. Since his appointment, William Hayes has met with a number of the Group's largest shareholders and proxy voting agencies, allowing him to provide his perspective on the Group's governance and strategy and to obtain their direct feedback on the Group. During 2014 William Hayes met with major shareholders and proxy voting agencies to focus on the issues that were most relevant to investors during the course of the year.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Of the ten Non-Executive Directors (excluding the Chairman), five are considered by the Board to be independent – William Hayes, Tim Baker, Ollie Oliveira, Vivianne Blanlot and Jorge Bande. These Directors meet the independence criteria set out in the UK Corporate Governance Code and the Board is satisfied as to their independence.

The Board does not consider Ramón Jara, Hugo Dryland, Andrónico Luksic, Gonzalo Menéndez or Juan Claro to be independent. Ramón Jara provides advisory services to the Group. Hugo Dryland provides advisory services to the Group in his capacity as a Vice-Chairman at Rothschild, which is a financial advisor to the Group. Andrónico Luksic is the brother of Jean-Paul Luksic, the Chairman of Antofagasta plc and is Chairman of Quiñenco S.A. and Chairman or a Director of Quiñenco's other listed subsidiaries. Jean-Paul Luksic and Gonzalo Menéndez are also Non-Executive Directors of Quiñenco and some of its listed subsidiaries. Like Antofagasta plc, Quiñenco is controlled by the Luksic family. Juan Claro served on the Board for more than nine years concurrently with the Chairman when he was performing the role of Executive Chairman.

INFORMATION AND PROFESSIONAL DEVELOPMENT

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

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

The Directors based outside Chile visit the country regularly to attend Board meetings and for other meetings with management and site visits to the Group's operations. The Directors based outside the UK also regularly visit this country, normally at least once a year to attend the Company's Annual General Meeting, which is held in London. During the year the Board receives briefings from external advisors on key changes to the regulatory and legal environment impacting the Group and any other briefings that are determined by the Board to be relevant.

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

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

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

EXECUTIVE MANAGEMENT

CHIEF EXECUTIVE OFFICER

As noted above, responsibility for the executive management of the Group sits with the Group CEO, Diego Hernández.

Mr. Hernández's responsibilities include leading the senior management team in the day-to-day running of the Group's businesses, proposing, developing and implementing the Group's strategy and commercial objectives, and maintaining communication with the Board and shareholders. This includes reporting to the Board on matters affecting the Group and overseeing and maintaining the Group's risk profile in line with the nature and extent of the principal risks identified as acceptable by the Board and Audit and Risk Committee.

ANTOFAGASTA MINERALS EXECUTIVE COMMITTEE

The mining division is managed by the Antofagasta Minerals Executive Committee under the leadership of Iván Arriagada, the CEO of Antofagasta Minerals. Details of the members of the Committee are set out on pages 70 to 71.

The Executive Committee reviews significant matters in respect of the mining division and approves capital expenditures by the mining operations and the corporate centre within designated authority levels, leads the annual budgeting and planning processes, monitors the performance of the mining operations and promotes the sharing of best practices and implementation of policies across the operations.

The Executive Committee is assisted in the performance of its responsibilities by the Operational Performance Review Committee, the Business Development Committee and certain steering committees set up to oversee important projects.

The Operational Performance Review Committee ("OPRC") provides a regular and formal process for the monitoring and control of the operations and is led by the Vice President of Operations. Members of the OPRC include the General Managers of each of the operating mines and the Antucoya project, as well as the managers responsible for finance, technical matters and the members of the Boards of the operating companies who represent Antofagasta Minerals. The OPRC monitors the performance of the operating companies and the Antucoya project, with a focus on budgets, operational risks and investments. The OPRC also supports and validates the technical and operational decisions made at the individual companies and is responsible for approving certain operational expenditures within approved budgets and small capital expenditures up to a set amount.

The Business Development Committee ("BDC") focuses on the mining division's growth opportunities, both in relation to internal projects and potential transactions. Members of the BDC include the Vice-President of Mineral Resources, the Vice-President of Corporate Development and the Vice-President of Finance and Administration, as well as the managers responsible for activities within these areas. The BDC oversees the implementation of the strategic business development guidelines and reviews and approves decisions regarding the portfolios of Business Development and Exploration in light of those strategic guidelines and within the approved budget and designated authority levels.

The Executive Committee sets up steering committees to monitor the implementation of important projects undertaken by the Group, both in the execution and study phases. These steering committees are led by the Vice-President of Projects, and their members include the manager of the project, the Vice-President of Operations and the relevant managers and technical experts. The steering committees are generally responsible for approving technical and strategic project decisions, as well as approving certain expenditures within approved budgets and up to a set amount.

ETHICS COMMITTEE

The Group Ethics Committee is responsible for establishing and developing the necessary procedures to encourage ethical conduct across the Group, for implementing, developing and updating the Code of Ethics and for monitoring compliance.

The Code of Ethics sets out the responsibilities of all employees and contractors in relation to potential conflicts of interest, corruption and bribery, the protection of confidential information, the safeguarding of working conditions, discrimination and harassment, human rights, respect for neighbouring communities and mechanisms for reporting infringements. All employees receive a copy on joining the Group and are required to sign an acknowledgement that they will comply with it. The Code of Ethics is available to employees on the Group intranet and from the human resources department and line managers. Employees and contractors are encouraged to anonymously report any unethical conduct through the Group's dedicated "whistleblowing" channels. The Group regularly undertakes training on the Code of Ethics, which includes the mandatory completion of online questionnaires.

BOARD MEETING ATTENDANCE

	Number attended	Maximum possible
Jean-Paul Luksic	9	9
William Hayes	9	9
Gonzalo Menéndez	9	9
Ramón Jara	9	9
Juan Claro	8	9
Hugo Dryland	9	9
Tim Baker	9	9
Ollie Oliveira	9	9
Nelson Pizarro (resigned from the Board on 1 September 2014)	5	6
Andrónico Luksic	6	9
Vivianne Blanlot (appointed to the Board on 28 March 2014)	6	6
Jorge Bande (appointed to the Board on 17 December 2014)	–	–

Nine meetings were held during the year.
Each Director withdrew from any meeting when his or her own position was being considered.
All Directors in office at the time of the 2014 Annual General Meeting attended that meeting.

PERFORMANCE EVALUATION

During 2014, the Secretary to the Board facilitated implementation of the recommendations made by Independent Audit Limited in their evaluation of the Board in 2013. Substantial progress has been made in addressing these recommendations. In particular, the Board:

– approved updates to the schedule of matters reserved for the Board and the terms of reference of Board Committees, as well as new documents spelling out the division of responsibilities between the Chairman of the Board and the Group CEO and the role of the Senior Independent Director;

– strengthened its focus on strategic issues by co-ordinating a strategy "away day" and rearranging the structure and content of the Board information packs to help Directors identify and focus on the main issues and risks;

– agreed with management expectations as to the content and depth of project reviews;

– reviewed the principal risks and risk mitigation strategies for the Group, including at each of the Company's operations;

– reviewed the development of the Group's talent management initiatives and staff engagement survey results;

– enhanced the Board's support team, with the appointment of a Secretary to the Board and an in-house Company Secretary;

– improved the quality of minutes and matters arising lists in order to enhance the effectiveness of communication between the Board and management; and

– included a standing provision in the Board's agenda for discussions with operating company managers.

During the year, the Secretary to the Board also performed a separate internal evaluation of the performance of the Board and its Committees, which was facilitated through structured, individual interviews with Directors.

The Chairman is using these results to further develop the effective operation of the Board, and the Nomination and Governance Committee will use these results when considering the overall composition of, and appointments to, the Board.

During the year, led by the Senior Independent Director, the Non-Executive Directors met without the Chairman present and evaluated the Chairman's performance.

The Board recognises that improving performance is a continuous process and has committed to an action plan for the coming year to address some of the areas identified as needing further development. These include:

– further focus on the strategic aspects of the Group's businesses;

– focused attention on project reviews, approval and stewardship of committed results; and

– increased focus on succession planning for Board and senior executive positions.

RELATIONS WITH SHAREHOLDERS

The shares of Antofagasta plc are listed on the main market of the London Stock Exchange. The E. Abaroa Foundation, in which members of the Luksic family are interested, controls 60.65% of the ordinary share capital and 94.12% of the preference share capital of the Company. The Severe Studere Foundation, which is controlled by the Chairman, Jean-Paul Luksic, indirectly controls 4.26% of the ordinary share capital of the Company. The majority of the remaining approximately 35% of the Company's ordinary shares are held by institutional investors, mainly based in the UK and North America.

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

The Company held regular meetings with institutional investors and sell-side analysts throughout the year, which included an international investor road show programme, presenting at industry conferences as well as in meetings with individual investors. These were attended by the Chairman and various members of the management team, including the Group CEO, the Vice-President of Finance and Administration and the Vice-President of Corporate Development. Shareholders also met with several Non-Executive Directors, including the Senior Independent Director and Chairman of the Audit and Risk Committee, the Chairman of the Remuneration and Talent Management Committee and members of the other Board Committees. All the Directors met shareholders at the Annual General Meeting.

Issues of particular focus for investors during the year included:

– the progress of the Antucoya project;

– the Group's focus on brownfield development projects and the potential from longer-term growth projects;

– the capital distribution policy of the Group;

– cost reduction programmes implemented to control operating and capital cost inflation;

– potential issues around the availability of key strategic resources for the mining sector in Chile, such as water, labour and energy;

– general commodity market conditions; and

– changes to the tax regime in Chile.

AUDIT AND RISK COMMITTEE

William Hayes

Chairman of the Audit and Risk Committee

"The Audit and Risk Committee plays a key role in overseeing the Group's financial reporting and risk management processes. We are committed to ensuring that the Group's financial reporting is accurate, high-quality and clear, to allow the Group's shareholders to properly understand our performance and financial position. We believe that robust risk management is crucial, not just for operating in a safe and responsible manner, but also for underpinning efficient operational management."

Membership and meeting attendance

	Number attended	Maximum possible
William Hayes (Chairman)	4	4
Tim Baker	4	4
Ollie Oliveira[1]	3	4
Jorge Bande (appointed to the Committee on 17 December 2014)	–	–

1 Ollie Oliveira was unable to attend the Audit and Risk Committee Meeting on 26 November due to a family bereavement.

KEY ACTIVITIES IN 2014

- Reviewed the Group's annual and half-year results.
- Conducted an audit tender process, which resulted in the Committee recommending to the Board that PricewaterhouseCoopers LLP should be appointed as the Group external auditor for the 2015 financial year onwards.
- Reviewed the independence and effectiveness of Deloitte LLP, the Group's incumbent external auditor.
- Reviewed the activities and key findings of the Company's Internal Audit function during the year, and reviewed and approved the 2015 Internal Audit work plan.
- Commissioned an independent review of the effectiveness of the Internal Audit function.
- Reviewed the effectiveness of the risk management function and the Group's system of internal control, including reviews of the Group's principal risks and related mitigations.
- Reviewed updates from the General Managers of the Group's operations in relation to their specific key risks and control activities.

ROLE AND RESPONSIBILITIES OF THE AUDIT AND RISK COMMITTEE

The purpose of the Audit and Risk Committee is to assist the Board in meeting its responsibilities relating to financial reporting and control. The Committee is responsible for overseeing the Group's relationship with the external auditor and monitoring the effectiveness of the Group's Internal Audit and risk management functions.

The Committee meets at least three times a year, with the external auditors in attendance. There is a rolling agenda that covers regular matters such as the review of the year-end financial statements and half-yearly financial report, planning for the year end reporting and external audit processes, monitoring the Group's tax strategy and processes, reviewing the Internal Audit work plan and reports from the risk management function, as well as providing time for ad-hoc matters requiring the Committee's consideration. The Committee held four meetings during 2014.

The Chairman of the Committee reports to the Board following each Committee meeting, allowing the Board to understand and, if necessary, discuss matters considered in detail by the Committee.

The terms of reference of the Committee were reviewed and updated during 2014 to reflect changes introduced by the revised 2014 UK Corporate Governance Code and were adopted by the Board. A copy of the updated terms of reference is available on the Company's website at www.antofagasta.co.uk.

AUDIT AND RISK COMMITTEE MEMBERSHIP

The members of the Committee and their attendance at meetings of the Committee during the year are shown in the table above. Biographical details of the members of the Committee, including relevant qualifications and experience, are set out on pages 70 to 71. All of the Committee members are considered by the Board to be independent Non-Executive Directors. William Hayes and Ollie Oliveira are considered to have recent and relevant financial experience. The Committee received briefings during the year on developments in financial reporting requirements and other relevant regulatory changes.

COMMITTEE REVIEW

During 2013 the Committee commissioned an independent evaluation of its effectiveness, which was undertaken by Independent Audit Limited. The review process and key recommendations were detailed in the 2013 Annual Report. The implementation of the key recommendations began in 2013, and was completed during 2014.

FINANCIAL REPORTING

The Committee monitors the integrity of the Group's financial reporting. It reviews whether the Group's accounting policies are appropriate, and whether management's estimates and judgements applied in the financial statements are reasonable. The Committee assesses risks that could impact the quality and effectiveness of the Group's financial reporting process.

The Committee reviews the year end financial statements and half-yearly financial report, as well as other relevant external financial reports. The Committee also reviews the going concern basis adopted in the year end financial statements and half-yearly financial report, prior to its endorsement by the Board.

At the request of the Board, the Committee considered the 2014 Annual Report and Financial Statements and concluded that, taken as a whole, this was fair, balanced and understandable, and provided the necessary information to allow shareholders to assess the Group's performance, business model and strategy.

Significant issues in relation to the financial statements considered by the Committee during the year were:

- the carrying value of the Antucoya project's assets – following the $500 million impairment charge recorded in 2012, an updated review of the carrying value of the project's assets was performed, which indicated that no further impairment or reversal of the earlier impairment was appropriate. The Group's process for performing impairment reviews is detailed in Note 2(m) and Note 3(c) to the financial statements;
- mine closure provisions – review of the updated provision calculations in respect of future mine closure costs, reflecting the mine closure plans submitted to Sernageomin, the government agency that regulates the mining industry in Chile, in accordance with the new Chilean mine closure regulations published during the year. The Group's closure provisions are detailed in Note 27 to the financial statements;
- the impact of the Chilean tax reform bill – including the recalculation of the Group's deferred tax balances using the appropriate future tax rates following the enactment of the new tax reform bill;
- the accounting for the Twin Metals project – in particular the recognition of the initial investment in associate balance at its fair value in July 2014, following the change in the nature of the investment from a subsidiary to an associate at that point. Further details in respect of the investment in Twin Metals are set out in Note 16 to the financial statements; and
- capitalisation of property, plant and equipment, and of project costs – consideration of the appropriateness of the capitalisation of significant project expenditure, in particular in respect of the commercial viability of particular projects. Details of additions to property, plant and equipment are set out in Note 13 to the financial statements.

EXTERNAL AUDIT

The Committee is responsible for overseeing the Group's relationship with the external auditor. The Committee reviews and approves the scope of the external audit and the external auditor's terms of engagement and fees. The Committee monitors the effectiveness of the external audit process and is responsible for ensuring the independence of the external auditor. The Committee is also responsible for making recommendations to the Board for the appointment, re-appointment or removal of the external auditor. The Committee meets with the external auditor without management present at least once during the course of the year.

EFFECTIVENESS OF THE EXTERNAL AUDIT PROCESS

The Committee has reviewed the effectiveness of the external audit process during the year, including consideration of the following factors:

- the appropriateness of the proposed audit plan, the significant risk areas and areas of focus, and the effective performance of the audit in line with the agreed plan;
- the technical skills and industry experience of the audit engagement partner and the wider audit team;
- the quality of the external auditor's reporting to the Committee;
- the effectiveness of the co-ordination between the UK and Chilean audit teams;
- the effectiveness of the interaction and relationship between the Group's management and the external auditor;
- feedback from management, including questionnaires completed by the operational finance teams, in respect of the effectiveness of the audit processes for each business unit;
- consideration of the auditor's management letter and, in particular, the view this provides of the auditor's level of understanding and insight into the Group's operations; and
- review of reports from the external auditor detailing their firm's internal quality control procedures, as well as the auditor's annual transparency report.

INDEPENDENCE AND OBJECTIVITY OF THE EXTERNAL AUDITOR

The Committee monitors the external auditor's independence and objectivity.

The Company has a policy in place that aims to safeguard the independence and objectivity of the external auditor. This includes measures in respect of the potential employment of former auditors, the types of non-audit services that the external auditor may and may not provide to the Group, and the approval process in respect of permitted non-audit services. Non-audit services that the external auditor is not permitted to provide under the policy include Internal Audit outsourcing, valuation services that would be used for financial accounting purposes, preparation of the Group's accounting records or financial statements, and financial information systems' design and implementation. Certain permitted non-audit services always require prior approval by the Committee, whereas certain other services require prior approval by the Committee when the related fees are above specified levels (currently $50,000 for a single engagement or a cumulative annual amount of $400,000). In addition to this approval process for specific non-audit services, the Audit and Risk Committee monitors the total level of non-audit services to ensure that neither the objectivity nor the independence of the external auditor is put at risk.

A breakdown of the audit and non-audit fees is disclosed in Note 6 to the financial statements. The Company's external auditor for the 2014 financial year, Deloitte LLP, has provided non-audit services (excluding audit-related services) which amounted to $122 million or 9.0% of the fee for audit services. This mainly related to the completion of an evaluation of the risk management process implemented in 2013. The Committee has reviewed the level of these services in the course of the year and is confident that the objectivity and independence of the auditor is not impaired by reason of such non-audit work.

The external auditor also provides a report to the Committee at least once a year, setting out their firm's policies and procedures for maintaining their independence.

The Committee considers that Deloitte LLP remained independent and objective throughout 2014.

AUDIT TENDER

As explained in the 2013 Annual Report, the Committee decided to conduct a tender process in respect of the appointment of the Group's external auditor for the 2015 financial year onwards. Deloitte LLP has been auditor of the Group since 2000, following a competitive tender process in that year, and the current Deloitte lead audit partner will rotate off the engagement following the completion of the audit of the 2014 financial year, after five years in the role.

A tender process was conducted during 2014 and resulted in the Committee recommending to the Board that PricewaterhouseCoopers LLP ("PwC") be recommended to shareholders for appointment as the Group's external auditor for the 2015 financial year onwards. The Board has approved the appointment of PwC, and shareholders will be invited to appoint them formally at the 2015 Annual General Meeting.

In line with relevant regulatory guidance, the Committee expects to generally undertake a tender process in respect of the external audit every ten years.

INTERNAL AUDIT

The Committee monitors and reviews the effectiveness of the Group's Internal Audit function. The Head of Internal Audit reports directly to the Committee and meets with the Committee without management present during the course of the year.

The Head of Internal Audit presents to the Committee several times during the year. The Committee reviews and approves Internal Audit's plan of work for the coming year, including the department's budget, headcount and other resources. Internal Audit then reports to the Committee on the department's performance of its work in comparison with the approved plan. Summaries of the audits undertaken during the year are presented to the Committee, as well as follow-up on management's response to Internal Audit's recommendations. All individual Internal Audit reports are distributed to the Committee members once they have been finalised.

During the year, the Committee commissioned an independent review of the effectiveness of the Internal Audit function, undertaken by Independent Audit Limited. This process included reviews of Internal Audit work papers and reports and interviews with management. The review found that in general the Internal Audit function and its work has improved significantly over recent years, through the incorporation of additional team members with specific, relevant experience and skills, that the function has good communication and rapport with the wider organisation, and that the audit approach effectively addresses key operational and business risks. The key recommendations mainly related to the use of audit software, additional specialist IT audit resources, improvements to the Internal Audit quality assurance process and enhancements to the executive summaries of the audit reports. The implementation of the recommendations should be completed during 2015.

RISK AND COMPLIANCE MANAGEMENT AND INTERNAL CONTROL

The Board has ultimate responsibility for overseeing the Group's key risks, as well as for maintaining sound risk management and internal control systems. The Group's system of internal control is designed to manage rather than eliminate the risk of failure in order to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss. The Committee plays a key role in assisting the Board with its responsibilities in respect of risk and related controls. As discussed in the Risk management section on page 32, the Committee assists the Board with its review of the effectiveness of the risk management process and monitoring of key risks and mitigations. The Chairman of the Committee reports to the Board following each Committee meeting, allowing the Board to understand and, if necessary, discuss the matters considered in detail by the Committee. These processes allow the Board to monitor the Group's principal risks and related mitigations, and to assess the acceptability of the level of risks that arise from the Group's operations and development activities.

Each year the Board, with the support of the Committee, reviews the effectiveness of the Group's risk management and internal control systems in accordance with the revised Turnbull Guidance on Internal Control published by the Financial Reporting Council. The review covers all material controls, including financial, operational and compliance controls. During 2014, a review of the risk management and internal control systems was performed by the Committee, with the Chairman of the Committee reporting back to the Board on its findings.

The risk management function presents to the Committee several times during the year, and presentations include details of developments in the Group's overall risk management processes and key Group-level strategic risks. The General Managers of the Group's operations, including the transport and water divisions, also present to the Committee, with each operation typically presenting at least once a year. The presentations include details of the operation's most significant risks and related mitigating controls, and any significant control issues that have arisen.

The Committee ensures that appropriate compliance policies and procedures are observed throughout the Group. The Committee is responsible for making recommendations to the Board in respect of the appointment of the Group's Crime Prevention Officer, and generally monitors and oversees the performance of the Crime Prevention Officer's role. The Crime Prevention Officer is currently the Vice-President of Finance and Administration. The Committee receives reports from the risk management function in respect of the Group's Crime Prevention Model, in accordance with Chilean anti-corruption legislation.

The Committee is also responsible for reviewing the Group's whistleblowing arrangements, which enable staff and contractors to raise concerns in confidence about possible improprieties or non-compliance with the Group's Code of Ethics. The Committee receives quarterly reports on whistleblowing incidents. It remains satisfied that the procedures in place allow for the proportionate and independent investigation of matters raised and for appropriate follow-up action.

Further information relating to the Group's risk and management systems is given in the Risk management section of the Strategic report on pages 32 to 37.

NOMINATION AND GOVERNANCE COMMITTEE

Jean-Paul Luksic
Chairman of the Nomination and Governance Committee

"The Nomination and Governance Committee plays a key role in ensuring that plans are in place for the orderly succession of new members to the Board and of senior management. During 2014 we oversaw the recruitment and appointment of Vivianne Blanlot and Jorge Bande to the Board and the appointments of Diego Hernández as Group CEO and Iván Arriagada as CEO of Antofagasta Minerals. As part of the review of the Committee's terms of reference during the year, the Committee is also now responsible for monitoring the Board's corporate governance arrangements. It will review the Company's corporate governance framework at least annually and recommend any necessary approvals or changes."

Membership and meeting attendance

	Number attended	Maximum possible
Jean-Paul Luksic (Chairman)	8	8
William Hayes	8	8
Juan Claro (rotated off the Committee on 1 September 2014)	4	4
Tim Baker (appointed to the Committee on 1 September 2014)	4	4

KEY ACTIVITIES IN 2014

Conducted two externally facilitated searches for independent Non-Executive Directors, which led to the recommendation and subsequent appointment of Vivianne Blanlot and Jorge Bande to the Board.

Led the process for implementing a revised corporate governance framework for the Group, which involved considering and recommending the re-designation of Jean-Paul Luksic as Non-Executive Chairman, the appointment of Diego Hernández as the Group's CEO, the appointment of Iván Arriagada as CEO of Antofagasta Minerals, the appointment of a Secretary to the Board and the appointment of a new Company Secretary.

Reviewed and recommended to the Board amendments to the governance documents for the Board, including each Committee's terms of reference, the schedule of matters reserved for the Board, the adoption of documents setting out the division of responsibilities between the Chairman and the Group CEO and the responsibilities of the Senior Independent Director.

Reviewed the composition and balance of the Board and its Committees.

Reviewed its own terms of reference with the consequence that the Committee is now responsible for overseeing the Board's governance arrangements and for reviewing the Company's corporate governance framework at least annually, and for recommending any changes to the Board.

Reviewed the composition and balance of the Board and its Committees, resulting in changes to the composition of the Committees.

Reviewed and implemented succession plans for the Board.

ROLE AND RESPONSIBILITIES OF THE NOMINATION AND GOVERNANCE COMMITTEE

The purpose of the Nomination and Governance Committee is to enhance the quality of nominees to the Board and senior management, ensure the integrity of the nomination process and to oversee matters of corporate governance for the Board.

The Committee is responsible for leading the process of identifying suitable candidates to fill vacancies on the Board and in senior management, for nominating such candidates for the approval of the Board and for ensuring that appointments are made on merit and against objective criteria. The Committee is also responsible for evaluating and overseeing the balance of skills, knowledge and experience on the Board and its Committees, reviewing the independence of Directors from time to time and overseeing the Board's succession planning.

Following amendments to the Committee's terms of reference in 2014, the Committee is now responsible for overseeing the Board's governance arrangements, monitoring trends, initiatives and proposals in relation to governance matters, and reviewing the Company's corporate governance framework at least annually and recommending any changes to the Board.

The Committee's terms of reference are available on the Group's website at www.antofagasta.co.uk.

The Chairman of the Committee reports to the Board following each Committee meeting, allowing the Board to understand, and if necessary discuss, matters considered in detail by the Nomination and Governance Committee.

The Committee meets as necessary and at least once a year. During 2014, the Committee met on eight occasions.

NOMINATION AND GOVERNANCE COMMITTEE MEMBERSHIP

The members of the Committee and their attendance at meetings of the Committee during the year are shown in the table above. Biographical details of the members of the Committee, including relevant qualifications and experience, are set out on pages 68 to 69. Except for the Chairman, all of the Committee members are considered by the Board to be independent Non-Executive Directors.

APPOINTMENTS TO THE BOARD

In making appointments to the Board, the Nomination and Governance Committee considers the skills, experience and knowledge of the existing Directors and identifies the potential candidates who would most benefit the Board. The Committee assesses the candidates based on the following criteria: independence; experience in executive roles; mining, power, transport and water experience; corporate governance knowledge; financial and legal acumen; executive compensation knowledge; experience in Chile and Latin America; project construction experience; sustainability, government relations and communications skills; and whether they have sufficient time to devote to the role. The Chairman is responsible for ensuring that any new Directors are provided with a full induction on joining the Board and the Secretary to the Board and the Company Secretary both assist the Chairman with this process. During the recruitment process, the Committee also advises potential candidates of the Company's values, business culture and challenges, as well as expectations of time commitment to meet both Board and Committee objectives.

The Committee periodically reviews the composition of the Board and its Committees, conducting a succession planning exercise to determine appropriate strategies to fill potential vacancies while preserving an adequate balance of skills, knowledge, experience and independence. The Board recruitment process is proactive and the Committee regularly reviews and evaluates the Board's composition in order to identify potential departures and the skills, knowledge, experience and independence that may be required to match the Board's needs with the Group's strategic objectives, and an appropriate selection of candidates to ensure that the Board remains balanced.

At the beginning of 2014, the Committee commissioned Egon Zehnder to conduct a search for an independent Non-Executive Director, taking into account the criteria listed above. The Committee subsequently recommended that Vivianne Blanlot be appointed to the Board in March.

Also on 1 September, Nelson Pizarro's resignation to the Board became effective as he joined Codelco as CEO.

During the second half of 2014 the Committee engaged Spencer Stuart to conduct a search for an independent Non-Executive Director, which concluded with the appointment on 17 December 2014 of Mr. Jorge Bande to the Board following the recommendation of the Nomination and Governance Committee.

Neither Egon Zehnder nor Spencer Stuart has any connection with the Company.

APPOINTMENTS TO BOARD COMMITTEES

As noted above, the Committee periodically reviews the composition of the Board Committees and reviews and implements succession plans to ensure that vacancies can be easily filled while preserving an adequate balance of skills, knowledge, experience and independence.

During 2014, Juan Claro rotated off the Nomination and Governance Committee and the Remuneration and Talent Management Committee, remaining on the Sustainability and Stakeholder Management Committee. Tim Baker rotated off the Sustainability and Stakeholder Management Committee and joined the Nomination and Governance Committee. Ollie Oliveira joined the Remuneration and Talent Management Committee. Vivianne Blanlot joined the Sustainability and Stakeholder Management Committee. Jorge Bande joined the Audit and Risk Committee.

OTHER APPOINTMENTS

On 1 September 2014, Diego Hernández became CEO of Antofagasta plc.

On 16 February 2015, Iván Arriagada joined Antofagasta Minerals as CEO of the mining division.

In August 2014, Sebastian Conde was appointed Secretary to the Board.

In January 2015, Julian Anderson was appointed Company Secretary.

BOARDROOM DIVERSITY

The Board is composed of highly capable and committed individuals with a diverse range of technical skills, backgrounds, expertise, nationalities and perspectives. The Board is committed to continuing to improve its gender balance. In preparing for the searches for new independent Non-Executive Directors in 2014 as described above, the Committee agreed that special consideration should be given to female candidates.

CORPORATE GOVERNANCE

During 2014, the Nomination and Governance Committee assumed responsibility for monitoring the Board's corporate governance arrangements, reviewing the Company's corporate governance framework at least annually and recommending any necessary approvals or changes to the Board. As part of the 2014 review, the Committee recommended a revised corporate governance framework for the Group that involved the re-designation of Jean-Paul Luksic as Non-Executive Chairman, the appointment of Diego Hernández as the Group's CEO and the appointment of Iván Arriagada as CEO of Antofagasta Minerals. This structure is intended to ensure that the roles of Chairman and CEO are clearly separated and that there is a single, clear line of executive reporting into the Board.

As part of this process, the Nomination and Governance Committee also reviewed and presented to the Board updated terms of reference for all of the Board Committees, a revised schedule of matters reserved for the Board, and documents outlining the specific responsibilities of the Chairman, the Group CEO and the Senior Independent Director. The name of the Committee was also changed from the "Nomination Committee" to the Nomination and Governance Committee.

RE-ELECTION

In accordance with the UK Corporate Governance Code, all Directors will stand for re-election at this year's Annual General Meeting on 20 May 2015. As is required under the revised Listing Rules, which apply to the Company for the first time this year, our independent Non-Executive Directors will also be subject to a dual vote by shareholders, which means that each resolution to elect or re-elect an independent Non-Executive Director must be approved by both a majority vote of all shareholders and a majority vote of the Company's independent shareholders. Further details are set out in the Notice of Meeting. Having taken into account the results of the performance evaluation of the Board (see page 78), the Board is satisfied that each of the Directors continues to be effective and to demonstrate commitment to his or her role, and is therefore recommended for re-election.

SUSTAINABILITY AND STAKEHOLDER MANAGEMENT COMMITTEE

Ramón Jara

Chairman of the Sustainability and Stakeholder Management

"The Sustainability and Stakeholder Management Committee plays a key role in overseeing the implementation of the Group's sustainable development principles and social and environmental strategy."

Membership and meeting attendance

	Number attended	Maximum possible
Ramón Jara (Chairman)	3	3
Juan Claro	3	3
Tim Baker (rotated off the Committee on 1 September 2014)	1	1
Vivianne Blanlot (appointed to the Committee on 1 September 2014)	2	2

KEY ACTIVITIES IN 2014

- Reviewed the role and responsibilities of the Committee and its terms of reference.
- Reviewed and approved the 2014 Antofagasta Minerals' Sustainability Report.
- Oversaw the process by which Antofagasta Minerals joined the International Council on Mining and Metals ("ICMM") in June 2014.
- Oversaw the progress of implementation of the Mining Group's Health and Safety model.
- Oversaw the development of a new community relations programme and a community employability plan.
- Reviewed the sustainability of major development projects at Centinela, Los Pelambres and Alto Maipo.
- Reviewed environmental compliance at Los Pelambres.
- Reviewed mine closure plans before they were presented to Sernageomin (Chile's national mining agency).
- Reviewed accident reports and followed up on committed actions to prevent recurrence.
- Reviewed the mining division's communications strategy.

ROLE AND RESPONSIBILITIES OF THE SUSTAINABILITY AND STAKEHOLDER MANAGEMENT COMMITTEE

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

The Committee assists the Board in the stewardship of the Group's social responsibility programmes and the Board takes into account the ethical, community, social and environmental impact of its decisions.

The Committee provides guidance to the Group in relation to sustainability matters generally, reviewing and updating the Group's framework of sustainability policies and strategies, including safety, health, environmental, social and stakeholder issues, and monitoring and reviewing the Group's performance in respect of sustainability matters, indicators and targets. When necessary, the Committee escalates matters of concern to the Board. The Committee also reviews and approves the annual Antofagasta Minerals Sustainability Report, which is published separately.

The Chairman of the Committee reports to the Board following each Committee meeting, allowing the Board to understand and, if necessary, discuss matters considered in detail by the Committee.

The Committee reviewed and updated its terms of reference during 2014. These were then reviewed by the Nomination and Governance Committee before subsequent approval by the Board. The Committee's terms of reference are available on the Company's website at www.antofagasta.co.uk.

SUSTAINABILITY AND STAKEHOLDER MANAGEMENT COMMITTEE MEMBERSHIP

The members of the Committee and their attendance at meetings of the Committee during the year are shown in the table above. Biographical details of the members of the Committee, including qualifications and experience, are set out on pages 68 to 69.

The Antofagasta Minerals Sustainability Report provides further information on its social and environmental performance. More information on Antofagasta Minerals' sustainability activities is set out in the Sustainability section of the Strategic report on pages 50 to 60.

Here is a short summary of the Committee's involvement in some of the Group's main sustainability achievements in 2014.

INTERNATIONAL COUNCIL ON MINING AND METALS (ICMM)

Antofagasta Minerals was accepted as a member of the ICMM in June 2014. The ICMM was founded in 2001 to improve sustainable development in the mining and metals industry. It brings together mining and metals companies as well as national and regional mining associations and global commodity associations to address core sustainable development challenges. Member companies are required to make a public commitment to improve their sustainability performance based on ten principles and report on their progress annually.

As part of the application process for admission to the ICMM, a panel of external experts visited Antofagasta Minerals in March 2014 and issued a set of recommendations, identifying gaps in the division's sustainability practices that should be closed by February 2016.

The Committee oversaw the application process and continues to oversee the work performed by Antofagasta Minerals to meet its commitments as an ICMM member.

ANTOFAGASTA MINERALS SUSTAINABILITY REPORT

The Committee reviewed and approved the 2014 Antofagasta Minerals Sustainability Report. This report was the seventh prepared by the Group and the first prepared by Antofagasta Minerals, as opposed to the Group. It complies with ICMM standards and follows the Global Reporting Initiative G4 sustainability reporting guidelines. It is planned that the 2015 report will be completed in time for the Annual General Meeting and the 2016 report will be published together with the Annual Report.

IMPLEMENTATION OF THE MINING DIVISION'S SAFETY AND HEALTH MODEL

The Committee oversees the implementation of the Group Safety and Health model, which aims to eliminate fatalities by focusing on critical activities, increasing organisational learning and emphasising responsibility, accountability and proactive risk control. It also works to standardise the reporting and investigation of incidents and the implementation of improvements.

NEW COMMUNITY RELATIONS PROGRAMME AND A COMMUNITY EMPLOYMENT PLAN

The Committee reviewed progress on the implementation of a new community relations programme at Los Pelambres, working with community groups in the region to create a shared vision of social and environmental projects to be developed over the coming years.

The Committee also reviewed progress on the Los Pelambres plan to address communities' expectations of the number of suitable jobs that Los Pelambres will create in the region.

REMUNERATION REPORT

Annual Statement by the Chairman of the Remuneration and Talent Management Committee

During 2014, the Group's Chairman stepped back from his position of Executive Chairman to become Non-Executive Chairman and Diego Hernández took up the role of Group CEO, having previously been responsible for the mining division. As a result of these changes, the Committee reviewed the Chairman's remuneration with regard to the non-executive nature of the role, the value to the Group of the role and the international mining market for talent. The result of this review was to reduce the Chairman's total annual remuneration by almost 70%.

As was the case in 2012 and 2013, no changes were made to Non-Executive Director fees (excluding the Chairman) in 2014.

Although Mr. Hernández is not a member of the Antofagasta plc Board and we are therefore not required to report his remuneration under the UK regulations, we have nevertheless elected to report on his remuneration since becoming Group CEO to provide shareholders with further information on our pay structure for senior executives. A significant portion of Mr. Hernández's total remuneration is in the form of variable remuneration based on Group and individual performance, according to metrics fixed at the beginning of each relevant performance period. These are designed to align his performance with the performance and strategy of the Group.

We continue to provide information on the structure of pay for executive management, including the variable short and long-term pay of the Executive Committee. These variable remuneration arrangements are structured to align the Executive Committee to our short and long-term business goals.

At the 2014 AGM, I promised shareholders that the Committee would continue to monitor and review the Company's Remuneration Policy, ensuring that it remains appropriate and relevant. The Remuneration Policy was approved by shareholders at the 2014 AGM and the policy table is included unchanged in this report for information purposes only.

Following the 2014 AGM, we engaged with a number of major shareholders and proxy voting agencies to discuss the Remuneration Policy and the Group's remuneration arrangements more generally. While the feedback we received was positive, as demonstrated by 91.8% of votes supporting it at the 2014 AGM, we received some queries in relation to the elements that apply to the recruitment of Executive Directors and the level of discretion that may be applied by the Committee if an Executive Director is appointed to the Board.

We have therefore clarified within the report the way in which the recruitment policy would be applied in these circumstances.

Shareholders are invited to vote on the Company's Remuneration Report and I hope that you will continue to support the Company's pay arrangements in 2015.

TIM BAKER

Chairman of the Remuneration and Talent Management Committee

ANTOFAGASTA'S APPROVED REMUNERATION POLICY

(APPROVAL RECEIVED AT THE 2014 AGM)

The following policy table was approved by shareholders at the AGM in 2014. This policy table has not been amended and is provided below for reference, in the same format as approved last year. It does not formally form part of the Remuneration Report. It should be noted that the Executive Chairman became the Non-Executive Chairman on 1 September 2014 and that revised terms apply to his role since the Remuneration Policy was adopted, which are in accordance with the Non-Executive Directors' section of the Remuneration Policy below.

The full Remuneration Policy approved by shareholders at the 2014 AGM can be found in the 2013 Annual Report at www.antofagasta.co.uk.

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

	PURPOSE	OPERATION	MAXIMUM OPPORTUNITY
EXECUTIVE CHAIRMAN (NOT CURRENTLY RELEVANT FOLLOWING THE RE-DESIGNATION OF JEAN-PAUL LUKSIC AS NON-EXECUTIVE CHAIRMAN ON 1 SEPTEMBER 2014)			
Fees	To provide appropriate compensation to reflect the responsibilities of this role and to execute the Group's strategic objectives at an appropriate level of cost. To act as the sole element of compensation. The Committee feels that this is appropriate given the Executive Chairman's interest in the Company's shares (both via a company controlled by him and as a member of the Luksic family), which provides alignment with other shareholders.	Fees are the only element of compensation that the Executive Chairman is eligible to receive. Fees are reviewed annually, with increases, if any, typically taking effect from 1 January each year. The Committee considers the following factors when reviewing fee levels: – corporate and individual performance; and – the competitiveness of total remuneration assessed against appropriate peers in terms of nature, size and complexity. The Executive Chairman receives a base fee for services to Antofagasta plc's Board as well as additional fees for chairing or serving as a member of any of the Board's Committees. Separate base fees are paid for chairing the Antofagasta Minerals Board and for being a Director or for chairing certain strategic subsidiary companies within the Group. The Executive Chairman is currently Chairman of Antofagasta Railway Company plc and Aguas de Antofagasta. The Executive Chairman also receives a base fee for services provided to Antofagasta Railway Company plc and Antofagasta Minerals (pursuant to separate service contracts). Fees are determined and paid in a combination of US dollars and Chilean pesos. The Committee may determine fee levels and/or pay fees in any other currency if deemed necessary. For comparison purposes, all compensation is in US dollars in this report.	In normal circumstances, the maximum annual fee increase will be 7%. However, the Committee has discretion to exceed this in exceptional circumstances, for example: – if there is a sustained period of high inflation; – if the Executive Chairman's fees are out of line with the market; and/or – if fees for chairing or serving as a member of any of the Board's Committees is out of line with the market. Any increases will take into account the factors described under "operation" and will not be excessive. Fee levels for additional roles within the Antofagasta Group are set based on the needs and time commitment expected and may be determined and/or paid in a combination of currencies including US dollars and Chilean pesos. Fees will also be increased to take account of Chilean inflation and may be reported as an increase or decrease as a result of the exchange rate impact of Chilean peso denominated fees, given all amounts in this report are reported in US dollars.
Variable remuneration	The Committee does not consider it appropriate to make performance-related pay awards, such as bonuses, to the Executive Chairman, given his role as Chairman of the Board and his interest in the Company's shares (both via a company controlled by him and as a member of the Luksic family).		
Benefits	To provide appropriate benefits and reimburse expenses incurred in the performance of duties of the Executive Chairman.	Benefits include the provision of life, accident and health insurance. The Committee retains the discretion to provide additional insurance benefits in accordance with Company policy, should this be deemed necessary.	In normal circumstances, the maximum value of benefits will be $22,000. However, the Committee has discretion to exceed this should the underlying cost of providing the pre-existing benefits increase, or if additional benefits are provided and are deemed appropriate.
Pension	The Executive Chairman does not receive pension contributions nor is he entitled to receive pension contributions under this policy.		
NON-EXECUTIVE DIRECTORS			
Fees	To attract and retain high-calibre, experienced Non-Executive Directors by offering globally competitive fee levels.	Fees are reviewed annually and the competitiveness of total fees is assessed against companies of a similar nature, size and complexity. Non-Executive Directors receive a base fee for services to Antofagasta plc's Board, as well as additional fees for chairing or serving as a member of any of the Board's Committees. Separate base fees are paid for services to the Antofagasta Minerals Board (all Non-Executive Directors are members of both Boards), and for being directors of subsidiary companies and joint venture companies within the Group. Ramón Jara also receives a base fee for services provided to Antofagasta Railway Company plc and Antofagasta Minerals (pursuant to a separate service contract). Fee levels are denominated in US dollars. The Committee may determine fee levels and/or pay fees in any other currency if deemed necessary.	Non-Executive Directors' fee levels follow the same policy for increases as the Executive Chairman's fees (see above).
Variable remuneration	Given the predominantly non-executive composition of the Board, there are no arrangements for Directors to acquire benefits through the acquisition of shares in the Company or any of its subsidiary undertakings, to benefit through performance-related pay or to participate in long-term incentive schemes. The Code states that remuneration for Non-Executive Directors should not include share options or other performance-related elements.		
Benefits	To provide appropriate benefits required in the performance of duties of the Non-Executive Directors.	Benefits may be provided to Non-Executive Directors following the same policy as for the Executive Chairman (see above).	
Pension	No Director receives pension contributions. The Code considers that the participation by a Non-Executive Director in a company's pension scheme could potentially affect the independence of that Non-Executive Director.		

As Directors do not receive variable remuneration, there are no provisions in place to recover sums paid or withhold payments to either the Executive Chairman or the Non-Executive Directors.

CLARIFICATION OF RECRUITMENT POLICY

As explained in the Committee Chairman's Annual Statement, the Committee would like to clarify the level of discretion that it may apply if an Executive Director is appointed to the Board:

- Under the Remuneration Policy, a new Executive Director's annual variable remuneration is capped at 500% of base salary, unless the level of variable remuneration is not sufficient to secure an appointment, in which case variable remuneration may be paid outside this cap provided that it is in line with that provided by companies of a similar size, nature and complexity. **To clarify**, the Committee has decided that it will not provide any variable remuneration above the 500% cap during the Remuneration Policy period.
- Under the Remuneration Policy, the Committee also retains discretion to make awards on a one-off basis to new Executive Directors on appointment, taking into account the specific circumstances of the new Executive Director, such as whether the Executive Director has had to forfeit existing incentive awards when accepting the appointment. **To clarify**, in practice any compensation provided to a new Executive Director as compensation for the forfeiture of any award will be reviewed, on a like-for-like fair value basis, taking into account the value of such forfeited awards, any performance conditions and the time basis of any vesting. The Committee's intention is that buy-out compensation should reflect the nature of the award foregone and include, where appropriate, performance-tested awards over an appropriate time period reflecting the fair value of any award forgone. Such compensation for the forfeiture of an award would not exceed 500% of base salary.

There is no intention to offer any other awards, such as a sign-on awards, outside the annual cap on variable remuneration described above.

REMUNERATION AND TALENT MANAGEMENT COMMITTEE

Membership and meeting attendance

	Number attended	Maximum possible
Current members		
Tim Baker (Chairman)	7	7
Juan Claro (rotated off the Committee on 1 September 2014)	2	4
William Hayes	7	7
Ollie Oliveira[1] (appointed to the Committee on 1 September 2014)	2	3

1 Ollie Oliveira was unable to attend the Remuneration and Talent Committee Meeting on 26 November due to a family bereavement.

KEY ACTIVITIES IN 2014

- implemented the findings of the externally-facilitated review of the effectiveness of the Committee carried out in 2013.
- met with major shareholders and proxy voting agencies to discuss the Group's remuneration arrangements.
- commissioned an externally-facilitated review of Executive Committee members' and Group employees' remuneration levels against benchmarks.
- oversaw an externally-facilitated leadership assessment for Executive Committee members to support development and succession plans.
- approved the 2014 HR plan, which focused on productivity and capturing synergies, strengthening talent development and mobility and the implementation of new procedures, policies and systems for employees and contractors.
- reviewed the Group's 2015 compensation structure and targets.
- oversaw the continued implementation of the new Group talent management strategy and succession planning policy for key positions within the Group.
- reviewed the performance of the Group CEO for the purpose of determining variable compensation under the Annual Bonus Plan.
- reviewed the operation of the Long-Term Incentive Plan, including grants of additional awards.
- approved the Executive Committee members' remuneration levels, including performance under the Annual Bonus Plan and other variable compensation.
- oversaw the negotiation of collective bargaining agreements with labour unions at Los Pelambres, Antucoya, Centinela and Michilla.
- reviewed the Remuneration Policy and the Company's 2013 Remuneration Report prior to their approval by the Board and subsequent approval by shareholders at the 2014 AGM.
- prepared updated terms of reference for the Committee prior to their approval by the Board.

BASIS OF PREPARATION OF THIS REPORT AND COMPLIANCE

This Remuneration Report has been prepared in accordance with Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (as amended). It describes how the Board has applied the principles of good governance as set out in the Code. During the year under review, the Company complied with the detailed provisions set out in section D of the Code, except that as explained on page 73, Jean-Paul Luksic was Executive Chairman until 1 September 2014 and did not receive any reward structured to vary with individual or corporate performance. Diego Hernández was appointed Group Chief Executive Officer of Antofagasta plc on 1 September 2014, having previously been the CEO of Antofagasta Minerals, and receives variable remuneration that depends on both his individual and corporate performance, explained in more detail in the Remuneration Report.

UNAUDITED INFORMATION

ROLE AND RESPONSIBILITIES OF THE COMMITTEE

The purpose of the Remuneration and Talent Management Committee is to ensure that remuneration arrangements support the Group's strategic objectives and enable the recruitment, motivation, retention and development of talent within the expectations of shareholders.

The Committee is responsible for preparing and reviewing the appropriateness and relevance of the Company's Remuneration Policy and for reviewing the remuneration of any Executive Directors (although there are currently none). The Committee also reviews and approves the remuneration of the Chairman and reviews and approves the remuneration of the Group CEO, determining the performance-related elements of his compensation. The remuneration for the other members of the Executive Committee, including awards granted under the Long-Term Incentive Plan and Annual Bonus Plan, and the performance targets for each plan, are reviewed by the Group CEO and recommended to the Committee for approval.

The Committee is also responsible for monitoring the level and structure of remuneration of the Executive Committee, reviewing and approving performance-related compensation, reviewing succession planning for the Executive Committee, reviewing any major changes in compensation policies applied across the Group's companies that have a significant long-term impact on labour costs, and reviewing compensation and talent management strategies.

The Chairman of the Committee reports to the Board following each Committee meeting, allowing the Board to understand and, if necessary, discuss matters considered in detail by the Committee.

The Committee reviewed its terms of reference during the course of 2014 and proposed amendments that were approved by the Board on 25 November 2014. The Committee's revised terms of reference are available on the Company's website at www.antofagasta.co.uk.

The remuneration of Non-Executive Directors is determined by the Board as a whole and no Director participates in the determination of his own remuneration.

REMUNERATION AND TALENT MANAGEMENT COMMITTEE MEMBERSHIP

The members of the Committee and their attendance at meetings of the Committee during the year are shown in the table above. Biographical details of the members of the Committee, including relevant qualifications and experience, are set out on pages 68 to 69. All the Committee members are considered by the Board to be independent Non-Executive Directors.

IMPLEMENTATION OF FINDINGS OF THE EXTERNAL REVIEW OF THE COMMITTEE

A review of the effectiveness of the Committee was undertaken by Independent Audit Limited in 2013.

The Committee has continued to work with the Vice-President of Human Resources to introduce a number of changes to enhance its effectiveness based on the findings of the effectiveness review. These include enhanced liaison with the Committee's external advisors, an increased focus on talent development and succession planning, and improved information flow to the Board on the Committee's deliberations. Some of the initiatives implemented in relation to talent management are explained on page 99.

ADVISORS TO THE COMMITTEE

During the year, the Committee received advice on matters under its consideration from Towers Watson, the remuneration consultant appointed by the Committee. This included updates on legislative requirements and market practice. Towers Watson also performed a benchmarking review of the Chairman's and the Group CEO's remuneration.

Towers Watson is a widely recognised independent global professional services firm and the Committee is satisfied that the advice provided was objective and independent, that no conflict of interest arose as a result of these services and that Towers Watson has no other connection with the Company. Towers Watson's fees for this work were charged in accordance with normal billing practices and amounted to $109,000.

The Company's legal advisors, Clifford Chance LLP, also provided advice on the operation of the Group's Long-Term Incentive Plan, the new remuneration reporting requirements and other legal issues during 2014.

The Committee also received assistance from the Chairman, the Group CEO and the Vice-President of Human Resources, none of whom participate in discussions relating to setting their own remuneration.

STATEMENT OF SHAREHOLDER VOTING

The table below displays the voting results on the Remuneration Policy and the Company's 2013 Remuneration Report at the 2014 AGM:

Resolution to approve the Remuneration Policy	
Votes for	965,357,216
	91.8%
Votes against	86,053,542
	8.2%
Votes cast as a percentage of Issued Share Capital	88.7%
Votes withheld	1,350,645

Resolution to approve the Company's 2013 Remuneration Report	
Votes for	995,148,615
	97.4%
Votes against	26,958,072
	2.6%
Votes cast as a percentage of Issued Share Capital	86.2%
Votes withheld	30,654,717

The considerable vote in favour of the Remuneration Policy and the Company's 2013 Remuneration Report confirms the strong support the Group has received from shareholders regarding the remuneration arrangements and the performance of the Company over the past year.

In the lead-up to, and following, the 2014 AGM, the Committee engaged with shareholders and proxy voting agencies to understand their views on the Company's remuneration arrangements. Some shareholders expressed a view that there should be less discretion available to the Company in choosing whether or not to grant sign-on or replacement awards if the Company was to appoint a new Executive Director during the policy period. The Company's position on these matters has been clarified, as set out on page 88.

2014 REMUNERATION

CHAIRMAN

Mr. Jean-Paul Luksic was appointed Executive Chairman in 2004 and was re-designated as Non-Executive Chairman on 1 September 2014. As a consequence of this, the contracts for services that Mr. Luksic had with the Antofagasta Railway Company plc and Antofagasta Minerals were terminated with effect from that date and the fee payable for the role of Chairman of the Board was also reduced.

The single figure calculations in this report include payments made to the Chairman in his capacity as Executive Chairman prior to 1 September 2014 under his service contracts, which included an annual adjustment for Chilean inflation as is typical for employment contracts or contracts for services in Chile. The single figure calculation also includes payments for services as Chairman of the Board, Chairman of the Nomination and Governance Committee and subsidiary board services, including as Chairman of the Antofagasta Minerals board and a member of the divisional boards of the transport division (Ferrocarril de Antofagasta a Bolivia, the Chilean branch of Antofagasta Railway Company plc) and the water division (Aguas de Antofagasta S.A.). As some of the Chairman's fees for the Antofagasta Railway Company plc and Aguas de Antofagasta S.A. are paid in Chilean pesos, they are subject to annual exchange rate movements when reported in US dollars.

NON-EXECUTIVE DIRECTORS

As was the case in 2012 and 2013, there was no change to the level of Antofagasta plc Board fees in 2014. The base Non-Executive Director's annual fee in respect of the Antofagasta plc Board remained at $130,000. Given the core role which Antofagasta Minerals plays in the management of the mining operations and projects, and that Antofagasta Minerals represents the large majority of the Group's business, all Antofagasta plc Directors also served as Directors of the Antofagasta Minerals Board. The annual fee payable to Directors of Antofagasta Minerals remained at $130,000 for members of the Board. Therefore, the combined base fees payable to Non-Executive Directors of both Antofagasta plc and Antofagasta Minerals amounted to $260,000 per annum.

In 2013, the Committee commissioned Towers Watson to perform an independent review and benchmarking of Non-Executive Directors' fees. In light of the 2013 review, the Board remains satisfied that the current fee levels and structure are aligned with the Group's international peers. The Board is not recommending any change this year, but will continue to review fee levels from time to time, in accordance with the Remuneration Policy.

In addition to Board fees, Directors also receive fees for their contributions to Board sub-committees during the year. The table below summarises Antofagasta plc Board Committee fees payable in 2014, which were unchanged from 2012 and 2013. It is expected that these fee levels will be reviewed in 2015.

Role	Additional fees ($000)
Audit and Risk Committee Chairman	20
Audit and Risk Committee member	10
Remuneration and Talent Management Committee Chairman	16
Remuneration and Talent Management Committee member	10
Nomination and Governance Committee Chairman	10
Nomination and Governance Committee member	4
Sustainability and Stakeholder Management Committee Chairman	16
Sustainability and Stakeholder Management Committee member	10

The Remuneration Policy does not allow for the payment of variable remuneration to the Chairman or Non-Executive Directors.

IMPLEMENTATION OF REMUNERATION POLICY IN 2015

Except for potential increases in Board sub-committee fees, the Committee does not anticipate any changes to the implementation of the Remuneration Policy during 2015.

AUDITED INFORMATION

SINGLE FIGURE REMUNERATION TABLE

The remuneration of the Directors and the Group CEO for the year is set out below in US dollars. Unless otherwise noted, amounts paid in Chilean pesos have been translated at exchange rates at the time of payment.

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

As explained in the Remuneration Policy, Directors do not receive pensions or performance-related pay and are not eligible to participate in the Long-Term Incentive Plan.

	Salary/Fees		Benefits[5]		Annual Bonus		LTIP[6]		Total	
	2014 $000	2013 $000	2014 $000	2013 $000	2014 $000	2013 $000	2014 $000	2013 $000	2014 $000	2013 $000
Chairman										
Jean-Paul Luksic[1]	2,590	3,575	20	40	–	–	–	–	2,610	3,615
Non-Executive Directors										
William Hayes	356	366	–	–	–	–	–	–	356	366
Gonzalo Menéndez	340	338	–	–	–	–	–	–	340	338
Ramón Jara[2]	960	1,044	3	4	–	–	–	–	963	1,048
Juan Claro	279	300	–	–	–	–	–	–	279	300
Hugo Dryland	260	260	–	–	–	–	–	–	260	260
Tim Baker	294	296	–	–	–	–	–	–	294	296
Ollie Oliveira[3]	273	270	–	–	–	–	–	–	273	270
Nelson Pizarro (resigned 1 September 2014)	173	260	–	–	–	–	–	–	173	260
Andrónico Luksic (appointed 9 April 2013)	260	192	–	–	–	–	–	–	260	192
Vivianne Blanlot (appointed 27 March 2014)	200	–	–	–	–	–	–	–	200	–
Jorge Bande (appointed 17 December 2014)	10	–	–	–	–	–	–	–	10	–
Total	5,995	6,902	23	44	–	–	–	–	6,018	6,946
Group CEO (not on the Board)										
Diego Hernández[4]	303	–	5	–	220	–	160	–	688	–
Grand total	6,298	6,902	28	44	220	–	160	–	6,706	6,946

1 The benefits expense represents the provision of life, accident and health insurance for Jean-Paul Luksic. The 2013 benefits expense also includes car usage, which was terminated on 29 April 2013. On 1 September 2014, Jean-Paul Luksic became Non-Executive Chairman of Antofagasta plc. From this date, his service agreements with Antofagasta Minerals S.A. and Antofagasta Railway Company plc terminated and his annual fee as Chairman of the Antofagasta plc Board was reduced from $1,000,000 to $730,000. He continues to receive an annual fee of $260,000 as Chairman of Antofagasta Minerals S.A., an annual fee of $10,000 as Chairman of the Nomination and Governance Committee and directors' fees as a director of Ferrocarril de Antofagasta a Bolivia, the Chilean branch of Antofagasta Railway Company plc and Aguas de Antofagasta S.A.

2 During 2014, remuneration of $573,000 (2013 – $646,000) for the provision of services by Ramón Jara was paid to Asesorías Ramón F Jara Ltda. This amount is included in the amounts attributable to Ramón Jara of $960,000 (2013 – $1,044,000). The benefits expense represents the provision of accident insurance to Ramón Jara.

3 Fees payable in respect of Ollie Oliveira's service as a Director are paid to Greengrove Capital LLP, a partnership in which Ollie Oliveira is a partner.

4 Diego Hernández was appointed Group CEO on 1 September 2014 and amounts disclosed relate to remuneration paid to him since that date including base salary and benefits and the pro rata value of his annual bonus plan and Long-Term Incentive Plan awards. No pension is payable to Mr. Hernández.

5 All Directors are covered by the Directors' and Officers' Life and Travel insurance policies generally maintained by the Group. Diego Hernández is covered by Life and Health insurance policies generally maintained by the Group.

6 The amounts payable to Diego Hernández under the Long-Term Incentive Plan relate to restricted awards and performance awards granted in 2012 and to restricted awards granted in 2013. The amounts attributable to the restricted awards are the pro rata value of amounts paid following vesting in 2014 following his appointment as Group CEO. The performance period for performance awards granted in 2012 concluded on 31 December 2014 and will vest on 25 March 2015. Because the performance awards granted in 2012 have not yet vested, the amounts attributable to these awards have been estimated using the closing share price as at 31 December 2014 of 752.5p and an exchange rate of $1.5577/£1.

DIRECTORS' INTERESTS

The Directors who held office at 31 December 2014 had the following interests in the ordinary shares of the Company:

	Ordinary shares of 5p each	
	31 December 2014	1 January 2014
Jean-Paul Luksic[1]	41,963,110	41,963,110
Ramón Jara[2]	5,260	5,260

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

2 Ramón Jara's interest relates to shares held by a close family member.

There have been no changes to the Directors' interests in the shares of the Company between 31 December 2014 and the date of this report.

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

The Group does not currently have shareholding guidelines for Directors or executives.

During the period, no Director was eligible for any short-term or long-term incentive awards and no Director owns any shares that have resulted from the achievement of performance conditions.

LETTERS OF APPOINTMENT

Each Director has a letter of appointment with the Company. The Company has a policy of putting all Directors forward for re-election at each Annual General Meeting, in accordance with the UK Corporate Governance Code. Under the terms of the letters, if shareholders do not confirm a Director's appointment, the appointment will terminate with immediate effect. In other circumstances the appointment may be terminated by either party on one month's prior written notice.

There is a contract between Antofagasta Minerals S.A. and Asesorías Ramón F Jara Ltda (formerly E.I.R.L.) dated 2 November 2004 for the provision of advisory services by Ramón Jara that does not have an expiry date but can be terminated by either party on one month's notice. No other Director is party to a service contract with the Group.

UNAUDITED INFORMATION

EXECUTIVE REMUNERATION – GROUP CEO

Diego Hernández is responsible for leading the senior management team and for the executive management of the Group. He does not sit on the Board and the disclosures above and below in relation to his remuneration are voluntary disclosures to provide shareholders with further information on the Group's pay structure for senior executives.

GROUP CEO SALARY AND BENEFITS

The total remuneration paid to Diego Hernández for 2014 following his appointment as Group CEO was $688,000. Fixed remuneration comprises base salary and benefits, and in 2014 represented less than 45% of his total remuneration package.

Benefits payable to Diego Hernández reflect amounts paid to maintain Life and Health insurance policies.

According to Chilean law, all employees are required to pay their own pension and compulsory healthcare contributions; no additional contributions are made by the Company, including in relation to Diego Hernández and accordingly the Company does not make any pension contributions on his behalf.

Diego Hernández's total remuneration package is determined by the Remuneration and Talent Management Committee, taking into account the performance of the Group and Mr. Hernández. The Company also benchmarks each element of his remuneration and the total remuneration package by reference to FTSE 100, FTSE mining and comparable international mining companies.

EMPLOYMENT CONTRACT

Diego Hernández is employed under a contract of employment with Antofagasta Minerals S.A., a subsidiary of Antofagasta plc. His contract is governed by Chilean Labour Law. It does not have a fixed term and can be terminated in writing by either party on notice in writing. Except in the case of termination for breach of contract or misconduct under the Chilean Labour Code, Diego is entitled to receive one months' base salary for each year of service on termination; otherwise no other compensations or benefits are payable on termination of employment. The salary payable to Diego Hernández under his employment contract as of 1 September 2014 was CLP44,871,653 per month. Under the terms of this contract, his salary is adjusted for inflation in Chile every three months.

Diego Hernández was appointed Group CEO on 1 September 2014, his total salary payments for 2014 were CLP180,343,660 ($302,592). Under his employment agreement, Mr. Hernández is entitled to 22 working days' paid holiday per year. Mr. Hernández is entitled to Life and Health insurance. Because the Group CEO's fees are paid in Chilean pesos, they are subject to annual exchange rate movements when reported in US dollars.

ANNUAL BONUS

An explanation of the Group's Annual Bonus Plan is set out on page 95. Under the Annual Bonus Plan, the bonus payable to the Group CEO is attributable 70% to the performance of the Group and 30% to the Group CEO's personal performance according to metrics that are fixed at the beginning of each year.

- The annual bonus payable to the Group CEO for achieving the Group and personal performance targets in 2014 was 50% of annual base salary (six months' base salary).
- The maximum bonus payable to the Group CEO for achieving stretch performance targets in 2014 was 100% of base salary (12 months' base salary).

Based on performance achieved against targets during the 2014 financial year, the Remuneration and Talent Management Committee determined, based on the performance metrics, that the Group CEO would receive a bonus payment of $220,000 since the date of his appointment as Group CEO.

The determination of the bonus for the Group CEO for 2014 attributable to Group performance took account of the performance metrics set out on page 96. The determination of the bonus for the Group CEO for 2014 attributable to personal performance is commercially sensitive.

PARTICIPATION IN THE GROUP'S LONG-TERM INCENTIVE ARRANGEMENTS

LONG-TERM INCENTIVE PLAN

Mr. Hernández participates in the Group's Long-Term Incentive Plan ("LTIP") described on page 96 and was also granted an exceptional one-off award following his appointment as CEO of the mining division in 2012 (the "One-off Award").

As set out in more detail on page 96, the LTIP comprises two elements:

- Performance Share Awards ("PSAs") rewarding performance over three years.
- Restricted Share Awards ("RSAs") which vest one third in each year over a three-year period following grant of the award.

The same performance criteria apply to all participants in the LTIP and the LTIP is designed to develop a clear link between business objectives, shareholder value and senior management rewards. The performance criteria that applies to PSAs granted in 2014 is set out on page 94.

In the period in 2014 following Mr. Hernández's appointment as Group CEO, he received total payments of $124,000 in respect of the RSAs granted in 2012 and 2013. Using the Company's share price as at 31 December 2014, Mr. Hernández's estimated payment for PSA awards granted under the 2012 programme and vesting on the conclusion of performance in 2014 is $36,000. Using these calculations, LTIP awards amounted to 52% of his base salary for the period in 2014 during which he served as Group CEO.

The performance criteria attaching to the PSAs granted in 2012 is as follows:

Weighting	Objective	Measure	Anticipated performance
40%	Relative Total Shareholder Return	Comparison against HSBC Global Mining Index with 33% vesting at performance equal to the index and 100% vesting at performance equal or greater than the index plus 5% during the three-year period. The index will be calculated over an average index from three months before the beginning and end of the period respectively.	67%
25%	EBITDA	The maximum figure corresponds to the accumulated EBITDA over the period 2012-2014. For 2012, this is calculated using the budget figure. For 2013 and 2014, the figures will be those resulting from the base case prepared during 2012.	98%
7.5%	Mineral Resources Increase	Maximum figure corresponds to the level of contained resources for the Group at the end of 2014 based on exploration activities in 2012.	100%
17.5%	Reserves Increase	Maximum figure corresponds to level of contained copper reserves for the Group at the end of 2014. It assumes that resources attaching to certain projects have been incorporated as reserves.	100%
10%	Antucoya Project	Based on ramp-up according to certain time-based targets.	0%

1 Anticipated performance is based on estimates in March 2015. These awards will not vest until after the Group's 2014 results have been released to the market.

No awards were granted to Mr. Hernández in 2014 following his appointment as Group CEO. The following awards were granted to Mr. Hernández prior to his appointment as Group CEO:

Year of grant	Award type	Number of shares over which the grant relates	Date of award	Vesting dates	Face value of award (using market price at grant) £	Market price at grant £	End of performance period	% of award receivable if minimum performance achieved
2012	Performance Share Awards	36,679	22 November 2012	25 March 2015	615,000	12.47	31 December 2014	0%
	Restricted Share Awards	36,679	22 November 2012	9 January 2013, 9 January 2014, 9 January 2015	615,000	12.47	N/A	0%
2013	Performance Share Awards	45,242	12 April 2013	12 April 2016	700,000	10.13	31 December 2015	0%
	Restricted Share Awards	45,242	12 April 2013	12 April 2014, 12 April 2015, 12 April 2016	700,000	10.13	N/A	0%
2014	Performance Share Awards	53,896	19 March 2014	19 March 2017	750,000	7.85	31 December 2016	0%
	Restricted Share Awards	53,896	19 March 2014	19 March 2015, 19 March 2016, 19 March 2017	750,000	7.85	N/A	0%

Note: Diego Hernández joined the Group on 1 August 2012 and was granted awards under the 2012 LTIP on 22 November 2012. The portion of RSAs that vested on 9 January 2013 was reduced pro rata to take into account the period before Mr. Hernandez joined the Group. The payment that Mr. Hernández receives in relation to the PSAs that are due to vest in 2015 will also be reduced pro rata to the time that Mr. Hernández has been with the Group during the 2012 programme.

ONE-OFF AWARD

As part of the remuneration arrangements agreed on his appointment, Diego Hernández was granted an exceptional, long-term One-off Award on 22 November 2012. The One-off Award was in the form of conditional rights to receive a cash payment by reference to the market value of a number of ordinary shares in the Company at vesting. The One-off Award was not granted over actual shares.

– Half of the One-off Award is subject both to certain performance conditions, which are measured over a three-year period (ending on 1 August 2015, the three-year anniversary of the effective date of Diego Hernández's appointment), and to continued employment. That half of the award will normally vest only after the end of the three-year performance period and only to the extent that those performance conditions are met.

– The other half of the One-off Award is subject to continued employment and will normally vest on 1 August 2015.

The One-off Award was granted to Diego Hernández to reward him in a way that aligns his interests with the interests of shareholders and with the Group's long-term strategic plan by reference to leadership development metrics including:

– Increased leadership effectiveness of the Executive Committee evidenced by 360 degree feedback and measured against external benchmarking performed in 2012 and in fully closing any gaps agreed with the Remuneration and Talent Management Committee;

– Implementation of a succession plan for the role of Antofagasta Minerals CEO, the Executive Committee and the General Managers of each of the Group's operations evidenced by the successful identification of at least one successor for each position that is deemed ready to assume the role;

– Improvement of organisational climate in the mining group, specifically as regards quality of life, recognition and development; and

– Implementation of a development programme for "high potential" employees.

No amounts were payable or vested under the One-off Award in 2014.

Details of the potential total remuneration for Diego Hernández in 2015 (including his One-off Awards) are set out on below.

INDICATIVE TOTAL REMUNERATION IN 2015

The Group CEO's total remuneration in 2015 will consist of the same elements as in 2014, including:

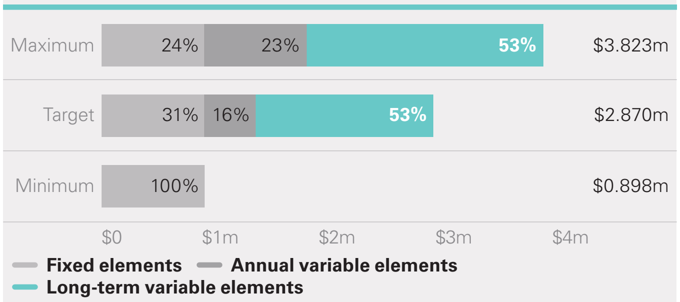
- Base salary of CLP548,744,412 ($885,072) as at 1 January 2015 subject to adjustments for Chilean inflation as described above;
- An annual bonus equivalent to 50% of base salary if target performance is achieved with a maximum of 100% if stretch targets are achieved;
- The vesting of LTIP awards, which using the Company's share price as at 31 December 2014, are equivalent to 120% of base salary (see details of the LTIP on page 96); and
- The possible vesting of One-off Awards, which using the Company's share price as at 31 December 2014 are equivalent to 111% of base salary.

As a result of the Company's Remuneration Policy for the Group CEO, a significant portion of the rewards available to the Group CEO is dependent on the performance of the Group.

ILLUSTRATIVE APPLICATION OF REMUNERATION POLICY FOR THE GROUP CEO IN 2015

The following chart outlines the potential total remuneration of the CEO in 2015 under different performance scenarios. The chart is forward-looking and does not include information on the vesting of awards in 2014 shown in the single figure remuneration table on page 98.

GROUP CEO



Notes: Figures are based on the following assumptions:

- Minimum consists of base salary plus benefits only.
- Target consists of base salary, benefits and incentive awards at 50% of the maximum potential award.
- Maximum consists of base salary, benefits and incentive awards at 100% of the maximum potential award.
- No change in the share price is included in the calculation of the potential awards.
- Long-term variable elements awards are calculated using the share price as at 31 December 2014 of 752.5p.

EXECUTIVE REMUNERATION – EXECUTIVE COMMITTEE

The Executive Committee is responsible for leading the day-to-day operation of the mining business. The Committee is led by the CEO of Antofagasta Minerals. No member of the Executive Committee, nor the Group CEO, sits on the Board of Antofagasta plc. Consequently, the disclosures below relating to the variable pay mechanisms, annual bonus and LTIP, as well as information on the Group CEO's remuneration arrangements above, are voluntary disclosures.

REMUNERATION PRINCIPLES

The remuneration arrangements in place for the Executive Committee are structured to align remuneration with performance, the Group's strategic objectives and shareholders' interests. Each Executive Committee member is eligible to receive a combination of base salary and other benefits, as well as variable remuneration in the form of an annual cash bonus and conditional cash awards based on the price of the ordinary shares of the Company granted pursuant to the Group's LTIP.

The performance components of variable remuneration are selected to incentivise the delivery of the business strategy, to reward Group and individual performance and to motivate the Executive Committee.

ANNUAL BONUS PLAN

Members of the Executive Committee are eligible to receive cash awards under the Annual Bonus Plan based on Group and individual performance. The bonus plan focuses on the delivery of annual financial and non-financial targets that are designed to align remuneration with the Company's strategy and create a platform for sustainable future performance. The bonus payable to each Vice-President is attributable 50% to the performance of the Group and 50% to the performance of that Vice-President according to metrics fixed at the beginning of each year.

The performance criteria for the Annual Bonus Plan are set annually by the Committee. The average maximum available award for the Executive Committee members under the terms of the Annual Bonus Plan, which would reflect maximum individual and Group performance, is 68% of base salary. In 2014 the average award for the Executive Committee members was approximately 44% of base salary. Individual award levels are calibrated at the conclusion of each annual performance period as part of a review of performance against the criteria set for the year, to ensure that performance targets remain stretching and that high or maximum payments under each plan are received only for exceptional performance. Individual award levels are also reviewed by the Committee.

In 2014, the performance criteria for the Executive Committee under the Annual Bonus Plan were defined against quantitative criteria as follows.

Weighting	Objective	Measure	Outcome	2014 Result
53%	**Core Business**			
15%	EBITDA	EBITDA	$2,060m	109%
15%	Production	Copper production	705kt	101%
		Gold production	271koz	100%
		Molybdenum production	7.9 kt	110%
20%	Expenditure	Cash costs before by-product credits	182.6 c/lb	105%
		Corporate expenditure	$292m	110%
3%	Stay in Business Capex	Operating companies capex	Schedule & Budget	99%
29%	**Business Development**			
26%	Growth Projects Execution	Antucoya	Schedule/Budget/Quality	100%
		Encuentro Oxides	Schedule/Budget/Quality	99%
		Pelambres incremental expansion	Schedule/Budget/Quality	100%
		Centinela second concentrator	Schedule/Budget/Quality	99%
		Twin Metals pre-feasibility study	Schedule and Budget	100%
3%	Exploration and Development	Mineral Resources Increase	3.8 Mt CuF	110%
18%	**Sustainability and Organisational Capabilities**			
9%	Safety	KPIs and safety model	KPI & Milestones	96%
3%	People	Culture and leadership model	Implementation KPIs	108%
3%	Environmental	Environmental performance	KPI & Milestones	102%
3%	Social	Social programmes	Milestones	103%
Total				**102.80%**

The choice of these criteria, and their respective weightings, reflect the Committee's belief that any incentive compensation should be tied both to the overall performance of the Group and to those areas of the business that the relevant individual can directly influence.

LONG-TERM INCENTIVE PLAN

The Company introduced the LTIP at the end of 2011. Eligibility to participate in the LTIP is determined by the Committee each year on an individual basis and all members of the Executive Committee currently participate. The first awards under the LTIP were granted on 29 December 2011 and awards have since been granted annually. Under the rules of the LTIP, Directors are not eligible to participate.

Under the LTIP, participants are eligible to receive "phantom" share awards (conditional rights to receive cash payment by reference to a specified number of the Company's ordinary shares), which are paid in cash upon vesting and may be made to participants based on the price of the Company's ordinary shares at the time of vesting.

Awards granted pursuant to the LTIP are split between Restricted Share Awards ("RSAs") and Performance Share Awards ("PSAs"). The RSAs are conditional rights to receive cash payment by reference to a specified number of the Company's ordinary shares subject to the relevant employee remaining employed by the Group when the RSAs vest. The PSAs are conditional rights to receive cash payment by reference to a specified number of the Company's ordinary shares subject to both the satisfaction of performance conditions and the relevant employee remaining employed by the Group when the PSAs vest.

The PSAs granted in 2014 will be measured over a three-year performance period based on the following performance conditions:

Weighting	Objective	Measure
25%	Relative Total Shareholder Return	Comparison against HSBC Global Mining Index with 33% vesting at performance equal to the index and 100% vesting of award at performance equal or greater than the index plus 5% during the three-year period. The index will be calculated over an average index from three months previous to the beginning and before the end of the period, respectively.
30%	EBITDA	The maximum figure corresponds to the accumulated EBITDA over the period 2014-2016. For 2014, this is calculated using the budget figure. For 2015 and 2016, the figures will be the ones resulting from the base case prepared during 2014.
7%	Mineral Resources Increase	Maximum figure corresponds to the level of contained resources for the Group at the end of 2016.
5%	Reserves Increase	Maximum figure corresponds to level of contained copper reserves for the Group at the end of 2016.
33%	Projects, Development and Sustainability	These performance criteria relate to safety performance according to lost injury time frequency rates, reported incidents and successful implementation of the new Group health and safety model as well as the performance of priority projects for the Group including Encuentro Oxides, Antucoya, Los Pelambres incremental expansion and the Twin Metals Project.

The LTIP was amended by the Committee in March 2015. As a consequence, any LTIP awards granted after 17 March 2015 are subject to malus provisions in the LTIP rules which allow the Committee to, at its discretion, reduce the number of shares to which an award relates or cancel an award as a result of:

– actions by a participant that, in the reasonable opinion of the Committee, amount to gross misconduct which has or may have a material effect on the value or reputations of the Company or any of its subsidiaries;

– a materially adverse error in the consolidated financial statements of the Group during the resting period; or

– any reasonable circumstance that the Committee determines in good faith to have resulted in an unfair benefit to the participant.

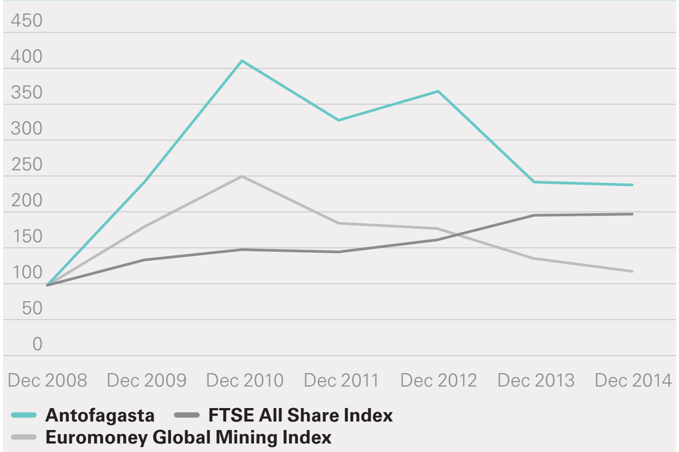
REMUNERATION STRUCTURE

The Committee is satisfied that the remuneration arrangements in place for the Group CEO and the Executive Committee are linked to performance, appropriately stretching and aligned to the business strategy. Variable remuneration is a core component of Executive Committee remuneration and up to 62% of the Executive Committee's total annual remuneration may be achieved under the Annual Bonus Plan and the LTIP.

COMPARISON OF OVERALL PERFORMANCE AND REMUNERATION

The following graph shows the Company's performance compared with the performance of the FTSE All-Share Index and the Euromoney Global Mining Index over a six-year period, measured by total shareholder return (as defined below). The FTSE All-Share Index has been selected as an appropriate benchmark as it is the most broadly based index to which the Company belongs and relates to the London Stock Exchange, the market where the Company's ordinary shares are traded.

TOTAL SHAREHOLDER RETURN[1]
Antofagasta plc vs FTSE All-Share Index and Euromoney Global Mining Index %



1 Total Shareholder Return represents share price growth plus dividends reinvested over the period.
Total Return Basis Index – 31 December 2008 = 100.
Source: Datastream.

Total shareholder return performance in comparison with the Euromoney Global Mining Index is one of the performance criteria for Performance Share Awards granted pursuant to the LTIP as described above.

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

The total remuneration of the Chairman (who was Executive Chairman until 1 September 2014 and Non-Executive Chairman thereafter) and the Group CEO (from 1 September 2014) for the past six years, in US dollars, has been as follows:

Single figure remuneration $'000	2009	2010	2011	2012	2013	2014
Jean-Paul Luksic	3,184	3,330	3,521	3,598	3,615	2,196
Diego Hernández	–	–	–	–	–	688
Total	3,184	3,330	3,521	3,598	3,615	2,884
Percentage change on previous year						-20%
Proportion of maximum bonus paid to the Group CEO	–	–	–	–	–	69%
Proportion of maximum LTIP awards vesting in favour of the Group CEO	–	–	–	–	–	76%

Note: The Chairman was not eligible for any variable remuneration in 2013 and 2014 and this table therefore only includes variable remuneration for Mr. Hernández. The proportion of maximum LTIPs vesting in favour of the Group CEO represents the 100% vesting of restricted awards granted in 2012 and 2013 and an estimated 76% vesting of performance awards granted in 2012 estimated using the share price of 752.5p as at 31 December 2014.

The total remuneration paid to the Chairman from 1 January to 31 August 2014 and to the Group CEO from 1 September to 31 December 2014 was 20% lower than the total remuneration paid to the Chairman in 2013. This comprised a 30% decrease in fees/remuneration and a 55% reduction in benefits. These amounts are higher than the overall decrease in total remuneration because a large proportion of Diego Hernández's total remuneration is made up of variable remuneration. The equivalent average percentage change for Group employees as a whole was an increase of 6.7%. This comprised a 5.6% increase in salaries and a 1.1% increase in benefits for Group employees as a whole in 2014. It is common for employment contracts in Chile to include an annual adjustment for Chilean inflation. In 2014, Chilean inflation was 4.6%.

RELATIVE CHANGE IN REMUNERATION

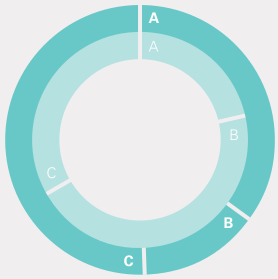
The table below compares the changes from 2013 to 2014, in salary benefits and Annual Bonus paid to the Group's lead executive and Group employees as a whole. The underlying elements of the Executive Chairman and Group CEO's pay are based on the values reported in the single figure remuneration table.

	Percentage change in base salary	Percentage change in benefits	Percentage change in annual bonus
Executive Chairman/ Group CEO	(30)%	(55)%	N/A
Group Employees	5.6%	1.1%	(2.0)%[1]

1 This figure relates to the percentage change in annual bonus for mining group employees and does not include one-off bonus paid to employees as a result of the conclusion of collective bargaining agreements with labour unions in 2014.

RELATIVE IMPORTANCE OF REMUNERATION SPEND

The table below shows the total expenditure on employee remuneration, the levels of distributions to shareholders and the taxation cost in 2013 and 2014.



	2013 ($m)	2014 ($m)	% change
A Employee remuneration[1]	440.9	508.6	**15.4%**
B Distribution to shareholders[2]	936.5	212.0	**(77.4)%**
C Taxation[3]	681.5	729.2	**7.0%**

1 The employee remuneration cost includes salaries, social security costs and awards under the LTIP, as set out in Note 24 to the financial statements. There was a larger increase than usual due to the commencement of new employees at the Antucoya Project.

2 The distributions to shareholders represent the dividends proposed in relation to the year, as set out in Note 11 to the financial statements.

3 Taxation has been shown above as this provides an indication of the contribution of the Group's operations in Chile to the Chilean State via its tax contributions. The taxation cost represents the current tax charge in respect of corporate tax, mining tax (royalty) and withholding tax, as set out in Note 9 to the financial statements.

This report does not disclose information in relation to the following, which was not relevant for the 2014 financial year:

– payments for loss of office – no such events occurred in the 2014 financial year;

– further details on pension arrangements – Directors do not receive pension benefits; and

– payments to past Directors – no such payments were made in the year.

Should such events occur in future, the necessary disclosures will be made at the appropriate time.

TALENT MANAGEMENT AND SUCCESSION PLANNING

2014 was the first full year following the implementation of the new talent management strategy and succession planning policy for key positions within the Group as identified by the Committee.

As part of this policy, the Committee oversaw processes during 2014 to identify and agree key positions and existing employees who are possible successors for these positions in the future. Under the agreed succession planning policy, whenever a key position becomes vacant a replacement will first be sought from within the Group, taking into account the succession plan previously developed and agreed for that position.

During 2014, 68% of vacancies in positions identified as key positions were filled by internal candidates, in accordance with the new succession planning policy.

The Remuneration Report has been approved by the Board and signed on its behalf by

TIM BAKER

Chairman of the Remuneration and Talent Management Committee

16 March 2015

DIRECTORS' REPORT

GOING CONCERN

The Group's business activities, together with those factors likely to affect its future performance, are set out in the Operational review on pages 38 to 49. Details of the cash flows of the Group during the year, along with its financial position at the year end are set out in the Financial review on pages 61 to 66. The financial statements include details of the Group's cash, cash equivalent and liquid investment balances in Note 20 to the financial statements, and details of borrowings are set out in Note 21 to the financial statements. Details of the Group's financial risk management, including details of the management of liquidity and counterparty risk, are set out in Note 23 to the financial statements.

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

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

RESULTS AND DIVIDENDS

The consolidated profit before tax has decreased from $2,083.5 million in 2013 to $1,573.5 million in 2014.

The Board has recommended a final dividend of 9.8 cents (2013 – 86.1 cents) per ordinary share. An interim dividend of 11.7 cents was paid on 9 October 2014 (2013 interim dividend – 8.9 cents). This gives total dividends per share proposed in relation to 2014 of 21.5 cents (2013 – 95 cents). The total amount of dividends proposed in relation to 2014 will be $212.0 million, compared with $936.5 million in 2013.

Preference shares carry the right to a fixed cumulative dividend of 5% per annum. The preference shares are classified within borrowings and preference dividends are included within finance costs. The total cost of dividends paid on preference shares and recognised as an expense in the income statement was $0.2 million (2013 – $0.2 million). Further information relating to dividends is set out in the Financial review on page 64 and in Note 11 to the financial statements.

POLITICAL CONTRIBUTIONS

The Group did not make political donations during the year ended 31 December 2014 (2013 – donations of $2.3 million were made in relation to the presidential and local elections in Chile).

CAPITAL STRUCTURE

Details of the authorised and issued ordinary share capital, including details of any movements in the issued share capital during the year, are shown in Note 28 to the financial statements. The Company has one class of ordinary shares, which carry no right to fixed income. Each ordinary share carries one vote at any general meeting of the Company. Details of the preference share capital are shown in Note 21 to the financial statements. The preference shares are non-redeemable and are entitled to a fixed cumulative dividend of 5% per annum. Each preference share carries 100 votes on a poll at any general meeting of the Company. The nominal value of the issued ordinary share capital is 96.1% of the total sterling nominal value of all issued share capital, and the nominal value of the issued preference share capital is 3.9% of the total sterling nominal value of all issued share capital.

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

The Company has the authority to purchase up to 98,585,669 of its own ordinary shares, representing 10% of the issued ordinary share capital. With regard to the appointment and replacement of Directors, the Company is governed by its Articles of Association, the UK Corporate Governance Code 2012, the Companies Act 2006 and related legislation. The Articles of Association may be amended by special resolution of the shareholders. There are no significant agreements in place that take effect, alter or terminate upon a change of control of the Company. There are no agreements in place between the Company and its Directors or employees that provide for compensation for loss of office resulting from a change of control of the Company.

AUTHORITY TO ISSUE SHARES AND AUTHORITY TO PURCHASE OWN SHARES

At the 2014 AGM, held on 21 May 2014, authority was given to the Directors to allot unissued relevant securities in the Company up to a maximum amount equivalent to two-thirds of the shares in issue (of which one-third must be offered by way of rights issue). This authority expires on the date of this year's AGM to be held on 20 May 2015. No such shares have been issued. The Directors propose to renew this authority at this year's AGM for the following year. A further special resolution passed at that meeting granted authority to the Directors to allot equity securities in the Company for cash, without regard to the pre-emption provisions of the Companies Act 2006. This authority also expires on the date of this year's AGM and the Directors will seek to renew this authority for the following year.

The Company was also authorised by a shareholders' resolution passed at the 2014 AGM to purchase up to 10% of its issued ordinary share capital. Any shares which have been bought back may be held as treasury shares or, if not so held, must be cancelled immediately upon completion of the purchase, thereby reducing the amount of the Company's issued and authorised share capital. This authority will expire at this year's AGM and a resolution to renew the authority for a further year will be proposed. No shares were purchased by the Company during the year.

DIRECTORS' INTERESTS AND INDEMNITIES

Details of Directors' contracts and letters of appointment, remuneration and emoluments, and their interests in the shares of the Company as at 31 December 2014 are given in the Remuneration Report. No Director had any material interest in a contract of significance (other than a service contract) with the Company or any subsidiary company during the year.

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

CONFLICTS OF INTEREST

The Companies Act 2006 requires that a Director must avoid a situation where he has, or can have, a direct or indirect interest that conflicts, or possibly may conflict, with the Company's interests. The Company has undertaken a process to identify and, where appropriate, authorise and manage potential and actual conflicts. Each Director has identified his or her interests that may constitute conflicts including, for example, directorships in other companies. The Board has considered the potential and actual conflict situations of each of the Directors and decided in relation to each situation whether to authorise it and the steps, if any, which need to be taken to manage it. The authorisation process is not regarded as a substitute for managing an actual conflict of interest if one arises. The monitoring and, if appropriate, authorisation of actual and potential conflicts of interest is an ongoing process. Directors are required to notify the Company of any material changes in those positions or situations that have already been considered, as well as to notify the Company of any other new positions or situations that may arise. In addition to considering any new situations as they arise, the Board usually considers the conflict position of all Directors formally each year.

SUBSTANTIAL SHAREHOLDINGS

As at 31 December 2014 and 16 March 2015, the following significant holdings of voting rights in the share capital of the Company had been disclosed to the Company under Disclosure and Transparency Rule 5:

TABLE OF SUBSTANTIAL SHAREHOLDINGS

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

Metalinvest Establishment and Kupferberg Establishment are both controlled by the E. Abaroa Foundation, in which members of the Luksic family are interested. As explained in Note 37 to the financial statements, Metalinvest Establishment is the immediate Parent Company of the Group and the E. Abaroa Foundation is the ultimate Parent Company. Aureberg Establishment is controlled by the Severe Studere Foundation that, in turn, is controlled by Jean-Paul Luksic, the Chairman of the Company.

OTHER STATUTORY DISCLOSURES

The Corporate governance report on pages 72 to 85, the Directors' responsibilities statement on page 102 of this Annual Report and Notes 23 and 36 to the financial statements are incorporated into the Directors' report by reference.

Other information can be found in the following sections of the Strategic report.

INFORMATION

	Location in Strategic report
Future developments in the business of the Group	Pages 38 to 49
Subsidiaries, associates, joint ventures and FCAB branch	Pages 38 to 49
Employee consultation	Pages 55 and 56
Greenhouse gas emissions	Page 59

By order of the Board

JULIAN ANDERSON

Company Secretary

16 March 2015

DIRECTORS' RESPONSIBILITIES

DIRECTORS' RESPONSIBILITIES IN RELATION TO THE FINANCIAL STATEMENTS

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable laws and regulations.

The Companies Act 2006 requires the Directors to prepare financial statements for each financial year. Under that law the Directors are required to prepare the Group financial statements in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union and Article 4 of International Accounting Standard ("IAS") Regulation and have elected to prepare the Parent Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the Directors must not approve the accounts unless they are satisfied that they give a true and fair view of the state of affairs of the Group and of the profit or loss of the Group for that period.

In preparing the Parent Company financial statements, the Directors are required to:

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

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

In preparing the Group financial statements, International Accounting Standard 1 requires that Directors:

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

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

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

DIRECTORS' DECLARATION IN RELATION TO RELEVANT AUDIT INFORMATION

Each of the persons who is a Director at the date of approval of this Annual Report confirms that:

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

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

RESPONSIBILITY STATEMENT

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with the relevant financial reporting framework, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole;
- the Directors' report and the Strategic report include a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face; and
- the Annual Report and financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's performance, business model and strategy.

By order of the Board

JEAN-PAUL LUKSIC
Chairman

WILLIAM HAYES
Senior Independent Director and Chairman Audit and Risk Committee

16 March 2015

FINANCIAL *statements*

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF ANTOFAGASTA PLC

OPINION ON FINANCIAL STATEMENTS OF ANTOFAGASTA PLC

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2014 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union;
- the Parent Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

The financial statements comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated Balance Sheet, the Consolidated Cash Flow Statement, the Consolidated Statement of Changes in Equity, and the related Notes 1 to 37 and the Parent Company Balance Sheet and related information in Note 38. The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and IFRSs as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the Parent Company financial statements is applicable by law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

GOING CONCERN

As required by the Listing Rules we have reviewed the Directors' statement on page 100 that the Group is a going concern.
We confirm that:

- we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate; and
- we have not identified any material uncertainties that may cast significant doubt on the Group's ability to continue as a going concern.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's ability to continue as a going concern.

OUR ASSESSMENT OF RISKS OF MATERIAL MISSTATEMENT

The assessed risks of material misstatement described below are those that had the greatest effect on our audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team and are unchanged from the prior year:

RISK	HOW THE SCOPE OF OUR AUDIT RESPONDED TO THE RISK
Carrying value of the Antucoya project and other capital projects The Antucoya project was fully impaired in December 2012 and the project was suspended. On completion of a project review, the Board authorised the resumption of the project in March 2013, with cost capitalisation resuming, but no reversal of the previous impairment. The assessment of the carrying value at Antucoya ($1.4bn) is considered to be one of the most judgemental audit risks. As the book value and the estimated net present value of the project are very similar, a small change to the key revenue and cost assumptions could have a material impact on the estimated net present value of the project and result in either further impairment or the reversal of the previous impairment charge. Refer to Note 4 to the financial statements.	In assessing the carrying value of Antucoya we tested the impairment model prepared by management to estimate the net present value of the project. In particular, we tested the mechanical accuracy of the model and assessed the appropriateness of the key assumptions, principally capital expenditure estimates, production volumes, copper price assumptions and related revenue estimates, and estimated operating costs (principally labour, acid and power prices) with reference to external information. We also assessed the appropriateness of the discount rate used by management by engaging internal valuation specialists. We assessed the impact of sensitivity analysis around the key assumptions, being the copper price and the discount rate. We assessed other capital projects for impairment indicators by reviewing the progress of key projects and comparing costs incurred against latest budgets and forecasts.
Capitalisation of property, plant and equipment and of project costs Under the Group's accounting policies for property, plant and equipment, mine development expenditure is capitalised, with capitalisation ceasing when commercial production commences. Ongoing expenditure for items of plant, property and equipment are capitalised when they give rise to a future economic benefit. Project costs are typically capitalised following the approval of a pre-feasibility study and amounts relating to pre-feasibility activities are expensed. Capital additions to plant, property and equipment totalled $1.6bn in the year, principally comprising $0.7bn of ongoing development expenditure at Antucoya, $0.5bn at Centinela, $0.2bn at Pelambres and $0.1bn of costs capitalised in respect of projects where pre-feasibility studies have been approved and the projects are at the feasibility stage. There is a risk of inappropriate categorisation of expenditure between operating expenditure and capital expenditure in each of these areas.	We tested the design, implementation and operating effectiveness of controls relating to cost capitalisation at Antucoya, Los Pelambres and Centinela, and tested, on a sample basis, the appropriateness of costs capitalised with reference to supporting documentation including invoices and cash payments. We also physically verified a sample of additions in the year. We verified that all projects classified as at the feasibility study stage had been approved in line with the Group's internal governance processes. We also tested the appropriateness of cost capitalised for each significant project with reference to supporting documentation including invoices and cash payments.

RISK	HOW THE SCOPE OF OUR AUDIT RESPONDED TO THE RISK
The recognition and measurement of restoration and decommissioning provisions Restoration and decommissioning provisions (of $433m) are calculated using a number of different assumptions, many of which require judgement, for example the required scope of work, projected costs, discount rates, exchange rates and inflation. These estimates are subject to regular internal re-evaluation, with external experts engaged on a periodic basis. In 2014, external experts were engaged to advise on closure cost estimates at Los Pelambres, Centinela, Michilla and Antucoya. During the year, the net movement in decommissioning and restoration provisions was $60m (refer to note 27). The change in restoration estimates forms part of the overall $7m credit in the profit and loss account relating to provisions, with other movements reflecting foreign exchange movements and the unwind of discounting. The decrease in decommissioning provisions was $48m (refer to note 13 and note 27).	We met with management's external experts, JRI and Proust, providing closure cost estimates for the Group's operations. We challenged their estimates on key forecast cash flow assumptions, including the future plans for decommissioning/rehabilitation activity, future estimated costs, inflation rates, exchange rates, and also the discount rates applied to determine net present values. We evaluated the technical competence, experience, independence and objectivity of the external experts as required by auditing standards and we reviewed the updated base case data that was submitted by the Group to the Chilean National Geology and Mining Service along with the supporting evidence to confirm consistency with the closure cost estimates. In addition we also: – audited the classification of closure provisions between decommissioning and rehabilitation; and assessed the appropriateness of the related accounting entries; – audited the computation of the discount unwind and amortisation of the decommissioning asset; and – reviewed the consistency of application of the closure provision policies and procedures throughout the Group.

The description of risks above should be read in conjunction with the significant issues considered by the Audit and Risk Committee discussed on page 80.

Our audit procedures relating to these matters were designed in the context of our audit of the financial statements as a whole, and not to express an opinion on individual accounts or disclosures. Our opinion on the financial statements is not modified with respect to any of the risks described above, and we do not express an opinion on these individual matters.

OUR APPLICATION OF MATERIALITY

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

We determined materiality for the group to be $75 million (2013 – $100 million), which is 4.8% (2013 – 4.8%) of pre-tax profit and 0.9% (2013 – 1.2%) of equity.

We agreed with the Audit and Risk Committee that we would report to the Committee all audit differences in excess of $1.25 million (2013 – $2 million), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing overall presentation of the financial statements.

AN OVERVIEW OF THE SCOPE OF OUR AUDIT

As in the prior year, our Group audit scope focused primarily on the audit work at Los Pelambres, Michilla, Antucoya, Antofagasta Minerals, Ferrocaril Antofagasta a Bolivia, and Aguas de Antofagasta S.A., being the Group's principal components. These were subject to a full audit at component materiality, which is lower than Group materiality, and represent over 99% of the Group's profit before tax, all of the Group's revenue and substantially all of the Group's net assets. The range of materialities applied for the remaining principal components ranged between $2m and $71m.

AT THE PARENT ENTITY LEVEL WE ALSO TESTED THE CONSOLIDATION PROCESS

The Group audit team followed a programme of planned visits that has been designed so that the Senior Statutory Auditor or a senior team member visits the component auditors in Chile at least three times a year. In addition, the Group audit team undertook site visits to operating assets in November 2014 and February 2015.

OPINION ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion:

– the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and

– the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

Adequacy of explanations received and accounting records.

Under the Companies Act 2006 we are required to report to you if, in our opinion:

– we have not received all the information and explanations we require for our audit; or

– adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or

– the Parent Company financial statements are not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

DIRECTORS' REMUNERATION

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of Directors' remuneration have not been made or the part of the Directors' Remuneration report to be audited is not in agreement with the accounting records and returns. We have nothing to report arising from these matters.

CORPORATE GOVERNANCE STATEMENT

Under the Listing Rules we are also required to review the part of the Corporate Governance Statement relating to the Company's compliance with nine provisions of the UK Corporate Governance Code. We have nothing to report arising from our review.

OUR DUTY TO READ OTHER INFORMATION IN THE ANNUAL REPORT

Under International Standards on Auditing (UK and Ireland), we are required to report to you if, in our opinion, information in the Annual Report is:

– materially inconsistent with the information in the audited financial statements; or
– apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Group acquired in the course of performing our audit; or
– otherwise misleading.

In particular, we are required to consider whether we have identified any inconsistencies between our knowledge acquired during the audit and the Directors' statement that they consider the Annual Report is fair, balanced and understandable and whether the Annual Report appropriately discloses those matters that we communicated to the Audit and Risk Committee which we consider should have been disclosed. We confirm that we have not identified any such inconsistencies or misleading statements.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITOR

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

We also comply with International Standard on Quality Control 1 (UK and Ireland). Our audit methodology and tools aim to ensure that our quality control procedures are effective, understood and applied. Our quality controls and systems include our dedicated professional standards review team and independent partner reviews.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an Auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and the Parent Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

JAMES LEIGH

(Senior Statutory Auditor)

for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London, UK
16 March 2015

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2014

	Notes	2014 $m	2013 $m
Group revenue	4,5	**5,290.4**	5,971.6
Total operating costs		**(3,650.7)**	(3,799.5)
Operating profit from subsidiaries	4	**1,639.7**	2,172.1
Share of results from associates and joint ventures	16,4	**(4.1)**	(14.4)
Total profit from operations, associates and joint ventures	4	**1,635.6**	2,157.7
Investment income		**18.4**	12.6
Interest expense		**(44.6)**	(62.0)
Other finance items		**(35.9)**	(24.8)
Net finance expense	8	**(62.1)**	(74.2)
Profit before tax	6	**1,573.5**	2,083.5
Income tax expense	9	**(722.8)**	(843.7)
Profit for the financial year	6	**850.7**	1,239.8
Attributable to:			
Non-controlling interests	29	**390.9**	580.2
Equity holders of the Company (net earnings)	10	**459.8**	659.6
		US cents	US cents
Basic earnings per share	10	**46.6**	66.9
Dividends to ordinary shareholders of the Company			
Per share	11	**US cents**	US cents
Dividends per share proposed in relation to the year			
– ordinary dividend (interim)		**11.7**	8.9
– ordinary dividend (final)		**9.8**	86.1
		21.5	95.0
Dividends per share paid in the year and deducted from net equity			
– ordinary dividend (interim)		**11.7**	8.9
– ordinary dividend (final)		**86.1**	12.5
– special dividend (final)		**–**	77.5
		97.8	98.9
In aggregate	11	**$m**	$m
Dividends proposed in relation to the year		**212.0**	936.5
Dividends paid in the year and deducted from net equity		**964.2**	975.0

Revenue and operating profit are derived from continuing operations.

CONSOLIDATED STATEMENT
OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2014

	Notes	2014 $m	2013 $m
Profit for the financial year	6	**850.7**	1,239.8
Items that may be reclassified subsequently to profit or loss:			
(Losses)/gains in fair value of cash flow hedges deferred in reserves	23	(0.2)	18.2
(Losses)/gains in fair value of cash flow hedges of associates deferred in reserves		(42.0)	1.9
Losses in fair value of available-for-sale investments	17	(6.1)	(28.2)
Currency translation adjustment		(26.2)	(20.8)
Deferred tax effects arising on cash flow hedges deferred in reserves	23	2.1	(5.7)
Items that will not be subsequently reclassified to profit or loss			
Actuarial losses on defined benefit plans	25,27	(17.4)	(10.4)
Tax on items recognised directly in equity that will not be reclassified		4.2	1.8
Total losses recognised in equity		**(85.6)**	(43.2)
Gains in fair value of cash flow hedges transferred to the income statement	23	(8.5)	(25.6)
Losses in fair value of available-for-sale investments transferred to income statement	8	26.3	–
Deferred tax effects arising on amounts transferred to the income statement	23	1.8	5.1
Total transferred to the income statement		**19.6**	(20.5)
Total comprehensive income for the year		**784.7**	1,176.1
Attributable to:			
Non-controlling interests	29	370.1	573.9
Equity holders of the Company		**414.6**	602.2

CONSOLIDATED STATEMENT
OF CHANGES IN EQUITY

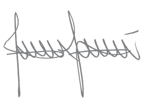
FOR THE YEAR ENDED 31 DECEMBER 2014

	Share capital $m	Share premium $m	Hedging reserves $m	Fair value reserves $m	Translation reserves $m	Actuarial reserves $m	Retained earnings $m	Net equity $m	Non-controlling interests $m	Total $m
At 1 January 2013	89.8	199.2	(3.6)	(2.7)	46.5	(5.2)	6,786.6	7,110.6	1,694.2	8,804.8
Total comprehensive income for the year	–	–	(3.2)	(28.2)	(20.8)	(5.2)	659.6	602.2	573.9	1,176.1
Capital increase in non-controlling interest	–	–	–	–	–	–	(13.3)	(13.3)	13.3	–
Capital contribution from non-controlling interest	–	–	–	–	–	–	–	–	109.8	109.8
Dividends	–	–	–	–	–	–	(975.0)	(975.0)	(452.1)	(1,427.1)
At 31 December 2013 and 1 January 2014	89.8	199.2	(6.8)	(30.9)	25.7	(10.4)	6,457.9	6,724.5	1,939.1	8,663.6
Total comprehensive income for the year	–	–	(29.4)	20.2	(26.2)	(9.8)	459.8	414.6	370.1	784.7
Change in ownership interest in subsidiaries	–	–	–	–	–	–	1.5	1.5	(32.0)	(30.5)
Loss of control in subsidiaries	–	–	–	–	–	–	–	–	(56.7)	(56.7)
Capital increase in non-controlling interest	–	–	–	–	–	–	(2.7)	(2.7)	2.7	–
Capital contribution from non-controlling interest	–	–	–	–	–	–	–	–	50.0	50.0
Dividends	–	–	–	–	–	–	(964.2)	(964.2)	(412.2)	(1,376.4)
At 31 December 2014	**89.8**	**199.2**	**(36.2)**	**(10.7)**	**(0.5)**	**(20.2)**	**5,952.3**	**6,173.7**	**1,861.0**	**8,034.7**

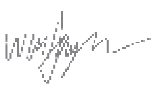
CONSOLIDATED BALANCE SHEET
AT 31 DECEMBER 2014

	Notes	2014 $m	2013 $m
Non-current assets			
Intangible assets	12	118.6	133.0
Property, plant and equipment	13	8,227.1	7,424.8
Investment property	14	2.6	3.3
Inventories	18	247.8	252.7
Investment in associates and joint ventures	16	198.1	175.2
Trade and other receivables	19	239.5	180.8
Available-for-sale investments	17	15.6	16.6
Deferred tax assets	26	104.6	76.9
		9,153.9	8,263.3
Current assets			
Inventories	18	369.3	402.1
Trade and other receivables	19	810.3	904.6
Current tax assets		106.9	121.6
Derivative financial instruments	23	0.2	12.9
Liquid investments	20	1,529.1	2,071.4
Cash and cash equivalents	20	845.4	613.7
		3,661.2	4,126.3
Total assets		12,815.1	12,389.6
Current liabilities			
Short-term borrowings	21	(284.5)	(341.0)
Derivative financial instruments	23	(7.5)	(3.4)
Trade and other payables	22	(793.8)	(776.6)
Current tax liabilities		(77.6)	(9.6)
		(1,163.4)	(1,130.6)
Non-current liabilities			
Medium and long-term borrowings	21	(2,091.6)	(1,032.9)
Derivative financial instruments	23	(3.5)	(6.4)
Trade and other payables	22	(4.8)	(4.7)
Post-employment benefit obligations	25	(103.0)	(91.2)
Decommissioning, restoration and other long-term provisions	27	(434.3)	(494.3)
Deferred tax liabilities	26	(979.8)	(965.9)
		(3,617.0)	(2,595.4)
Total liabilities		(4,780.4)	(3,726.0)
Net assets		8,034.7	8,663.6
Equity			
Share capital	28	89.8	89.8
Share premium	28	199.2	199.2
Hedging, translation and fair value reserves	28	(67.6)	(22.4)
Retained earnings	28	5,952.3	6,457.9
Equity attributable to equity holders of the Company		6,173.7	6,724.5
Non-controlling interests	29	1,861.0	1,939.1
Total equity		8,034.7	8,663.6

Approved by the Board and signed on its behalf on 16 March 2015.



JEAN-PAUL LUKSIC
Chairman



WILLIAM HAYES
Director

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2014

	Notes	2014 $m	2013 $m
Cash flows from operations	30	**2,507.8**	2,659.2
Interest paid		**(45.4)**	(57.2)
Income tax paid		**(641.5)**	(896.5)
Net cash from operating activities		**1,820.9**	1,705.5
Investing activities			
Capital contribution and loan to associates and joint ventures	16	**(125.2)**	(128.2)
Dividends from associate	16	**20.0**	–
Acquisition of available-for-sale investments	17	**(5.9)**	(2.1)
Cash derecognised due to loss of control of subsidiary		**(7.6)**	–
Change in ownership interest in subsidiaries		**(30.9)**	–
Proceeds from sale of property plant and equipment		**1.7**	10.6
Purchases of property, plant and equipment		**(1,646.3)**	(1,344.8)
Net decrease in liquid investments		**542.3**	409.2
Interest received		**16.5**	14.0
Net cash used in investing activities		**(1,235.4)**	(1,041.3)
Financing activities			
Dividends paid to equity holders of the Company	11	**(964.2)**	(975.0)
Dividends paid to preference shareholders of the Company	11	**(0.2)**	(0.2)
Dividends paid to non-controlling interests	29	**(412.2)**	(452.1)
Capital contribution from non-controlling interests		**50.0**	109.9
Net proceeds from issue of new borrowings	30	**1,583.4**	194.1
Repayments of borrowings	30	**(570.9)**	(706.6)
Repayments of obligations under finance leases	30	**(12.2)**	(15.6)
Net cash used in financing activities		**(326.3)**	(1,845.5)
Net increase/(decrease) in cash and cash equivalents		**259.2**	(1,181.3)
Cash and cash equivalents at beginning of the year		**613.7**	1,811.3
Net increase/(decrease) in cash and cash equivalents	30	**259.2**	(1,181.3)
Effect of foreign exchange rate changes	30	**(27.5)**	(16.3)
Cash and cash equivalents at end of the year	20,30	**845.4**	613.7

NOTES TO THE **FINANCIAL STATEMENTS**

1 BASIS OF PREPARATION

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS. For these purposes, IFRS comprise the standards issued by the International Accounting Standards Board ("IASB") and IFRS Interpretations Committee ("IFRIC") that have been endorsed by the European Union ("EU").

The financial statements have been prepared on the going concern basis. Details of the factors which have been taken into account in assessing the Group's going concern status are set out within the Directors' report.

During 2014 the Group merged Minera Esperanza and Minera El Tesoro into a single entity – Minera Centinela. The production of copper concentrate which was previously within Minera Esperanza is now referred to as Centinela Concentrates, and the production of copper cathodes which was previously within Minera El Tesoro is referred to as Centinela Cathodes. In the prior year comparatives the results and balances for Minera Esperanza and Minera El Tesoro have been combined into a single segment for Centinela, consistent with the current year presentation.

A reclassification between short-term and long-term inventories has been made in the prior year comparative figures, to ensure that the classification of inventory balances is fully in line with the detailed mine plans. This has resulted in a $74.4 million increase in the long-term inventory balance as at 31 December 2013 from $178.3 million to $252.7 million, and a corresponding $74.4 million decrease in the short-term inventory balances as at 31 December 2013 from $476.5 million to $402.1 million.

A) ADOPTION OF NEW ACCOUNTING STANDARDS

The following accounting standards, amendments and interpretations became effective in the current reporting period:

IFRIC 21 Levies

IAS 32 Financial instruments presentation

IFRS 10 and 12 and IAS 27 Investment entities

IAS 36 Recoverable amount disclosures for non-financial assets

IAS 39 Novation of derivatives and continuation of hedge accounting

The application of these standards and interpretations effective for the first time in the current year has had no significant impact on the amounts reported in these financial statements.

B) ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE APPLIED

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

– IFRS 9	Financial instruments
– IFRS 14	Regulatory deferral accounts
– IFRS 15	Revenue from contracts with customers
– IFRS 11 (amendments)	Accounting for acquisitions of interests in joint operations
– IAS 19 (amendments)	Defined benefit plans, employee contributions
– IAS 16 and 38 (amendments)	Clarification of acceptable methods of depreciation and amortisation
– IAS 16 and 41 (amendments)	Bearer plants
– IAS 27 (amendments)	Equity method in separate financial statements
– IFRS 10 and IAS 28 (amendments)	Sale or contribution of assets between an investor and its associate or joint venture
– IFRS 10 and 12 and IAS 28 (amendments)	Investment entities: applying the consolidation exception
– IAS 1 (amendments)	Disclosure initiative
– Annual improvements 2010 – 2012 cycle	Improvements to six IFRSs
– Annual improvements 2011 – 2013 cycle	Improvements to four IFRSs
– Annual improvements 2012 – 2014 cycle	Improvements to four IFRSs

The Group is continuing to evaluate the impact of adopting these new standards and interpretations.

The Group is continuing to evaluate in detail the potential impact of IFRS 15 *Revenue from contracts with customers*, but does not currently expect this to have a material impact.

2 PRINCIPAL ACCOUNTING POLICIES

A) ACCOUNTING CONVENTION

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

B) BASIS OF CONSOLIDATION

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

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

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

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

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

Acquisitions and disposals are treated as explained in Note 2(g) relating to business combinations and goodwill.

C) INVESTMENTS IN ASSOCIATES

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

D) JOINT ARRANGEMENTS

A joint arrangement is an arrangement of which two or more parties have joint control. Joint arrangements are accounted depending on the nature of the arrangement.

i) Joint ventures – are accounted for using equity method in accordance with IAS 28(2011) Investment in Associates and Joint Ventures as described in Note 2(c).

ii) Joint operations – are accounted for recognising directly the assets, obligations, revenues and expenses of the joint operator in the joint arrangement. The assets, liabilities, revenues and expenses are accounted for in accordance with the relevant IFRS.

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

E) CURRENCY TRANSLATION

The functional currency for each entity in the Group is determined as the currency of the primary economic environment in which it operates. Transactions in currencies other than the functional currency of the entity are translated at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in currencies other than the functional currency are retranslated at year end exchange rates. Gains and losses on retranslation are included in net profit or loss for the period within other finance items.

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

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

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

F) REVENUE RECOGNITION

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

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

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

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

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

Dividend income from available-for-sale investments and associates is recognised when the shareholders' right to receive payment has been established.

G) BUSINESS COMBINATIONS AND GOODWILL

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

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

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

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

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

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

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

2 PRINCIPAL ACCOUNTING POLICIES CONTINUED

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

H) EXPLORATION AND EVALUATION EXPENDITURE

Exploration and evaluation costs, other than those incurred in acquiring exploration licences, are expensed in the year in which they are incurred. When a mining project is considered to be commercially viable (normally when the project has completed a pre-feasibility study, and the start of a feasibility study has been approved) all further directly attributable pre-production expenditure is capitalised. Capitalisation of pre-production expenditure ceases when commercial levels of production are achieved.

Costs incurred in acquiring exploration licences are accounted for as intangible assets in accordance with the policy in Note 2(j) and are stated at cost less accumulated amortisation.

I) STRIPPING COSTS

Pre-stripping and operational stripping costs are incurred in the course of the development and operation of open-pit mining operations.

Pre-stripping costs relate to the removal of waste material as part of the initial development of an open-pit, in order to allow access to the ore body. These costs are capitalised within mining properties within property, plant and equipment. The capitalised costs are depreciated once production commences on a unit of production basis, in proportion to the volume of ore extracted in the year compared with total proven and probable reserves for that pit at the beginning of the year.

Operational stripping costs relate to the costs of extracting waste material as part of the ongoing mining process. The ongoing mining and development of the Group's open-pit mines is generally performed via a succession of individual phases. The costs of extracting material from an open-pit mine are generally allocated between ore and waste stripping in proportion to the tonnes of material extracted. The waste stripping costs are generally absorbed into inventory and expensed as that inventory is processed and sold. Where the stripping costs relate to a significant stripping campaign which is expected to provide improved access to an identifiable component of the ore body (typically an individual phase within the overall mine plan), the costs of removing waste in order to improve access to that part of the ore body will be capitalised within mining properties within property, plant and equipment. The capitalised costs will then be amortised on a unit of production basis, in proportion to the volume of ore extracted compared with the total ore contained in the component of the pit to which the stripping campaign relates.

J) INTANGIBLE ASSETS

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

Infrastructure assets relating to the Water concession are recorded within intangible assets, as part of concession rights. Concession rights also include an amount recognised in respect of the right to use those assets not recognised as their lives extend substantially beyond the period of the concession. Concession rights are measured as the difference between the cost of the concession and the fair values of the assets and liabilities recognised on acquisition plus the fair value of any further assets transferred to the Group by way of concession subsequent to acquisition.

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

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

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

K) PROPERTY, PLANT AND EQUIPMENT

The costs of mining properties and leases, which include the costs of acquiring and developing mining properties and mineral rights, are capitalised as property, plant and equipment in the year in which they are incurred, when a mining project is considered to be commercially viable (normally when the project has completed a pre-feasibility study, and the start of a feasibility study has been approved). The cost of property, plant and equipment comprises the purchase price and any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended. Once a project has been established as commercially viable, related development expenditure is capitalised. This includes costs incurred in preparing the site for mining operations, including pre-stripping costs. Capitalisation ceases when the mine is capable of commercial production, with the exception of development costs which give rise to a future benefit.

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

L) DEPRECIATION OF PROPERTY, PLANT AND EQUIPMENT AND AMORTISATION OF INTANGIBLE ASSETS

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

(i) **Land** – freehold land is not depreciated unless the value of the land is considered to relate directly to a particular mining operation, in which case the land is depreciated on a straight-line basis over the expected mine life. Any leasehold land is depreciated on a straight-line basis over the life of the lease.

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

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

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

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

(vi) **Machinery, equipment and other assets** – are depreciated on a unit of production basis, in proportion to the volume of ore/material processed or straight-line basis over 5 to 20 years.

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

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

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

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

M) IMPAIRMENT OF PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS (EXCLUDING GOODWILL)

Property, plant and equipment and finite life intangible assets are reviewed for impairment if there is any indication that the carrying amount may not be recoverable. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Any intangible asset with an indefinite useful life is tested for impairment annually and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value, using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which estimates of future cash flows have not been adjusted.

For mining properties, estimates of future cash flows are based on assumptions as to expected production levels, commodity prices, cash costs of production and capital expenditure. IAS 36 "Impairment of Assets" includes a number of restrictions on the future cash flows that can be recognised in respect of future restructurings and improvement-related expenditure. When calculating value in use, it also requires that calculations should be based on exchange rates current at the time of assessment. For operations with a functional currency other than the US dollar, the impairment review is conducted in the relevant functional currency.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount is reduced to the recoverable amount. An impairment charge is recognised in the income statement immediately. Where an impairment subsequently reverses, the carrying amount is increased to the revised estimate of recoverable amount, but so that the increased carrying amount does not exceed the carrying value that would have been determined if no impairment had previously been recognised. A reversal is recognised in the income statement immediately.

N) INVESTMENT PROPERTY

Investment property is property held to earn rentals and/or for capital appreciation and includes land held for a currently undetermined future use. The Group has elected to adopt the cost model in IAS 40 "Investment Property". Accordingly, investment property is measured initially at cost, which includes transaction costs for the acquisition of the property and, as detailed in Note 2(l) relating to property, plant and equipment, is not depreciated.

O) INVENTORY

Inventory consists of raw materials and consumables, work-in-progress and finished goods. Work-in-progress represents material that is in the process of being converted into finished goods. The conversion process for mining operations depends on the nature of the copper ore. For sulphide ores, processing includes milling and concentrating and results in the production of copper concentrate. For oxide ores, processing includes leaching of stockpiles, solution extraction and electrowinning and results in the production of copper cathodes. Finished goods consist of copper concentrate containing gold and silver at Los Pelambres and Centinela and copper cathodes at Centinela and Michilla. Los Pelambres also produces molybdenum as a by-product.

Inventory is valued at the lower of cost, on a weighted average basis, and net realisable value. Net realisable value represents estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution. Cost of finished goods and work-in-progress is production cost and for raw materials and consumables it is purchase price. Production cost includes:

- labour costs, raw material costs and other costs directly attributable to the extraction and processing of ore;
- depreciation of plant, equipment and mining properties directly involved in the production process; and
- an appropriate portion of production overheads.

2 PRINCIPAL ACCOUNTING POLICIES CONTINUED

Stockpiles represent ore that is extracted and is available for further processing. Costs directly attributable to the extraction of ore are generally allocated as part of production cost in proportion to the tonnes of material extracted. Operational stripping costs are generally absorbed into inventory, and therefore expensed as that inventory is processed and sold. If ore will not be processed within 12 months of the statement of financial position date it is included within non-current assets. If there is significant uncertainty as to when any stockpiled ore will be processed it is expensed as incurred.

P) TAXATION

Tax expense comprises the charges or credits for the period relating to both current and deferred tax.

Current tax is based on taxable profit for the year. Taxable profit may differ from net profit as reported in the income statement because it excludes items of income or expense that are taxable and deductible in different years and also excludes items that are not taxable or deductible. The liability for current tax is calculated using tax rates for each entity in the consolidated financial statements which have been enacted or substantively enacted at the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on temporary differences (ie differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of taxable profit). Deferred tax is accounted for using the balance sheet liability method and is provided on all temporary differences with certain limited exceptions as follows:

(i) tax payable on undistributed earnings of subsidiaries, associates and joint ventures is provided except where the Group is able to control the remittance of profits and it is probable that there will be no remittance of past profits earned in the foreseeable future;

(ii) deferred tax is not provided on the initial recognition of an asset or liability in a transaction that does not affect accounting profit or taxable profit and is not a business combination; nor is deferred tax provided on subsequent changes in the carrying value of such assets and liabilities, for example where they are depreciated; and

(iii) the initial recognition of any goodwill.

Deferred tax assets are recognised only to the extent that it is probable that they will be recovered through sufficient future taxable profit. The carrying amount of deferred tax assets is reviewed at each balance sheet date.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also taken directly to equity.

Q) PROVISIONS

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

R) PROVISIONS FOR DECOMMISSIONING AND RESTORATION COSTS

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

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

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

S) PROVISION FOR TERMINATION OF WATER CONCESSION

Under the terms of the Water concession from ECONSSA, certain items of working capital recognised by Aguas de Antofagasta are to be transferred to the state-owned operator ECONSSA at the end of the concession period for nil consideration. Provision is made for the estimated net present value of these assets and liabilities which are expected to be in existence when the concession comes to an end. The unwinding of the discount is charged within financing costs.

T) SHARE-BASED PAYMENTS

For cash-settled share-based payments, a liability is recognised for the goods or services acquired, measured initially at the fair value of the liability. At the end of each reporting period until the liability is settled, and at the date of settlement, the fair value of the liability is remeasured, with any changes in fair value recognised in profit or loss for the year. The Group currently does not have any equity share-based payments to employees or third parties.

U) POST-EMPLOYMENT BENEFITS

The Group operates defined contribution schemes for a limited number of employees. For such schemes, the amount charged to the income statement is the contributions paid or payable in the year.

Employment terms may also provide for payment of a severance indemnity when an employment contract comes to an end. This is typically at the rate of one month for each year of service (subject in most cases to a cap as to the number of qualifying years of service) and based on final salary level. The severance indemnity obligation is treated as an unfunded defined benefit plan, and the calculation is based on valuations performed by an independent actuary using the projected unit credit method, which are regularly updated. The obligation recognised in the balance sheet represents the present value of the severance indemnity obligation. Actuarial gains and losses are immediately recognised in other comprehensive income.

V) CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash on hand, deposits held on call with banks, highly liquid investments that are readily convertible into known amounts of cash and which are subject to insignificant risk of changes in value, net of bank overdrafts which are repayable on demand. Cash and cash equivalents normally have a maturity period of 90 days or less.

W) LIQUID INVESTMENTS

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

X) LEASES

Rental costs under operating leases are charged to the income statement account in equal annual amounts over the term of the lease.

Assets under finance leases are recognised as assets of the Group at inception of the lease at the lower of fair value or the present value of the minimum lease payments derived by discounting at the interest rate implicit in the lease. The interest element is charged within financing costs so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Y) OTHER FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are recognised on the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument.

(i) **Investments** – Investments which are not subsidiaries, associates or joint ventures are initially measured at cost, including transaction costs.

Investments are classified as either held for trading or available-for-sale, and are normally measured at subsequent reporting dates at fair value. Fair value is determined in the manner described in Note 23(b). Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost. Securities are classified as "held-for-trading" when they are acquired principally for the purpose of sale in the short term, and gains and losses arising from changes in fair value are included in profit or loss for the period. Other investments are classified as "available-for-sale", and gains and losses arising from changes in fair value are recognised directly in equity, within the "Fair value reserve", until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is included in profit or loss for the period. Dividends on available-for-sale equity investments are recognised in the income statement when the right to receive payment is established.

(ii) **Trade and other receivables** – Trade and other receivables do not generally carry any interest and are normally stated at their nominal value less any impairment. Impairment losses on trade receivables are recognised within an allowance account unless the Group considers that no recovery of the amount is possible, in which case the carrying value of the asset is reduced directly.

(iii) **Trade and other payables** – Trade and other payables are generally not interest-bearing and are normally stated at their nominal value.

(iv) **Borrowings (loans and preference shares)** – Interest-bearing loans and bank overdrafts are initially recorded at the proceeds received, net of direct issue costs. They are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis. The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accruals basis using the effective interest rate method. Amounts are either recorded as financing costs in profit or loss or capitalised in accordance with the accounting policy set out in Note 2(k). Finance charges are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

The sterling-denominated preference shares issued by the Company carry a fixed rate of return without the right to participate in any surplus. They are accordingly classified within borrowings and translated into US dollars at period-end rates of exchange. Preference share dividends are included within finance costs.

(v) **Equity instruments** – Equity instruments issued are recorded at the proceeds received, net of direct issue costs. Equity instruments of the Company comprise its sterling-denominated issued ordinary share capital and related share premium. As explained in Note 2(e), the presentational currency of the Group and the functional currency of the Company is US dollars, and ordinary share capital and share premium are translated into US dollars at historical rates of exchange based on dates of issue.

2 PRINCIPAL ACCOUNTING POLICIES CONTINUED

(vi) **Derivative financial instruments** – As explained in Note 23(d), the Group uses derivative financial instruments to reduce exposure to foreign exchange, interest rate and commodity price movements. The Group does not use such derivative instruments for trading purposes. The Group has applied the hedge accounting provisions of IAS 39 "Financial Instruments: Recognition and Measurement". The effective portion of changes in the fair value of derivative financial instruments that are designated and qualify as hedges of future cash flows have been recognised directly in equity, with such amounts subsequently recognised in profit or loss in the period when the hedged item affects profit or loss. Any ineffective portion is recognised immediately in profit or loss. Realised gains and losses on commodity derivatives recognised in profit or loss are recorded within revenue. The time value element of changes in the fair value of derivative options is excluded from the designated hedging relationship, and is therefore recognised directly in profit or loss within other finance items. Derivatives embedded in other financial instruments or other host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of host contracts and the host contracts are not carried at fair value. Changes in fair value are reported in profit or loss for the period. The treatment of embedded derivatives arising from provisionally-priced commodity sales contracts is set out in further detail in Note 2(f) relating to revenue.

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

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables.

With the exception of available-for-sale equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss immediately to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised. In respect of available-for-sale equity instruments, any increase in fair value subsequent to an impairment loss is recognised directly in equity.

3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

Determining many of the amounts included in the financial statements involves the use of judgement and/or estimation. These judgements and estimates are based on management's best knowledge of the relevant facts and circumstances having regard to prior experience, but actual results may differ from the amounts included in the financial statements. Information about such judgements and estimates is included in the principal accounting policies in Note 2 or the other notes to the financial statements, and the key areas are set out below.

A) CAPITALISATION OF PROPERTY, PLANT AND EQUIPMENT AND OF PROJECT COSTS

As explained in Note 2(k) the costs of developing mining properties are capitalised as property, plant and equipment in the year in which they are incurred, when the mining project is considered to be commercially viable. Management reviews amounts capitalised to ensure that the treatment of that expenditure as capital rather than operating expenditure is reasonable, in particular in respect of the commercial viability of the project. Commercial viability is normally considered to be demonstrable when the project has completed a pre-feasibility study, and the start of a feasibility study has been approved.

B) USEFUL ECONOMIC LIVES OF PROPERTY, PLANT AND EQUIPMENT AND ORE RESERVES ESTIMATES

As explained in Note 2(l), mining properties, including capitalised financing costs, are depreciated in proportion to the volume of ore extracted in the year compared with total proven and probable reserves at the beginning of the year.

There are numerous uncertainties inherent in estimating ore reserves, and assumptions that were valid at the time of estimation may change when new information becomes available. These include assumptions as to grade estimates and cut-off grades, recovery rates, commodity prices, exchange rates, production costs, capital costs, processing and reclamation costs and discount rates. The actual volume of ore extracted and any changes in these assumptions could affect prospective depreciation rates and carrying values.

The majority of other items of property, plant and equipment are depreciated on a straight-line basis over their useful economic lives. Management reviews the appropriateness of useful economic lives at least annually and, again, any changes could affect prospective depreciation rates and asset carrying values.

C) IMPAIRMENT OF ASSETS

As explained in Note 2(m), the Group reviews the carrying value of its intangible assets and property, plant and equipment to determine whether there is any indication that those assets are impaired. In making assessments for impairment, assets that do not generate independent cash flows are allocated to an appropriate cash-generating unit ("CGU"). The recoverable amount of those assets, or CGU, is measured at the higher of their fair value less costs to sell and value in use.

Management necessarily applies its judgement in allocating assets to CGUs, in estimating the probability, timing and value of underlying cash flows and in selecting appropriate discount rates to be applied within the value in use calculation. The key assumptions are set out in Note 2(m). Subsequent changes to CGU allocation, licensing status, reserves and resources, price assumptions or other estimates and assumptions in the value in use calculation could impact the carrying value of the respective assets.

Development of the Antucoya project was temporarily suspended in December 2012 while a review of the project was undertaken. An impairment review was performed in respect of the project as at 31 December 2012, and as a consequence an impairment of $500 million was recognised in respect of the project's assets at that date. An updated review of the carrying value of the project's assets was performed during 2014, which indicated that no further impairment or reversal of the earlier impairment was appropriate. The recoverable amount in the impairment review was determined by a value in use calculation prepared using management's forecasts as to capital expenditure, future commodity prices, operating costs and production volumes. Changes in these forecasts could have a significant positive or negative impact on the estimated recoverable amount. The present value of the forecast future cash flows was calculated using a post-tax real discount rate of 8.0%.

D) PROVISIONS FOR DECOMMISSIONING AND SITE RESTORATION COSTS

As explained in Note 2(r), provision is made, based on net present values, for decommissioning and site rehabilitation costs as soon as the obligation arises following the development or ongoing production of a mining property. The provision is based on a closure plan prepared with the assistance of external consultants.

Management uses its judgement and experience to provide for and (in the case of capitalised decommissioning costs) amortise these estimated costs over the life of the mine. The ultimate cost of decommissioning and site rehabilitation is uncertain and cost estimates can vary in response to many factors including changes to relevant legal requirements, the emergence of new restoration techniques or experience at other mine sites.

The expected timing and extent of expenditure can also change, for example in response to changes in ore reserves or processing levels. As a result, there could be significant adjustments to the provisions established which would affect future financial results.

E) DEFERRED TAXATION

As explained in Note 2(p), deferred tax is not provided for future tax payable on undistributed earnings where the Group is able to control the remittance of profits and it is probable that there will be no remittance of past profits earned in the foreseeable future.

Management uses its judgement in estimating the probability of such remittances. These are based on Group forecasts and include assumptions as to future profits and cash flows (which depend on several factors including commodity prices, operating costs, production levels, capital expenditures, interest costs, debt repayment and tax rates) and cash requirements (which may also depend on several factors including future dividend levels). A change in the assumptions used or in the estimate as to the probability that past profits will be remitted would impact the deferred tax charge and balance sheet provision.

4 SEGMENT INFORMATION

The Group's reportable segments are as follows:

- Los Pelambres
- Centinela
- Michilla
- Antucoya
- Exploration and evaluation
- Railway and other transport services
- Water concession
- Corporate and other items

For management purposes, the Group is organised into three business divisions based on their products – Mining, Railway and other transport services and the Water concession. The mining division is split further for management reporting purposes to show results by mine and exploration activity. Los Pelambres, Centinela and Michilla are all operating mines and Antucoya is a development project. Los Pelambres produces primarily copper concentrate and molybdenum as a by-product. Centinela produces primarily copper concentrate containing gold as a by-product and copper cathodes. Michilla produces 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. "Corporate and other items" comprises costs incurred by the Company, Antofagasta Minerals, the Group's mining corporate centre and other entities 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.

4 SEGMENT INFORMATION CONTINUED

A) SEGMENT REVENUES AND RESULTS

For the year ended 31 December 2014

	Los Pelambres $m	Centinela $m	Michilla $m	Antucoya $m	Exploration and evaluation $m	Corporate and other items $m	Mining $m	Railway and other transport services $m	Water concession $m	Total $m
Revenue	2,663.6	1,985.7	335.4	–	–	–	4,984.7	180.8	124.9	5,290.4
EBITDA	1,518.6	767.2	58.7	–	(167.5)	(99.2)	2,077.8	68.7	75.1	2,221.6
Depreciation and amortisation	(178.3)	(301.5)	(87.3)	–	–	(2.6)	(569.7)	(22.5)	(13.8)	(606.0)
Gain/(loss) on disposals	(2.5)	(1.3)	(0.4)	–	–	28.7	24.5	(0.6)	0.2	24.1
Operating profit/(loss)	1,337.8	464.4	(29.0)	–	(167.5)	(73.1)	1,532.6	45.6	61.5	1,639.7
Share of results from associates and joint ventures	(1.3)	–	–	–	–	(9.3)	(10.6)	6.5	–	(4.1)
Investment income	7.5	4.2	0.7	–	–	3.9	16.3	0.5	1.6	18.4
Interest expense	(3.8)	(36.6)	–	–	–	(2.4)	(42.8)	(1.8)	–	(44.6)
Other finance items	(2.5)	2.9	(8.3)	3.3	–	(31.4)	(36.0)	(0.4)	0.5	(35.9)
Profit/(loss) before tax	1,337.7	434.9	(36.6)	3.3	(167.5)	(112.3)	1,459.5	50.4	63.6	1,573.5
Tax	(441.7)	(214.9)	1.3	(9.7)	–	25.0	(640.0)	(62.9)	(19.9)	(722.8)
Non-controlling interests	(352.3)	(56.2)	0.3	3.8	–	12.4	(392.0)	1.1	–	(390.9)
Net earnings/(losses)	(543.7)	163.8	(35.0)	(2.6)	(167.5)	(74.9)	427.5	(11.4)	43.7	459.8
Additions to non-current assets										
Capital expenditure	229.6	535.6	11.1	707.1	–	51.4	1,534.8	21.2	25.0	1,581.0
Segment assets and liabilities										
Segment assets	3,680.2	5,152.9	181.9	1,619.8	–	1,557.9	12,192.7	410.0	212.4	12,815.1
Segment liabilities	(1,255.2)	(2,014.6)	(114.6)	(994.7)	–	(138.2)	(4,517.3)	(212.1)	(51.0)	(4,780.4)

For the year ended 31 December 2013

	Los Pelambres $m	Centinela $m	Michilla $m	Antucoya $m	Exploration and evaluation $m	Corporate and other items $m	Mining $m	Railway and other transport services $m	Water concession $m	Total $m
Revenue	3,129.4	2,201.8	307.9	–	–	–	5,639.1	196.6	135.9	5,971.6
EBITDA	1,814.0	1,075.6	16.3	–	(274.9)	(83.3)	2,547.7	76.8	77.7	2,702.2
Depreciation and amortisation	(175.9)	(225.2)	(58.9)	–	–	(26.2)	(486.2)	(14.6)	(16.9)	(517.7)
(Loss)/gain on disposals	(2.8)	(5.4)	(0.5)	(0.7)	–	(0.2)	(9.6)	0.8	(3.6)	(12.4)
Operating profit/(loss)	1,635.3	845.0	(43.1)	(0.7)	(274.9)	(109.7)	2,051.9	63.0	57.2	2,172.1
Share of results from associates and joint ventures	–	–	–	–	–	(27.4)	(27.4)	13.0	–	(14.4)
Investment income	2.2	3.0	0.3	–	–	5.6	11.1	0.9	0.6	12.6
Interest expense	(8.4)	(49.8)	–	–	–	(3.6)	(61.8)	(0.2)	–	(62.0)
Other finance items	(7.9)	(0.6)	(6.5)	(4.2)	–	(5.8)	(25.0)	–	0.2	(24.8)
Profit/(loss) before tax	1,621.2	797.6	(49.3)	(4.9)	(274.9)	(140.9)	1,948.8	76.7	58.0	2,083.5
Tax	(374.8)	(194.2)	12.4	4.6	–	(216.6)	(768.6)	(64.2)	(10.9)	(843.7)
Non-controlling interests	(477.7)	(155.7)	11.5	1.6	–	39.9	(580.4)	0.2	–	(580.2)
Net earnings/(losses)	768.7	447.7	(25.4)	1.3	(274.9)	(317.6)	599.8	12.7	47.1	659.6
Additions to non-current assets										
Capital expenditure	208.9	480.9	17.2	678.9	–	30.7	1,416.6	28.7	13.4	1,458.7
Segment assets and liabilities										
Segment assets	3,748.9	4,658.8	226.6	764.4	–	2,346.3	11,745.0	409.9	234.7	12,389.6
Segment liabilities	(1,183.8)	(1,623.4)	(93.1)	(378.5)	–	(342.3)	(3,621.1)	(55.3)	(49.6)	(3,726.0)

NOTES TO SEGMENT REVENUES AND RESULTS

(i) The accounting policies of the reportable segments are the same as the Group's accounting policies. Operating profit excludes the share of net loss from associates and joint venture of $4.1 million (year ended 31 December 2013 – net loss of $14.4 million).

(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 $0.4 million (year ended 31 December 2013 – $2.1 million). Revenue from the Water concession is stated after eliminating inter-segmental sales to the mining division of $7.3 million (year ended 31 December 2013 – $7.2 million) and after eliminating sales to the Railway and other transport services of $0.2 million (year ended 31 December 2013 – $0.2 million).

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

(iv) Revenue includes a realised gain at Michilla of $18.3 million (year ended 31 December 2013 – gain of $25.2 million) and a realised gain at Centinela of $0.1 million (year ended 31 December 2013 – gain of $0.2 million) relating to commodity derivatives. Further details of such gains or losses are given in Note 23(d).

(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.

(vii) The effects of tax and non-controlling interests on the expenses within the Exploration and evaluation segment are allocated to the mine that the exploration work relates to.

(viii) The assets of the Railway and transport services segment includes $78.3 million (year ended 31 December 2013 – $91.9 million) relating to the Group's 40% interest in Inversiones Hornitos S.A. ("Inversiones Hornitos"), which owns the 165MW Hornitos thermoelectric power plant in Mejillones in Chile's Antofagasta Region and $8.8 million (year ended 31 December 2013 – $6.7 million) relating to the Group's 30% interest in Antofagasta Terminal International S.A. ("ATI"), which operates a concession to manage installations in the port of Antofagasta. The assets of the Corporate and other items segment includes $24.5 million (year ended 31 December 2013 – $24.4 million) relating to the Group's 30% interest in Parque Eólico El Arrayán S.A., an energy company which operates a wind farm in Chile, $11.2 million (year ended 31 December 2013 – $1.1 million) relating to the Group's 50.1% interest in the Energia Andina joint venture and a negative investment of $0.4 million relating to the Group's 50% interest in the Tethyan Copper joint venture. The assets of Los Pelambres includes $8.3 million (year ended 31 December 2013 – $51.9 million) relating to the Group's 40% interest in Alto Maipo SpA which is constructing a hydroelectric project in Chile. Further details of these investments are set out in Note 16.

(ix) As explained in Note 16, the Group holds a 40% interest in Twin Metals Minnesota LLC ("Twin Metals"), which until July 2014 was accounted for as a subsidiary as the Group exercised control over the company. In July 2014 the Group lost its ability to control Twin Metals and accordingly the company ceased to be a subsidiary of the Group, and has been accounted for as an associate from that point. This disposal of the investment in subsidiary and the recognition of an interest in an associate at fair value resulted in a gain of $28.6 million (shown above within "Gains on disposals" within the "Corporate and other items" segment). An impairment charge of $26.3 million has been recognised in respect of Duluth shares as set out in Note 8.

4 SEGMENT INFORMATION CONTINUED

B) ENTITY-WIDE DISCLOSURES

Revenue by product

	2014 $m	2013 $m
Copper		
– Los Pelambres	2,348.6	2,821.0
– Centinela concentrates	1,073.8	1,121.7
– Centinela cathodes	631.9	747.4
– Michilla	335.4	307.9
Molybdenum		
– Los Pelambres	182.8	180.3
Gold		
– Los Pelambres	80.5	77.0
– Centinela concentrates	256.3	305.5
Silver		
– Los Pelambres	51.7	51.1
– Centinela concentrates	23.7	27.2
Total Mining	4,984.7	5,639.1
Railway and transport services	180.8	196.6
Water concession	124.9	135.9
	5,290.4	5,971.6

Revenue by location of customer

	2014 $m	2013 $m
Europe		
– United Kingdom	8.2	15.8
– Switzerland	138.5	143.9
– Spain	160.6	208.2
– Germany	146.1	146.4
– Rest of Europe	86.6	232.4
Latin America		
– Chile	340.2	375.3
– Rest of Latin America	180.9	186.4
North America		
– United States	133.7	320.1
Asia		
– Japan	1,965.4	1,984.5
– China	1,253.1	1,423.9
– Rest of Asia	877.1	934.7
	5,290.4	5,971.6

Information about major customers

In the year ended 31 December 2014 the Group's mining revenues included $970.0 million related to one large customer that individually accounted for more than 10% of the Group's revenues (year ended 31 December 2013 – one large customer representing $1,035.8 million).

Non-current assets by location of assets

	2014 $m	2013 $m
Chile	8,934.8	8,036.8
Bolivia	30.9	37.0
USA	67.4	94.7
Other	0.6	1.3
	9,033.7	8,169.8

The above non-current assets disclosed by location of assets exclude financial instruments, available-for-sale investments and deferred tax assets.

5 REVENUES

An analysis of the Group's total revenue is as follows:

	2014 $m	2013 $m
Sales of goods	5,117.0	5,782.8
Rendering of services	173.4	188.8
Group revenue	**5,290.4**	5,971.6
Other operating income (included within net operating costs)	25.9	18.7
Investment income	18.4	12.6
Total revenue	**5,334.7**	6,002.9

Copper and molybdenum concentrate sale agreements and copper cathode sale agreements generally provide for provisional pricing of sales at the time of shipment, with final pricing being based on the monthly average London Metal Exchange copper price or monthly average molybdenum price for specified future periods. This normally ranges from one to five months after shipment to the customer. The provisional pricing mechanism within the sale agreements is an embedded derivative under IFRS. Gains and losses from the marking-to-market of open sales are recognised through adjustments to revenue in the income statement and to trade debtors in the balance sheet. The Group determines mark-to-market prices using forward prices at each period end for copper concentrate and cathode sales, and period-end month average prices for molybdenum concentrate sales due to the absence of a futures market in the market price references for that commodity in the majority of the Group's contracts.

In addition to mark-to-market and final pricing adjustments, revenue also includes realised gains and losses relating to derivative commodity instruments. Details of these realised gains or losses are shown in the tables below. Further details of derivative commodity instruments in place at the period end are given in Note 23.

Copper and molybdenum concentrate sales are stated net of deductions for tolling charges, as shown in the tables below.

For the year ended 31 December 2014

	Los Pelambres Copper concentrate $m	Centinela Copper concentrate $m	Centinela Copper cathodes $m	Michilla Copper cathodes $m	Los Pelambres Gold in concentrate $m	Centinela Gold in concentrate $m	Los Pelambres Molybdenum concentrate $m
Provisionally invoiced gross sales	2,642.5	1,226.8	640.6	322.0	80.4	267.8	213.7
Effects of pricing adjustments to previous year invoices							
Reversal of mark-to-market adjustments at the end of the previous year	(27.1)	(8.8)	(1.0)	0.1	–	4.5	1.2
Settlement of sales invoiced in the previous year	(27.7)	(9.8)	1.2	(0.3)	0.4	(2.0)	0.2
Total effect of adjustments to previous year invoices in the current year	(54.8)	(18.6)	0.2	(0.2)	0.4	2.5	1.4
Effects of pricing adjustments to current year invoices							
Settlement of sales invoiced in the current year	(29.8)	(19.7)	(7.7)	(4.3)	–	(11.7)	(15.2)
Mark-to-market adjustments at the end of the current year	(45.5)	(19.6)	(1.3)	(0.4)	–	(1.8)	(2.0)
Total effect of adjustments to current year invoices	(75.3)	(39.3)	(9.0)	(4.7)	–	(13.5)	(17.2)
Total pricing adjustments	(130.1)	(57.9)	(8.8)	(4.9)	0.4	(11.0)	(15.8)
Realised gains on commodity derivatives	–	–	0.1	18.3	–	–	–
Revenue before deducting tolling charges	2,512.4	1,168.9	631.9	335.4	80.8	256.8	197.9
Tolling charges	(163.8)	(95.1)	–	–	(0.3)	(0.5)	(15.1)
Revenue net of tolling charges	2,348.6	1,073.8	631.9	335.4	80.5	256.3	182.8

5 REVENUES CONTINUED

For the year ended 31 December 2013

	Los Pelambres Copper concentrate $m	Centinela Copper concentrate $m	Centinela Copper cathodes $m	Michilla Copper cathodes $m	Los Pelambres Gold in concentrate $m	Centinela Gold in concentrate $m	Los Pelambres Molybdenum concentrate $m
Provisionally invoiced gross sales	3,042.9	1,237.3	750.0	285.9	82.7	331.3	210.0
Effects of pricing adjustments to previous year invoices							
Reversal of mark-to-market adjustments at the end of the previous year	(1.8)	0.5	0.2	0.1	–	1.2	0.4
Settlement of sales invoiced in the previous year	(31.5)	(14.4)	1.1	0.2	(4.1)	(5.6)	0.1
Total effect of adjustments to previous year invoices in the current year	(33.3)	(13.9)	1.3	0.3	(4.1)	(4.4)	0.5
Effects of pricing adjustments to current year invoices							
Settlement of sales invoiced in the current year	(72.8)	(37.1)	(5.1)	(3.4)	(1.4)	(15.8)	(14.9)
Mark-to-market adjustments at the end of the current year	27.1	8.8	1.0	(0.1)	–	(4.5)	(1.1)
Total effect of adjustments to current year invoices	(45.7)	(28.3)	(4.1)	(3.5)	(1.4)	(20.3)	(16.0)
Total pricing adjustments	(79.0)	(42.2)	(2.8)	(3.2)	(5.5)	(24.7)	(15.5)
Realised gains on commodity derivatives	–	–	0.2	25.2	–	–	–
Revenue before deducting tolling charges	2,963.9	1,195.1	747.4	307.9	77.2	306.6	194.5
Tolling charges	(142.9)	(73.4)	–	–	(0.2)	(1.1)	(14.2)
Revenue net of tolling charges	2,821.0	1,121.7	747.4	307.9	77.0	305.5	180.3

(i) Copper concentrate

The typical period for which sales of copper concentrate remain open until settlement occurs is a range of approximately three to five months from shipment date.

At 31 December 2014 sales totalling 199,200 tonnes remained open as to price, with an average mark-to-market price of $2.86/lb compared with an average provisional invoice price of $3.01/lb.

At 31 December 2013 sales totalling 172,000 tonnes remained open as to price, with an average mark-to-market price of $3.34/lb compared with an average provisional invoice price of $3.25/lb.

(ii) Copper cathodes

The typical period for which sales of copper cathodes remain open until settlement occurs is approximately one month from shipment date.

At 31 December 2014, sales totalling 13,800 tonnes remained open as to price, with an average mark-to-market price of $2.88/lb compared with an average provisional invoice price of $2.94/lb.

At 31 December 2013, sales totalling 13,500 tonnes remained open as to price, with an average mark-to-market price of $3.34/lb compared with an average provisional invoice price of $3.31/lb.

(iii) Gold concentrates

The typical period for which sales of gold in concentrate remain open is approximately one month from shipment date.

At 31 December 2014, sales totalling 81,600 ounces remained open as to price, with an average mark-to-market price of $1,186/oz compared with an average provisional invoice price of $1,209/oz.

At 31 December 2013, sales totalling 52,800 ounces remained open as to price, with an average mark-to-market price of $1,189/oz compared with an average provisional invoice price of $1,274/oz.

(iv) Molybdenum concentrate

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

At 31 December 2014, sales totalling 1,900 tonnes remained open as to price, with an average mark-to-market price of $9.0/lb compared with an average provisional invoice price of $9.4/lb.

At 31 December 2013, sales totalling 1,800 tonnes remained open as to price, with an average mark-to-market price of $9.7/lb compared with an average provisional invoice price of $10.0/lb.

As detailed above, the effects of 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 effect of mark-to-market adjustments on the balance sheet at the end of each period are as follows:

	Effect on debtors of year end mark-to-market adjustments	
	2014 $m	2013 $m
Los Pelambres – copper concentrate	(45.5)	27.1
Los Pelambres – molybdenum concentrate	(2.0)	(1.1)
Centinela – copper concentrate	(19.6)	8.8
Centinela – gold concentrate	(1.8)	(4.5)
Centinela – copper cathodes	(1.3)	1.0
Michilla – copper cathodes	(0.4)	(0.1)
	(70.6)	31.2

6 PROFIT FOR THE YEAR

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

	2014 $m	2013 $m
Group revenue	5,290.4	5,971.6
Cost of sales	(2,932.8)	(2,859.5)
Gross profit	2,357.6	3,112.1
Administrative and distribution expenses	(485.8)	(563.0)
Closure provision	7.4	(71.0)
Severance charges	(17.2)	(16.0)
Exploration and evaluation cost	(167.5)	(274.9)
Other operating income	25.9	18.7
Other operating expenses	(80.7)	(33.8)
Operating profit from subsidiaries	1,639.7	2,172.1
Share of income from associates and joint ventures	(4.1)	(14.4)
Total profit from operations, associates and joint ventures	1,635.6	2,157.7

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

	2014 $m	2013 $m
Foreign exchange gains/(losses)		
– included in net finance costs	4.6	2.9
– included in income tax expense	(0.4)	(0.4)
Amortisation of intangible asset included in cost of sales	(10.9)	(11.7)
Depreciation of property, plant and equipment		
– owned assets	(589.0)	(496.7)
– assets held under finance leases	(6.1)	(9.3)
Property and equipment written-off	(6.3)	(23.0)
Cost of inventories recognised as expense	(2,006.5)	(2,035.1)
Employee benefit expense	(462.8)	(418.7)
Auditors' remuneration		
– audit and audit-related services	(1.2)	(1.2)
– non-audit services	(0.1)	(0.3)

6 PROFIT FOR THE YEAR CONTINUED

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

	2014 $000	2013 $000
Audit fees		
Fees payable to the Company's auditor for the audit of the Company's annual accounts	(229)	(235)
Fees payable to the Company's auditor and their associates for other services to the Group		
– the audit of the Company's subsidiaries pursuant to legislation	(270)	(285)
– the audit of the Company's subsidiaries as part of the audit of the consolidated financial statements	(301)	(309)
Total audit fees	(800)	(829)
Audit-related services	(437)	(420)
Total fees for audit and audit-related services	(1,237)	(1,249)
Other non-audit fees		
– Tax compliance services	(17)	(22)
– Other taxation advisory services	–	(50)
– Other services	(105)	(193)
Total other non-audit service fees	(122)	(265)
Total auditors' remuneration	(1,359)	(1,514)

Audit-related services of $0.4 million in 2014 ($0.4 million in 2013) relate mainly to reviewing of the half-yearly financial report pursuant to legislation, training support in respect to IFRS (IFRIC 4 and IAS 39) and other audit-related assurance services.

Other services of $0.1 million in 2014 relates mainly to an evaluation of the risk management process ($0.2 million in 2013 mainly related to an evaluation of the risk management process).

Details of Company's policy on the use of auditors for non-audit services, the reason why the auditor was used rather than another supplier and how the auditors' independence and objectivity was safeguarded are set out in the Audit Committee report on page 80. No services were provided pursuant to contingent fee arrangements.

7 EMPLOYEES

A) AVERAGE NUMBER OF EMPLOYEES

	2014 Number	2013 Number
Los Pelambres	925	945
Centinela	2,108	1,909
Michilla	688	792
Antucoya	463	199
Exploration and evaluation	52	56
Corporate and other employees		
– Chile	380	262
– United Kingdom	8	9
– Other	36	49
Mining	4,660	4,221
Railway and other transport services	1,575	1,565
Water concession	374	312
	6,609	6,098

(i) The average number of employees for the year includes all the employees of subsidiaries. The average number of employees does not include contractors who are not directly employed by the Group.

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

(iii) The average number of employees includes Non-Executive Directors.

B) AGGREGATED REMUNERATION

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

	2014 $m	2013 $m
Wages and salaries	(478.6)	(421.6)
Social security costs	(24.2)	(17.6)
Post-employment benefits – severance charge in the year	(17.1)	(16.8)
Long-term incentive plan – charge in the year	(5.8)	(1.7)
	(525.7)	(457.7)

During 2014, the amount relating to Minera Antucoya of $39.9 million ($20.5 million in 2013) on wages, salaries and social security cost and $0.1 million ($0.8 million in 2013) of severance charge has been capitalised.

C) KEY MANAGEMENT PERSONNEL

In accordance with IAS 24, key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including any Directors (Executive and Non-Executive) of the Company. Key management personnel who are not Directors have been treated as responsible senior management at the Corporate Centre and for the running of the key business divisions of the Group.

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

	2014 $m	2013 $m
Salaries and short-term employee benefits	(18.4)	(19.0)
Post-employment benefits – severance charge in the year	(0.6)	(0.6)
Long-term incentive plan – charge in the year	(3.7)	(1.3)
	(22.7)	(20.9)

Disclosures on Directors' remuneration required by Schedule 8 of the Large and Medium-sized Companies and Group (Accounts and Reports) Regulations 2008 including those specified for audit by that Schedule are included in the Remuneration report on pages 91.

8 NET FINANCE EXPENSE

	2014 $m	2013 $m
Investment income		
Interest income	15.8	9.0
Fair value through profit or loss	2.6	3.6
	18.4	12.6
Interest expense		
Interest expense	(44.4)	(61.8)
Preference dividends	(0.2)	(0.2)
	(44.6)	(62.0)
Other finance items		
Time value effect of derivatives	(5.1)	(13.5)
Unwinding of discount on provisions	(9.1)	(14.2)
Impairment of available-for-sale investments	(26.3)	–
Foreign exchange	4.6	2.9
	(35.9)	(24.8)
Net finance expense	(62.1)	(74.2)

At 31 December 2014 an expense of $27.4 million relating to net interest expense and other finance items at Antucoya was capitalised (at 31 December 2013 – $6.4).

As at 31 December 2014 the Group held a 17.2% stake in Duluth Metals Limited ("Duluth"), accounted for as an available-for-sale investment. As at 31 December 2014 Duluth held a 60% interest in Twin Metals Minnesota LLC ("Twin Metals"), with the Group holding the remaining 40% interest in Twin Metals. As disclosed in Note 36, in November 2014 Antofagasta entered into a binding letter of agreement to acquire 100% of Duluth. The acquisition completed subsequent to the year-end following approval from Duluth's shareholders in January 2015. Movements in the fair value of the available-for-sale investment in Duluth had previously been recorded within the Consolidated Statement of Comprehensive Income. The agreed acquisition terms indicated a final fixed value for the Duluth shares, and that there had therefore been an impairment in the value of the Duluth shares to this amount. Accordingly, an impairment charge of $26.3 million has been recognised in respect of this available-for-sale investment, with fair value losses previously recorded within the Consolidated Statement of Comprehensive Income being transferred to the income statement and recognised within this impairment loss. This impairment change is largely offset by the related $28.6 million disposal gain in respect of the temporary loss of control of the Twin Metals project as set out in Note 16.

The fair value through profit or loss line represents the fair value gains relating to liquid investments.

9 TAXATION

The tax charge for the year comprised the following:

	2014 $m	2013 $m
Current tax charge		
– Corporate tax (principally first category tax in Chile)	(377.6)	(382.6)
– Mining tax (royalty)	(71.9)	(90.5)
– Withholding tax	(279.3)	(208.0)
– Exchange losses on corporate tax balances	(0.4)	(0.4)
	(729.2)	(681.5)
Deferred tax charge		
– Corporate tax (principally first category tax in Chile)	11.7	(72.4)
– Adjustment to deferred tax attributable to changes in tax rates	(220.6)	–
– Mining tax (royalty)	(7.2)	(8.7)
– Withholding tax provision	222.5	(81.1)
	6.4	(162.2)
Total tax charge	(722.8)	(843.7)

The rate of first category (ie corporate) tax in Chile is currently 21% (2013 – 20%).

On 29 September 2014 a significant reform of the Chilean system was enacted into law. The corporate tax rates which now apply in the period from 2014 to 2016 are: 2014 – 21%; 2015 – 22.5%; 2016 – 24%. The 21% rate for 2014 applies retrospectively with effect from 1 January 2014.

From 2017 two alternative taxation systems will apply – either the partially-integrated system or the attributable system. The default position for the Group's operating companies is the partially-integrated system. The companies can each elect to apply the attributable system, provided there is unanimous agreement from that company's shareholders.

Under the partially-integrated system the corporate tax rate will be 25.5% in 2017 and 27% from 2018 onwards. The Company's shareholders will pay withholding tax based on the cash distributions made by the company, as with the current tax system. If the Company's shareholders are not tax resident in countries with applicable tax treaties with Chile the withholding tax rate will be 17.45%, and so if the Company distributes all of its earnings the total corporate and withholding tax burden will be 44.45%. If the company's shareholders are tax resident in countries with applicable tax treaties with Chile the withholding tax will be 8%, and so if the company distributes all of its earnings the total corporate and withholding tax burden will be 35%.

Under the attributable system the corporate tax rate will be 25% from 2017 onwards. The Company's shareholders must pay withholding based on the profits earned by the Company in the period, rather than based on cash distributions, at a rate of 10%. The total tax burden will therefore be 35%.

In order for any of the Group's operating companies to apply the attributable system rather than the default partially-integrated system, that company's shareholders must make a unanimous election to the Chilean Revenue Service by November 2016. The attributable system will then apply to that company for 5 years before it is possible to make a further election to move to the partially-integrated system if the company does not wish to continue with the attributable system at that point.

The Group's deferred tax balances have been recalculated using the new tax rates which are expected to apply in the future periods when the temporary differences are expected to reverse. Given that the partially integrated system is the default system for the Group's operating companies, and is the system which will apply unless the companies' shareholders make a unanimous election to adopt the attributable system, the partially integrated system rates have been used when recalculating the deferred tax balances. This has resulted in an increase in the net deferred tax liabilities during 2014 of $220.6 million, which has been reflected via a deferred tax charge in the income statement. This has resulted in a total effective tax rate for the Group in 2014 of 45.9%. Excluding this deferred tax charge, the effective tax rate for the Group in 2014 would have been 31.9%. The impact on net earnings of this deferred tax charge is $142.2 million and the impact on 2014 earnings per share is 14.4 cents per share.

The Group's mining operations are also subject to a mining tax (royalty). From 1 January 2013 production from Los Pelambres, the Tesoro Central and Mirador pits at Centinela Cathodes and Michilla have been subject to the mining tax at a rate of 4% applied to taxable operating profit, and Centinela Concentrates has been subject to a rate of 5%. Production from the Tesoro North-East pit and the run-of-mine processing at Centinela Cathodes has been subject to a rate of 5-14% of taxable operating profit based on a sliding scale with minimum rate of 5% applying to operations with an operating profit margin of below 35% and maximum rate of 14% applied to operations with an operating profit margin above 85%.

In addition to first category tax and the mining tax, the Group incurs withholding taxes on any remittance of profits from Chile and deferred tax is provided on undistributed earnings to the extent that remittance is probable in the foreseeable future. Withholding tax is levied on remittances of profits from Chile at 35% less first category (ie corporate) tax already paid in respect of the profits to which the remittances relate.

	2014		2013	
	$m	%	$m	%
Profit before tax	1,573.5		2,083.5	
Tax at the Chilean corporate tax rate of 21% (2013 – 20%)	(330.4)	21.0	(416.7)	20.0
Tax effect of share of results of associates and joint ventures	(0.9)	0.1	(2.9)	0.1
Effect of increase in first category tax rates on deferred tax balances	(220.6)	14.0	–	–
Items not subject to or deductible from first category tax	(34.6)	2.2	(35.4)	1.7
Royalty	(79.1)	5.0	(99.2)	4.8
Withholding taxes	(56.8)	3.6	(289.1)	13.9
Exchange differences	(0.4)	–	(0.4)	–
Tax expense and effective tax rate for the year	(722.8)	45.9	(843.7)	40.5

The tax charge for 2014 was $722.8 million and the effective tax rate was 45.9%. This rate varied from the standard rate (comprising first category tax) principally due to the deferred tax charge of $220.6 million reflecting the increase in tax rates as a result of the Chilean tax reform, the effect of items not deductible from first category tax (mainly corporate items which principally comprise exploration and evaluation costs), a withholding tax charge of $56.8 million and the effect of the mining tax which resulted in a charge of $79.1 million.

In 2013 the total charge was $843.7 million, with an overall effective tax rate of 40.5% compared with the statutory rate of corporate tax of 20%. The effective rate of corporate tax was 21.8%, principally due to the impact of exploration expenditure (in particular in countries outside of Chile) which did not give rise to tax credits. In addition, the overall effective tax rate reflects the Chilean mining tax charge of $99.2 million and the withholding tax charge of $289.1 million.

10 EARNINGS PER SHARE

	2014 $m	2013 $m
Profit for the year attributable to equity holders of the Company (Net earnings)	459.8	659.6

	2014 Number	2013 Number
Ordinary shares in issue throughout each year	985,856,695	985,856,695

	2014 US cents	2013 US cents
Basic earnings per share	46.6	66.9

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

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

11 DIVIDENDS

Amounts recognised as distributions to equity holders in the year:

	2014 $m	2013 $m	2014 US cents per share	2013 US cents per share
Final dividend paid in June (proposed in relation to the previous year)				
– ordinary	**848.8**	123.2	**86.1**	12.5
– special	**–**	764.1	**–**	77.5
	848.8	887.3	**86.1**	90.0
Interim dividend paid in October				
– ordinary	**115.4**	87.7	**11.7**	8.9
	115.4	87.7	**11.7**	8.9
	964.2	975.0	**97.8**	98.9

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

	2014 $m	2013 $m	2014 US cents per share	2013 US cents per share
Final dividend proposed in relation to the year				
– ordinary	**96.6**	848.8	**9.8**	86.1
	96.6	848.8	**9.8**	86.1

This gives total dividends proposed in relation to 2014 (including the interim dividend) of 21.5 cents per share or $212.0 million (2013 – 95.0 cents per share or $936.5 million).

In accordance with IAS 32, preference dividends have been included within interest expense (see Note 8) and amounted to $0.2 million (2013 – $0.2 million).

If approved at the Annual General Meeting, the final dividend of 9.8 cents will be paid on 22 May 2015 to ordinary shareholders on the register at the close of business on 24 April 2015. Shareholders can elect (on or before 27 April 2015) to receive this interim dividend in US Dollars, Pounds sterling or Euro, and the exchange rate to be applied to interim dividends to be paid in Pounds sterling or Euro will be set as soon as reasonably practicable after that date (which is currently anticipated to be on 30 April 2015).

Further details of the currency election timing and process (including the default currency of payment) are available on the Antofagasta plc website (www.antofagasta.co.uk) or from the Company's registrar, Computershare Investor Services PLC on +44 870 702 0159.

Further details relating to dividends for each year are given in the Directors' report.

12 INTANGIBLE ASSETS

Cost	Total intangible concession right $m
At 1 January 2013	266.4
Additions	–
Foreign currency exchange difference	(22.7)
At 31 December 2013 and 1 January 2014	243.7
Additions	14.1
Foreign currency exchange difference	(24.4)
At 31 December 2014	**233.4**
Amortisation and impairment	
At 1 January 2013	(108.8)
Charge for the year	(11.7)
Foreign currency exchange difference	9.8
At 31 December 2013 and 1 January 2014	(110.7)
Charge for the year	(10.9)
Foreign currency exchange difference	6.8
At 31 December 2014	**(114.8)**
Net book value	
At 31 December 2014	**118.6**
At 31 December 2013	133.0

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.

13 PROPERTY, PLANT AND EQUIPMENT

	Land and mining properties $m	Buildings and infrastructure $m	Railway track $m	Wagons and rolling stock $m	Machinery, equipment and others $m	Assets under construction $m	Total $m
Cost							
At 1 January 2013	1,145.2	3,402.3	71.4	146.6	4,179.5	809.8	9,754.8
Additions	223.0	8.3	0.1	2.8	5.4	1,219.1	1,458.7
Adjustment to capitalised decommissioning provisions	–	31.8	–	–	–	–	31.8
Reclassifications	(23.7)	125.4	3.0	9.5	317.0	(443.3)	(12.1)
Asset disposals	–	(4.3)	(2.2)	(8.5)	(32.7)	(5.1)	(52.8)
Foreign currency exchange difference	–	(3.6)	–	–	(2.5)	(0.4)	(6.5)
At 31 December 2013 and 1 January 2014	1,344.5	3,559.9	72.3	150.4	4,466.7	1,580.1	11,173.9
Additions	73.8	1.7	–	7.3	52.5	1,445.7	1,581.0
Adjustment to capitalised decommissioning provisions	–	(48.1)	–	–	–	–	(48.1)
Reclassifications	25.4	260.8	4.8	8.0	227.6	(517.0)	9.6
Assets derecognised due to loss of control of subsidiary	(89.6)	–	–	–	(6.0)	–	(95.6)
Asset disposals	(0.8)	(0.9)	(1.8)	(2.6)	(29.7)	(3.3)	(39.1)
Foreign currency exchange difference	–	(12.8)	–	–	(2.9)	(1.6)	(17.3)
At 31 December 2014	**1,353.3**	**3,760.6**	**75.3**	**163.1**	**4,708.2**	**2,503.9**	**12,564.4**
Accumulated depreciation and impairment							
At 1 January 2013	(552.3)	(893.4)	(17.2)	(82.0)	(1,249.1)	(447.6)	(3,241.6)
Charge for the year	(52.2)	(152.8)	(2.5)	(10.9)	(287.6)	–	(506.0)
Depreciation capitalised in inventories	–	–	–	–	(5.5)	–	(5.5)
Depreciation capitalised in property, plant and equipment	–	–	–	–	(34.4)	–	(34.4)
Reclassifications	–	–	–	0.2	7.1	–	7.3
Asset disposals	–	4.7	1.3	4.5	19.3	–	29.8
Foreign currency exchange difference	–	0.7	–	–	0.6	–	1.3
At 31 December 2013 and 1 January 2014	(604.5)	(1,040.8)	(18.4)	(88.2)	(1,549.6)	(447.6)	(3,749.1)
Charge for the year	(121.5)	(142.2)	(2.3)	(14.9)	(314.2)	–	(595.1)
Depreciation capitalised in inventories	–	–	–	–	(10.0)	–	(10.0)
Depreciation capitalised in property, plant and equipment	–	–	–	–	(16.4)	–	(16.4)
Assets derecognised due to loss of control of subsidiary	–	–	–	–	1.2		1.2
Reclassifications	–	–	–	(0.6)	(9.8)	–	(10.4)
Asset disposals	–	0.8	0.8	3.4	27.8	–	32.8
Foreign currency exchange difference	–	8.6	–	–	1.1		9.7
At 31 December 2014	**(726.0)**	**(1,173.6)**	**(19.9)**	**(100.3)**	**(1,869.9)**	**(447.6)**	**(4,337.3)**
Net book value							
At 31 December 2014	**627.3**	**2,587.0**	**55.4**	**62.8**	**2,838.3**	**2,056.3**	**8,227.1**
At 31 December 2013	740.0	2,519.1	53.9	62.2	2,917.1	1,132.5	7,424.8
Assets under finance leases included in the totals above							
Net book value							
At 31 December 2014	**–**	**26.9**	**–**	**3.0**	**14.7**	**–**	**44.6**
At 31 December 2013	–	27.3	–	–	22.0	–	49.3

The Group has pledged assets with a carrying value of $169.3 million (2013 – $3,365.2 million) as security against bank loans provided to the Group. The decrease in the value of pledged assets compared with 2013 reflects the release of guarantees relating to the Centinela project financing during 2014.

At 31 December 2014 the Group had entered into contractual commitments for the acquisition of property, plant and equipment amounting to $253.2 million (2013 – $842.8 million).

Compensation from insurance companies related to property, plant and equipment included in the consolidated income statement was $2.5 million in 2014 (2013 – $0.5 million).

At 31 December 2014 $26.4 million (2013 – $39.9 million) of depreciation in respect of assets relating to Los Pelambres, Centinela, Antucoya and Michilla has been capitalised within property, plant and equipment or inventory, and accordingly is excluded from the depreciation charge recorded in the income statement as shown in Note 4(a).

14 INVESTMENT PROPERTY

Cost	2014 $m	2013 $m
Balance at the beginning of the year	3.3	3.5
Foreign currency exchange difference	(0.7)	(0.2)
Balance at the end of the year	**2.6**	3.3

Investment property represents the Group's forestry properties, which are held for long-term potential and accordingly classified as investment property and held at cost as permitted by IAS 40.

The fair value of the Group's investment property at 31 December 2014 was $11.0 million (2013 – $11.0 million), based on an independent valuation carried out during 2008 by Gabriel Durán, who is not connected with the Group. Mr. Durán is a Forestry Engineer, Valuer and Assessor of forestry properties for Banco Itau in Chile, with extensive experience of valuation in the region where the assets are located. The valuation was based on market evidence of transaction prices for similar properties.

Direct operating expenses (principally ongoing maintenance costs) arising on these properties amounted to $0.1 million (2013 – $0.2 million).

15 INVESTMENTS IN SUBSIDIARIES

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

	Country of incorporation	Country of operations	Nature of business	Economic interest
Direct subsidiaries of the Parent Company				
Antofagasta Railway Company plc	UK	Chile	Railway	100%
Chilean Northern Mines Limited	UK	Chile	Investment	100%
Antofagasta Investment Company Limited	Jersey	Jersey	Investment	100%
Indirect subsidiaries of the Parent Company				
Antofagasta Minerals	Chile	Chile	Mining	100%
Minera Los Pelambres	Chile	Chile	Mining	60%
Minera Centinela	Chile	Chile	Mining	70%
Minera Michilla S.A.	Chile	Chile	Mining	99.9%
Minera Antucoya Limitada	Chile	Chile	Mining	70%
Antofagasta Minerals Canada	Canada	Canada	Mining	100%
Anaconda Peru	Peru	Peru	Mining	100%
Antofagasta Minerals Australia Pty	Australia	Australia	Mining	100%
Antofagasta Services Limited	UK	UK	Group services	100%
Aguas de Antofagasta S.A.	Chile	Chile	Water distribution	100%
Atacama Aguas y Tecnología Limitada	Chile	Chile	Water distribution	100%
Ferrocarril Antofagasta a Bolivia (Agency)	Chile	Chile	Railway	100%
Servicios de Transportes Integrados Limitada	Chile	Chile	Road transport	100%
Empresa Ferroviaria Andina S.A.	Bolivia	Bolivia	Railway	50%
Forestal S.A.	Chile	Chile	Forestry	100%

The Group exercises control over the Board of Empresa Ferroviaria Andina S.A. and accordingly, this investment is treated as a subsidiary and is consolidated in these Group financial statements.

16 INVESTMENT IN ASSOCIATES AND JOINT VENTURES

	Inversiones Hornitos 2014 $m	ATI 2014 $m	El Arrayán 2014 $m	Alto Maipo 2014 $m	Twin Metals 2014 $m	Energía Andina 2014 $m	Tethyan Copper 2014 $m	Total 2014 $m	Total 2013 $m
Balance at the beginning of the year	91.9	6.7	24.4	51.9	–	1.1	(0.8)	175.2	106.5
Capital contribution	–	–	2.6	–	2.8	7.7	8.5	21.6	81.2
Gains/(losses) in fair value of cash flow hedges deferred in reserves of associates	–	2.0	(1.7)	(42.3)	–	–	–	(42.0)	1.9
Fair value of investment in associate upon reclassification from subsidiary	–	–	–	–	67.4	–	–	67.4	–
Share of net profit/(loss) before tax	10.7	0.7	(0.6)	(3.5)	(2.8)	2.4	(8.1)	(1.2)	(11.5)
Share of tax	(4.3)	(0.6)	(0.2)	2.2	–	–	–	(2.9)	(2.9)
Share of income/(loss) from associates	6.4	0.1	(0.8)	(1.3)	(2.8)	2.4	(8.1)	(4.1)	(14.4)
Dividends received	(20.0)	–	–	–	–	–	–	(20.0)	–
Balance at the end of the year	78.3	8.8	24.5	8.3	67.4	11.2	(0.4)	198.1	175.2

The investments which are included in the $198.1 million balance at 31 December 2014 are set out below:

INVESTMENT IN ASSOCIATES

(i) The Group's 40% interest in Inversiones Hornitos S.A., which owns the 165MW Hornitos thermoelectric power plant operating in Mejillones, in Chile's Antofagasta Region.

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

(iii) The Group's 30% interest in El Arrayán, which operates an 115MW wind-farm project, which entered into operation in June 2014. The Group has 20-year power purchase agreements with El Arrayán for the provision of up to 40MW of electricity for Los Pelambres. During the year the Group contributed $2.6 million (2013 – nil).

(iv) The Group's interest in Alto Maipo SPA ("Alto Maipo"), which will develop, construct, own and operate two run-of-river hydroelectric power stations located in the upper section of the Maipo River, approximately 50 kilometres to the southeast of Santiago, with a total installed capacity of 531MW. In July 2013, the Group exercised an option to acquire a 40% interest in Alto Maipo for a consideration of $50.2 million, and is responsible for its share of development costs. During 2013 the Group made capital contributions of $2.4 million, with no further contributions made during 2014, resulting in a cumulative equity investment as at 31 December 2013 of $52.6 million. Alto Maipo has used derivative financial instruments to reduce its exposure to interest rate movements in relation to the project financing and foreign exposure. A fair value loss of $42.3 million (2013 – $0.4 million loss) was recognised in relation to the mark-to-market of these derivative financial instruments with this amount deferred in reserves as it forms part of a designated cash flow hedging relationship. During the year the Group provided $105.4 million of funding (2013 – $47.0 million) to Alto Maipo. The balance due from Alto Maipo to the Group at 31 December 2014 was $152.4 million (2013 – $47.0 million) representing loan financing with an interest rate of LIBOR six-months plus 4.25%.

(v) The Group's 40% interest in Twin Metals Minnesota LLC ("Twin Metals"), which is seeking to develop a copper-nickel-PGM deposit in northeastern Minnesota. The remaining 60% interest in Twin Metals is held by Duluth Metals Limited ("Duluth") as at 31 December 2014. Under the terms of the participation agreement with Duluth, prior to July 2014 Antofagasta had exercised control over Twin Metals and accordingly consolidated Twin Metals as a 40%-owned subsidiary. In July 2014 the Group terminated its option to acquire an additional 25% stake in Twin Metals, which resulted in the Group losing its ability to control Twin Metals under the terms of the participation agreement, with Duluth taking control over Twin Metals at that point. Accordingly, from July 2014 Twin Metals ceased to be a subsidiary of the Group, and has been accounted for as an associate from that point. The initial carrying value of the investment in associate recognised at July 2014 has been recorded at its fair value of $67.4 million. This effective disposal of the investment in subsidiary, and its replacement with an investment in associate, resulted in a gain of $28.6 million, reflecting the difference between the $67.4 million initial fair value of the investment in associate recognised at July 2014 and $38.8 million reflecting the Group's 40% share of the book value of Twin Metals' net assets derecognised at that point. As shown in Note 3, this gain has been recorded within "Gains on disposals" within the "Corporate and other items" segment. This gain on disposal is largely offset by the related $26.3 million impairment charge in respect of the available-for-sale investment relating to Duluth Metals Limited, included within Other finance items as set out in Note 8. Between July 2014 and the year-end the Group provided $2.8 million of funding to Twin Metals.

As set out in Note 36 in November 2014 Antofagasta entered into a binding letter of agreement to acquire 100% of Duluth. The acquisition completed subsequent to the year-end following approval from Duluth's shareholders in January 2015. Accordingly, subsequent to the year-end the Group has a 100% interest in Duluth and as a result of this a 100% interest in Twin Metals. Accordingly, the Group will consolidate Twin Metals as a 100% owned subsidiary from 2015.

INVESTMENT IN JOINT VENTURES

(vi) The Group's 50.1% (2013 – 60%) interest in Energia Andina, which is a joint venture with Origin Energy Geothermal Chile Limitada ("Origin") for the evaluation and development of potential sources of geothermal and solar energy.

(vii) The Group's 50% interest in Tethyan Copper Company Limited ("Tethyan"), which is a joint venture with Barrick Gold Corporation over Tethyan's mineral interests in Pakistan, which is now subject to international arbitration as set out in Note 35 below.

Summarised financial information for the associates and joint ventures is as follows:

	Inversiones Hornitos 2014 $m	ATI 2014 $m	El Arrayán 2014 $m	Alto Maipo 2014 $m	Energía Andina 2014 $m	Tethyan Copper 2014 $m	Twin Metals 2014 $m	Total 2014 $m	Total 2013 $m
Cash and cash equivalent	20.3	20.2	9.5	6.5	9.2	5.4	3.9	75.0	93.6
Current assets	55.3	13.6	8.6	2.2	0.3	0.2	0.6	80.8	138.9
Non-current assets	316.9	128.2	290.2	560.1	12.9	–	168	1,476.3	867.2
Currents liabilities	(42.6)	(11.9)	(15.0)	(54.6)	(0.3)	(6.2)	(3.1)	(133.6)	(154.0)
Non-current liabilities	(154.2)	(120.7)	(223.7)	(493.4)	(0.3)	(0.3)	(1.0)	(993.6)	(498.1)
Revenue	154.6	39.7	18.6	–	–			212.9	219.3
Profit/(loss) after tax	16.4	0.3	(2.9)	(3.3)	(1.0)	(16.2)	(7.4)	(14.0)	(9.4)
Other comprenhensive income	–	1.9	(5.77)	(105.3)	–	–	–	(109.2)	5.2
Total comprehensive income	16.4	2.2	(8.6)	(108.6)	(1.0)	(16.2)	(7.4)	(123.2)	(4.2)

NOTES TO THE SUMMARISED FINANCIAL INFORMATION

(i) The summarised financial information is based on the amounts included in the IFRS financial statements of the associate or joint venture (ie 100% of the results or balances of the associate or joint venture, rather than the Group's proportionate share), after the Group's fair value adjustments.

17 AVAILABLE-FOR-SALE INVESTMENTS

	2014 $m	2013 $m
Balance at the beginning of the year	16.6	44.5
Additions	5.9	2.1
Movement in fair value	(6.1)	(28.2)
Foreign currency exchange differences	(0.8)	(1.8)
Balance at the end of the year	15.6	16.6

Available-for-sale investments represent those investments which are not subsidiaries, associates or joint ventures and are not held for trading purposes. The fair value of all equity investments are based on quoted market prices.

18 INVENTORIES

	2014 $m	2013 $m
Current:		
Raw materials and consumables	164.7	201.3
Work-in-progress	136.7	140.3
Finished goods	67.9	60.5
	369.3	402.1
Non-current:		
Work-in-progress	247.8	252.7
	247.8	252.7
Total	617.1	654.8

Non-current work-in-progress represents inventory expected to be processed more than 12 months after the balance sheet date.

Inventories with a carrying amount of nil have been pledged as security for the Antucoya project financing (2013 – $144.9 million for the Centinela project financing).

19 TRADE AND OTHER RECEIVABLES

	Due in one year		Due after one year		Total	
	2014 $m	2013 $m	2014 $m	2013 $m	2014 $m	2013 $m
Trade debtors	545.6	752.8	0.5	0.5	546.1	753.3
Other debtors	264.7	151.8	239.0	180.3	503.7	332.1
	810.3	904.6	239.5	180.8	1,049.8	1,085.4

The largest balances of trade receivables are held with equity participants in the key mining projects. Many other significant trade receivables are secured by letters of credit or other forms of security. The average credit period given on sale of goods and rendering of service is 37 days (2013 – 45 days). There is no material element which is interest-bearing. Trade debtors include mark-to-market adjustments in respect of provisionally priced sales of copper and molybdenum concentrates which remain open as to final pricing. Where these have resulted in credit balances, they have been reclassified to trade creditors.

Movements in the provision for doubtful debts were as follows:

	2014 $m	2013 $m
Balance at the beginning of the year	(5.6)	(6.1)
Charge for the year	(0.2)	(1.4)
Amounts written off	–	0.1
Unused amounts reversed	0.4	1.5
Foreign currency exchange difference	0.5	0.3
Balance at the end of the year	(4.9)	(5.6)

The ageing analysis of the trade receivables balance is as follows:

		Past due but not impaired			
	Neither past due nor impaired $m	Up to 3 months past due $m	3-6 months past due $m	More than 6 months past due $m	Total $m
2014	1,035.4	7.5	1.1	5.8	1,049.8
2013	1,071.9	7.4	2.3	3.8	1,085.4

With respect to the trade receivables that are neither past due nor impaired, there are no indications that the debtors will not meet their payment obligations. The carrying value of the trade receivables recorded in the financial statements represents the Group's maximum exposure to credit risk. The Group does not hold any collateral as security.

At 31 December 2014, the other debtors include $28.4 million (2013 – $13.6 million) relating to prepayments.

20 CASH, CASH EQUIVALENTS AND LIQUID INVESTMENTS

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

Cash, cash equivalents and liquid investments was comprised of:

	2014 $m	2013 $m
Cash and cash equivalents	845.4	613.7
Liquid investments	1,529.1	2,071.4
	2,374.5	2,685.1

At 31 December 2014 and 2013 there is no cash which is subject to restriction.

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

	2014 $m	2013 $m
US dollars	2,065.3	2,505.2
Chilean pesos	307.7	175.0
Australian dollars	0.3	1.3
Sterling	0.2	1.0
Other	1.0	2.6
	2,374.5	2,685.1

Details of cross-currency swaps in place at the end of the year are given in Note 23(d) (ii).

21 BORROWINGS

A) ANALYSIS BY TYPE OF BORROWING

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

	Notes	2014 $m	2013 $m
Los Pelambres			
Corporate loans	(1)	(87.2)	(222.7)
Short-term loan	(2)	(206.0)	–
Finance leases	(3)	(12.5)	(17.9)
Centinela			
Project financing (senior debt)	(4)	(884.1)	(593.2)
Shareholder loan (subordinated debt)	(5)	(167.0)	(190.7)
Corporate loans	(6)	–	(131.5)
Finance leases	(7)	(0.1)	(0.9)
Antucoya			
Project financing (senior debt)	(8)	(572.7)	–
Shareholder loan (subordinated debt)	(9)	(241.7)	(171.6)
Finance leases	(10)	(1.1)	(1.8)
Corporate and other items			
Finance leases	(11)	(29.7)	(35.6)
Railway and other transport services			
Long-term loans	(12)	(148.6)	–
Finance leases	(13)	(3.2)	–
Loans from customers		–	(0.2)
Water concession			
Long-term loan	(14)	(14.6)	–
Andino			
Bonds	(15)	(3.0)	(3.0)
Short-term loans	(16)	(1.5)	(1.5)
Preference shares	(17)	(3.1)	(3.3)
Total		(2,376.1)	(1,373.9)

(1) Corporate loans at Los Pelambres are unsecured and US dollar denominated. These loans have a remaining term of three years and have an interest rate of LIBOR six-months plus margins between 0.9-1.6%.

(2) Short-term loans are US dollar denominated, comprise a working capital loan for an average period of one year and have an interest of LIBOR six-months rate plus margins between 0.05-0.16%.

(3) Finance leases at Los Pelambres are US dollar denominated and comprising $12.5 million at fixed rate of 5.48% with remaining duration of three years.

(4) Senior debt at Centinela is US dollar denominated and comprises $884.1 million in respect of syndicated loans. These loans are for a remaining term of five years and have an interest rate of LIBOR six-months rate plus 1%.

The Group has used interest rate swaps to swap the floating rate interest for fixed rate interest. At 31 December 2014 the current notional amount hedged of the senior debt at Centinela was $140 million.

(5) This balance includes long-term subordinated debt, is US dollar denominated, provided to Centinela by Marubeni Corporation with a duration of seven years and weighted average interest rate of LIBOR six-months plus 3.75%. Long-term subordinated debt provided by Group companies to Centinela has been eliminated on consolidation.

(6) Centinela prepaid a loan agreement by $131.5 million during 2014.

(7) Finance leases at Centinela are US dollar denominated, with a maximum remaining duration of one year and with an average interest fixed rate at approximately 1.3%.

(8) Senior debt at Antucoya is US dollar denominated, comprises $572.7 million in respect of syndicated loans. These loans are for a remaining term of 12 years and have an interest rate of LIBOR 180 days plus 1.9%.

(9) This balance includes long-term subordinated debt, is US dollar denominated, provided to Antucoya by Marubeni with duration of 12 years and an interest rate of LIBOR six-months plus 3.65%. Long-term subordinated debt provided by Group companies to Antucoya has been eliminated on consolidation.

(10) Finance leases at Antucoya are US dollar denominated, with a maximum remaining duration of one year and with an average interest fixed rate at approximately LIBOR three-months plus 2.89%.

(11) Finance leases at Corporate and other items are denominated in Unidades de Fomento (ie inflation-linked Chilean pesos) and have a remaining duration of 13 years and fixed rate with an average interest rate of 5.29%.

(12) Long-term loans at Railway and other transport services are US dollar denominated, and mainly comprise a loan for $148.6 million with a duration of five years and with an interest rate of LIBOR six-months plus 0.48%.The Group has used interest rate swaps to swap the floating rate interest for fixed rate interest. At 31 December 2014 the current notional amount hedged of the long-term debt at Railway and other transport services was $150.0 million.

(13) Finance leases at Railway and other transport services are Chilean pesos denominated, with a maximum remaining duration of three years and with a fixed interest rate 4.8%.

(14) The long-term loan at ADASA is denominated in Unidades de Fomento (ie inflation-linked Chilean pesos) with a remaining duration of five years and a fixed interest rate of 1.9%.

(15) Andino includes a balance of $3.0 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 one year.

(16) Short-term loans at Andino are US dollar denominated, comprise $1.5 million from local banks, with an average duration of six months and with a fixed interest rate of 5%.

(17) The preference shares are sterling-denominated and issued by the Company. There were two million shares of £1 each authorised, issued and fully paid at 31 December 2014. 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.

21 BORROWINGS CONTINUED

B) ANALYSIS OF BORROWINGS BY CURRENCY

The exposure of the Group's borrowings to currency risk is as follows:

At 31 December 2014	Pesos $m	Sterling $m	Other $m	US dollars $m	2014 Total $m
Corporate loans	–	–	–	(1,544.1)	(1,544.1)
Other loans (including short-term loans)	–	–	(16.1)	(766.3)	(782.4)
Finance leases	(33.3)	–	–	(13.2)	(46.5)
Preference shares	–	(3.1)	–	–	(3.1)
	(33.3)	(3.1)	(16.1)	(2,323.6)	(2,376.1)

At 31 December 2013	Pesos $m	Sterling $m	Other $m	US dollars $m	2013 Total $m
Corporate loans	–	–	–	(947.4)	(947.4)
Other loans (including short-term loans)	–	–	(1.3)	(365.7)	(367.0)
Finance leases	(33.9)	–	–	(22.3)	(56.2)
Preference shares	–	(3.3)	–	–	(3.3)
	(33.9)	(3.3)	(1.3)	(1,335.4)	(1,373.9)

C) ANALYSIS OF BORROWINGS BY TYPE OF INTEREST RATE

The exposure of the Group's borrowings to interest rate risk is as follows:

At 31 December 2014	Fixed $m	Floating $m	2014 Total $m
Corporate loans	–	(1,544.1)	(1,544.1)
Other loans (including short-term loans)	(19.1)	(763.3)	(782.4)
Finance leases	(45.3)	(1.2)	(46.5)
Preference shares	(3.1)	–	(3.1)
	(67.5)	(2,308.6)	(2,376.1)

At 31 December 2013	Fixed $m	Floating $m	2013 Total $m
Corporate loans	–	(947.4)	(947.4)
Other loans (including short-term loans)	(4.6)	(362.4)	(367.0)
Finance leases	(52.2)	(4.0)	(56.2)
Preference shares	(3.3)	–	(3.3)
	(60.1)	(1,313.8)	(1,373.9)

The above floating rate corporate loans include the project financing at Centinela and long-term loans at the Railway and other transport services, where the Group has used interest rate swaps to swap the floating rate interest for fixed rate interest. At 31 December 2014 the current notional amount hedged of the senior debt at Centinela was $140.0 million (2013 – $191.3 million) and the current notional amount hedged of the long-term loans at Railway and other transport services was $150.0 million (2013 – nil).

D) MATURITY PROFILE

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

At 31 December 2014	Within 1 year $m	Between 1-2 years $m	Between 2-5 years $m	After 5 years $m	2014 Total $m
Corporate loans	**(34.8)**	**(209.5)**	**(996.9)**	**(302.9)**	**(1,544.1)**
Other loans	**(241.2)**	**(35.0)**	**(97.0)**	**(409.2)**	**(782.4)**
Finance leases	**(8.5)**	**(7.5)**	**(10.3)**	**(20.2)**	**(46.5)**
Preference shares	**–**	**–**	**–**	**(3.1)**	**(3.1)**
	(284.5)	**(252.0)**	**(1,104.2)**	**(735.4)**	**(2,376.1)**

At 31 December 2013	Within 1 year $m	Between 1-2 years $m	Between 2-5 years $m	After 5 years $m	2013 Total $m
Corporate loans	(326.2)	(188.5)	(377.3)	(55.4)	(947.4)
Other loans	(3.2)	(1.4)	–	(362.4)	(367.0)
Finance leases	(11.6)	(6.2)	(14.0)	(24.4)	(56.2)
Preference shares	–	–	–	(3.3)	(3.3)
	(341.0)	(196.1)	(391.3)	(445.5)	(1,373.9)

The amounts included above for finance leases are based on the present value of minimum lease payments.

The total minimum lease payments for these finance leases may be analysed as follows:

	2014 $m	2013 $m
Within 1 year	**(10.4)**	(14.2)
Between 1-2 years	**(8.2)**	(8.3)
Between 2-5 years	**(14.2)**	(18.8)
After 5 years	**(25.0)**	(30.8)
Total minimum lease payment	**(57.8)**	(72.1)
Less amounts representing finance charges	**11.3**	15.9
Present value of minimum lease payment	**(46.5)**	(56.2)

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

E) BORROWINGS FACILITIES

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

	2014 $m	2013 $m
Expiring in one year or less	**1,563.2**	1,320.9
Expiring in more than one but not more than two years	**53.1**	313.3
Expiring in more than two years	**15.4**	17.8
	1,631.7	1,652.0

The available facilities comprise general working capital facilities at the Group's operating subsidiaries all of which were undrawn at the end of each year. Of these facilities, $1,548.7 million (2013 – $1,290.2 million) are denominated in US dollars, $24.3 million (2013 – $280.9 million) in Unidades de Fomento (ie inflation-linked Chilean pesos), nil million (2013 – $9.7 million) in Euro and $58.8 million (2013 – $71.2 million) in Chilean pesos.

22 TRADE AND OTHER PAYABLES

	Due in one year		Due after one year		Total	
	2014 $m	2013 $m	**2014 $m**	2013 $m	**2014 $m**	2013 $m
Trade creditors	**(406.5)**	(390.6)	**–**	–	**(406.5)**	(390.6)
Other creditors and accruals	**(387.3)**	(386.0)	**(4.8)**	(4.7)	**(392.1)**	(390.7)
	(793.8)	(776.6)	**(4.8)**	(4.7)	**(798.6)**	(781.3)

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

The average credit period taken for trade purchases is 48 days (2013 – 47 days).

23 FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

A) CATEGORIES OF FINANCIAL INSTRUMENTS

The Group's financial instruments, grouped according to the categories defined in IAS 39 "Financial instruments: Recognition and Measurement", are as follows:

	2014 $m	2013 $m
Financial assets		
Derivatives in designated hedge accounting relationships	**0.2**	12.9
Available-for-sale investments	**15.6**	16.6
Loans and receivables at amortised cost (including cash and cash equivalents)	**1,895.2**	1,662.2
Fair value through profit and loss (liquid investments and mark-to-market debtors)	**1,529.1**	2,108.3
Financial liabilities		
Derivatives in designated hedge accounting relationships	**(11.0)**	(9.8)
Financial liabilities measured at amortised cost	**(3,104.1)**	(2,149.5)
Fair value through profit and loss (mark-to-market creditors)	**(70.6)**	(5.7)
	254.4	1,635.0

B) FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair values of financial assets and financial liabilities are determined as follows:

- the fair values of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices;
- the fair values of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions; and
- the fair values of derivative instruments are calculated using quoted prices. Where such prices are not available, use is made of discounted cash flow analysis based on the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives.

The fair value of each category of financial asset and liability is not materially different from the carrying values presented for either 2014 or 2013.

The following table provides an analysis of the financial instruments that are measured subsequent to initial recognition at fair value, grouped into levels 1 to 3 based on the degree to which the fair value is observable:

- level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- level 2 fair value measurements are those derived from inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (ie as prices) or indirectly (ie derived from prices); and
- level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Level 1 $m	Level 2 $m	Level 3 $m	Total 2014 $m	Total 2013 $m
Financial assets					
Derivatives in designated hedge accounting relationships	–	0.2	–	0.2	12.9
Available-for-sale investments	15.6	–	–	15.6	16.6
Debtors mark-to-market	–	–	–	–	36.9
Fair value through profit and loss	1,529.1	–	–	1,529.1	2,071.4
Financial liabilities					
Derivatives in designated hedge accounting relationships	–	(11.0)	–	(11.0)	(9.8)
Creditors mark-to-market	–	(70.6)	–	(70.6)	(5.7)
	1,544.7	(81.4)	–	1,463.3	2,122.3

There were no transfers between level 1 and 2 during the year.

C) FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: market risk (including commodity price risk, currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The Group uses derivative financial instruments, in general to reduce exposure to commodity price, foreign exchange and interest rate movements. The Group does not use such derivative instruments for speculative trading purposes.

The Board of Directors is responsible for overseeing the Group's risk management framework. The Audit and Risk Committee assists the Board with its review of the effectiveness of the risk management process, and monitoring of key risks and mitigations. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit and Risk Committee.

(i) Commodity price risk

The Group generally sells its copper and molybdenum concentrate and copper cathodes output at prevailing market prices, subject to final pricing adjustments which may range from one to five months after delivery to the customer, and it is therefore exposed to changes in market prices for copper and molybdenum both in respect of future sales and previous sales which remain open as to final pricing. In 2014, sales of copper and molybdenum concentrate and copper cathodes represented 86.4% of Group turnover and therefore revenues and earnings depend significantly on LME and realised copper prices.

The Group uses futures, min-max instruments and options to manage its exposure to copper prices. These instruments may give rise to accounting volatility due to fluctuations in their fair value prior to the maturity of the instruments. Details of those copper and molybdenum concentrate sales and copper cathode sales which remain open as to final pricing are given in Note 6. Details of commodity rate derivatives entered into by the Group are given in Note 23(d).

Commodity price sensitivity

The sensitivity analysis below shows the impact of a movement in the copper price on the financial instruments held as at the reporting date. A movement in the copper forward price as at the reporting date will affect the final pricing adjustment to sales which remain open at that date, impacting the trade receivables balance and consequently the income statement. A movement in the copper forward price will also affect the valuation of commodity derivatives, impacting the hedging reserve in equity if the fair value movement relates to an effective designated cash flow hedge, and impacting the income statement if it does not. The calculation assumes that all other variables, such as currency rates, remain constant.

- If the copper forward price as at the reporting date had increased by 10 cents, net earnings would have increased by $16.5 million (2013 – increase by $17.3 million) and hedging reserves in equity would have decreased less than $0.1 million (2013 – decrease by $5 million).
- If the copper forward price as at the reporting date had decreased by 10 cents, net earnings would have decreased by $16.5 million (2013 – decrease by $20.0 million) and hedging reserves in equity would have increased less than $0.1 million (2013 – increase by $10.9 million).

In addition, a movement in the average copper price during the year would impact revenue and earnings. A 10 cents change in the average copper price during the year would have affected net earnings by $64.7 million (2013 – $77.8 million) and earnings per share by 6.6 cents (2013 – 7.9 cents), based on production volumes in 2014, without taking into account the effects of provisional pricing and hedging activity. A $1 change in the average molybdenum price for the year would have affected net earnings by $7.0 million (2013 – $9.1 million), and earnings per share by 0.7 cents (2013 – 0.9 cents), based on production volumes in 2014, and without taking into account the effects of provisional pricing. A $100 change in the average gold price for the year would have affected net earnings by $9.7 million (2013 – $14.9 million), and earnings per share by 1.0 cents (2013 – 1.5 cents), based on production volumes in 2014, and without taking into account the effects of provisional pricing.

23 FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT CONTINUED

(ii) Currency risk

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

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

When considered appropriate, the Group uses forward exchange contracts and currency swaps to limit the effects of movements in exchange rates in foreign currency denominated assets and liabilities. The Group may also use these instruments to reduce currency exposure on future transactions and cash flows. Details of any exchange rate derivatives entered by the Group in the year are given in Note 23(d).

The currency exposure of the Group's cash, cash equivalents and liquid investments is given in Note 20, and the currency exposure of the Group's borrowings is given in Note 21. The effects of exchange gains and losses included in the income statement are given in Note 6. Exchange differences on translation of the net assets of entities with a functional currency other than the US dollar (the most material of which is Aguas de Antofagasta S.A.) are taken to the currency translation reserve and are disclosed in the Consolidated Statement of Changes in Equity on page 108.

Currency sensitivity

The sensitivity analysis below shows the impact of a movement in the US dollar/Chilean peso exchange rate on the financial instruments held as at the reporting date.

The impact on profit or loss is as a result of the retranslation of monetary financial instruments (including cash, cash equivalents, liquid investments, trade receivables, trade payables and borrowings). The impact on equity is as a result of changes in the fair value of derivative instruments which are effective designated cash flow hedges, and changes in the fair value of available-for-sale equity investments.

The calculation assumes that all other variables, such as interest rates, remain constant.

If the US dollar had strengthened by 10% against the Chilean peso as at the reporting date, net earnings would have decreased by $6.2 million (2013 – decrease by $0.5 million); and hedging reserves in equity would have decreased by $6.1 million (2013 – decrease by $5.2 million). If the US dollar had weakened by 10% against the Chilean peso as at the reporting date, net earnings would have increased by $15.2 million (2013 – increase by $0.6 million); and hedging reserves in equity would have increased by $0.7 million (2013 – increase by $6.3 million).

(iii) Interest rate risk

The Group's policy is generally to borrow and invest cash at floating rates. Fluctuations in interest rates may impact the Group's net finance income or cost, and to a lesser extent on the value of financial assets and liabilities. The Group occasionally uses interest rate swaps and collars to manage interest rate exposures on a portion of its existing borrowings. Details of any interest rate derivatives entered into by the Group are given in Note 23(d).

Interest rate exposure of the Group's borrowings is given in Note 21.

Interest rate sensitivity

The sensitivity analysis below shows the impact of a movement in interest rates in relation to the financial instruments held as at the reporting date. The impact on profit or loss reflects the impact on annual interest expense in respect of the floating rate borrowings held as at the reporting date, and the impact on annual interest income in respect of cash and cash equivalents held as at the reporting date. The impact on equity is as a result of changes in the fair value of derivative instruments which are effective designated cash flow hedges. The calculation assumes that all other variables, such as currency rates, remain constant.

If the interest rate increased by 1%, based on the financial instruments held as at the reporting date, net earnings would have increased by $2.5 million (2013 – increase by $11.9 million) and hedging reserves in equity would have increased by $0.3 million (2013 – increase by $2.1 million). This does not include the effect on the income statement of changes in the fair value of the Group's liquid investments relating to the underlying investments in fixed income instruments.

(iv) Other price risk

The Group is exposed to equity price risk on its available-for-sale equity investments.

Equity price sensitivity

The sensitivity analysis below shows the impact of a movement in the equity values of the available-for-sale financial assets held as at the reporting date.

If the value of the available-for-sale investments had increased by 10% as at the reporting date, equity would have increased by $1.6 million (2013 – increase by $1.7 million). There would have been no impact on the income statement.

(v) Cash flow risk

The Group's future cash flows depend on a number of factors, including commodity prices, production and sales levels, operating costs, capital expenditure levels and financial income and costs. Its cash flows are therefore subject to the exchange, interest rate and commodity price risks described above as well as operational factors and input costs. To reduce the risk of potential short-term disruptions to the supply of key inputs such as electricity and sulphuric acid, the Group enters into medium and long-term supply contracts to help ensure continuity of supply. Long-term electricity supply contracts are in place at each of the Group's mines, in most cases linking the cost of electricity under the contract to the current cost of electricity on the Chilean grids. The Group seeks to lock in supply of sulphuric acid for future periods of a year or longer, with contract prices agreed in the latter part of the year, to be applied to purchases of acid in the following year. Further information on production and sales levels and operating costs are given in the Operational review on pages 38 to 49.

(vi) Credit risk

Credit risk arises from trade and other receivables, cash, cash equivalents, liquid investments and derivative financial instruments. The Group's credit risk is primarily to trade receivables. The credit risk on cash, cash equivalents and liquid investments and on derivative financial instruments is limited as the counterparties are financial institutions with high credit ratings assigned by international credit agencies.

All customers are subject to credit review procedures, including the use of external credit ratings where available. Credit is provided only within set limits, which are regularly reviewed.

Outstanding receivable balances are monitored on an ongoing basis.

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

(vii) Liquidity risk

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

The Group typically holds surplus cash in demand or term deposits or highly liquid investments, which typically can be accessed or liquidated within 24 hours.

The majority of borrowings comprise corporate loans at Los Pelambres, repayable over periods of up to three years, corporate loans at Centinela Concentrate, repayable over approximately seven years and Antucoya long-term subordinated debt repayable over approximately 12 years.

At the end of 2014 the Group was in a net debt position (2013 – net cash position), as disclosed in Note 30c. Details of cash, cash equivalents and liquid investments are given in Note 20, while details of borrowings including the maturity profile are given in Note 21.

Details of undrawn committed borrowing facilities are also given in Note 21.

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

At 31 December 2014	Less than 6 months $m	Between 6 months to 1 year $m	Between 1-2 years $m	After 2 years $m	2014 Total $m
Corporate loans	(41.9)	(49.7)	(357.8)	(1,568.9)	(2,018.3)
Other loans (including short-term loans)	(208.5)	(34.8)	(36.7)	(607.7)	(887.8)
Finance leases	(4.5)	(4.6)	(7.6)	(29.9)	(46.6)
Preference shares	–	–	(3.1)	–	(3.1)
Trade and other payables	(785.8)	(8.0)	(4.2)	(0.6)	(798.6)
Derivative financial instruments	(5.6)	(1.9)	(2.4)	(1.2)	(11.0)
	(1,046.3)	(99.0)	(411.8)	(2,208.3)	(3,765.4)

At 31 December 2013	Less than 6 months $m	Between 6 months to 1 year $m	Between 1-2 years $m	After 2 years $m	2013 Total $m
Corporate loans	(178.6)	(176.4)	(211.0)	(468.3)	(1,034.3)
Other loans (including short-term loans)	–	(3.1)	(1.5)	(579.5)	(584.1)
Finance leases	(6.9)	(5.5)	(9.3)	(48.7)	(70.4)
Preference shares	(0.1)	(0.1)	(0.2)	*	(0.4)
Trade and other payables	(774.3)	(2.3)	(3.5)	(1.2)	(781.3)
Derivative financial instruments	(1.1)	(2.3)	(3.6)	(2.8)	(9.8)
	(961.0)	(189.7)	(229.1)	(1,100.5)	(2,480.3)

* The preference shares pay an annual dividend of £100,000 ($160,334) in perpetuity, and accordingly it is not possible to determine total amounts payable for periods without a fixed end date.

(viii) Capital risk management

The Group's objectives are to return capital to shareholders while leaving the Group with sufficient funds to progress its short, medium and long-term growth plans as well as preserving the financial flexibility to take advantage of opportunities as they may arise. This policy remains unchanged. The Group monitors capital on the basis of net cash (defined as cash, cash equivalents and liquid investments less borrowings) which was a net debt by $1.6 million at 31 December 2014 (2013 – net cash $1,311.2 million), as well as gross cash (defined as cash, cash equivalents and liquid investments) which was $2,374.5 million at 31 December 2014 (2013 – $2,685.1 million). The Group's total cash is held in a combination of on demand and term deposits and managed funds investing in high quality, fixed income instruments. Some of the managed funds have been instructed to invest in instruments with average maturities greater than 90 days. These amounts are presented as liquid investments but are included in net cash for monitoring and decision-making purposes. The Group has a risk averse investment strategy. The Group's borrowings are detailed in Note 21. Additional project finance or shareholder loans are taken out by the operating subsidiaries to fund projects on a case-by-case basis.

D) DERIVATIVE FINANCIAL INSTRUMENTS

The Group occasionally uses derivative financial instruments, in general 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.

23 FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT CONTINUED

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

The gains or losses recorded in the income statement or in reserves during the year, and the fair value recorded on the balance sheet at the end of the year in respect of derivatives are as follows:

For the year ended 31 December 2014

	Impact on income statement			Impact on reserves	Fair value recorded on balance sheet
	Realised gains/(losses) 2014 $m	Losses resulting from mark-to-market adjustments on hedging instruments 2014 $m	Total net (loss)/gain 2014 $m	Gains/(losses) resulting from mark-to-market adjustments on hedging instruments 2014 $m	Net financial (liability)/asset 31.12.2014 $m
Commodity derivatives					
Centinela cathodes	0.1	–	0.1	0.6	0.2
Michilla	18.3	(5.0)	13.3	(6.2)	–
Exchange derivatives					
Michilla	(4.1)	–	(4.1)	(1.7)	–
Antucoya	–	(0.1)	(0.1)	(3.8)	(4.0)
Interest derivatives					
Centinela concentrates	(4.8)	–	(4.8)	3.4	(6.0)
Railway and other transport services	(1.0)	–	(1.0)	(1.0)	(1.0)
	8.5	(5.1)	3.4	(8.7)	(10.8)

For the year ended 31 December 2013

	Impact on income statement			Impact on reserves	Fair value recorded on balance sheet
	Realised gains/(losses) 2013 $m	Gains resulting from mark-to-market adjustments on hedging instruments 2013 $m	Total net gain/(loss) 2013 $m	Gains/(losses) resulting from mark-to-market adjustments on hedging instruments 2013 $m	Net financial (liability)/asset 31.12.2013 $m
Commodity derivatives					
Centinela cathodes	0.2	–	0.2	0.8	(0.4)
Michilla	25.2	(13.5)	11.7	(1.3)	11.2
Exchange derivatives					
Michilla	7.2	–	7.2	(5.3)	1.7
Interest derivatives					
Centinela concentrates	(7.8)	–	(7.8)	8.7	(9.4)
Energy derivatives					
Los Pelambres	0.8	–	0.8	(10.3)	–
	25.6	(13.5)	12.1	(7.4)	3.1

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:

	2014 $m	2013 $m
Analysed between:		
Non-current assets	–	–
Current assets	0.2	12.9
Current liabilities	(7.5)	(3.4)
Non-current liabilities	(3.5)	(6.4)
	(10.8)	3.1

(ii) Outstanding derivative financial instruments

Commodity derivatives

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

a) Futures – arbitrage

The Group also has futures for copper production to swap COMEX price exposure for LME price exposure according to the Group's pricing policy.

	At 31.12.14	For instruments held at 31.12.14	
	Copper production hedged	Weighted average remaining period from 1 January 2015	Covering a period up to:
	tonnes	Months	
Centinela cathodes	1,100	0.7	31-01-2015

b) 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 31.12.14	For instruments held at 31.12.14		
	Principal value of cross-currency swaps held	Weighted average remaining period from 1 January 2015	Covering a period up to:	Weighted average rate
	$m	Months		Ch$/US$
Antucoya	45.0	2.4	15-05-2015	564.6

Zero cost collar

	At 31.12.14	For instruments held at 31.12.14			
	Principal value of cross-currency swaps held	Weighted average remaining period from 1 January 2015	Covering a period up to:	Weighted average rate call	Weighted average rate put
	$m	Months		Ch$/US$	Ch$/US$
Antucoya	27.0	1.4	16-03-2015	589.6	550.0

c) 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 Centinela project financing and long-term loans at the Railway for fixed rate interest. At 31 December 2014 the Group had entered into the contracts outlined below.

	Start date	Maturity date	Maximum notional amount $m	Weighted average fixed rate %
Centinela concentrates	15-02-2011	15-08-2018	140.0	3.372
Railway and other transport services	12-08-2014	12-03-2019	150.0	1.634

The actual notional amount hedged depends upon the amount of the related debt currently outstanding.

24 LONG-TERM INCENTIVE PLAN

The long-term incentive plan (the "Plan") was introduced at the end of 2011. Awards granted pursuant to the Plan form part of the remuneration of senior managers in the Group. Directors are not eligible to participate in the Plan.

DETAILS OF THE AWARDS

Under the Plan, the Group may grant awards based on the price of ordinary shares in the Company and cannot grant awards over actual shares.

- Restricted Awards: These awards are conditional rights to receive cash payment by reference to a specified number of the Company's ordinary shares, subject to the relevant employee remaining employed by the Group when the Restricted Award vests; and
- Performance Awards: These awards are conditional rights to receive cash payment by reference to a specified number of the Company's ordinary shares subject to both the satisfaction of a performance condition and the relevant employee remaining employed by the Group when the Performance Award vests.

When awards vest under the Plan, participants become entitled to receive a cash payment by reference to the number and portion of awards that have vested and the market value of the Company's ordinary shares on the date of vesting. There is no exercise price payable by participants in respect of the awards.

Restricted Awards can only vest in full if participants remain employed by the Group for three years from the date that Restricted Awards are granted. In ordinary circumstances, the first one-third of a Restricted Award will vest after one year, the second one-third will vest after two years and the remaining one-third will vest after three years. There are no performance criteria attached to Restricted Awards. The fair value of Restricted Awards granted under the Plan is recorded as a compensation expense over the vesting periods, with a corresponding liability recognised for the fair value of the liability at the end of each period until settled.

Performance Awards only vest if certain performance criteria are met. The performance criteria reflect a number of factors including total shareholder return, earnings levels, growth in the Group's reserves and resources and project delivery targets. The fair value of Performance Awards under the Plan is recorded as a compensation expense over the vesting period, with a corresponding liability at the end of each period until settled.

A One-off Award was granted to Diego Hernández, the Group CEO, following his appointment during 2012. This award was granted for the same purpose as the awards granted under the LTIP but by reference to metrics which are specific to the participant's role as CEO.

VALUATION PROCESS AND ACCOUNTING FOR THE AWARDS

The fair value of the awards is determined using a Monte Carlo simulation model. The inputs into the Monte Carlo simulation model are as follows:

	2014	2013
Weighted average forecast share price at vesting date	USD 11.46	USD 7.09
Expected volatility	28.32%	41.48%
Expected life of awards	3 years	3 years
Expected dividend yields	2.45%	1.60%

Expected volatility was determined by calculating the historical volatility of the Group's share price over the previous five years. The expected life of awards used in the model has been adjusted based on management's best estimate for the effects of non-transferability and compliance of the objectives determined according to the characteristic of each plan.

The number of awards outstanding at the end of the period is as follows:

	Restricted Awards	Performance Awards	One-off Award
Outstanding at 1 January 2014	426,430	491,035	83,496
Granted during the period	362,681	362,681	–
Cancelled during the period	(43,918)	(66,494)	–
Payments during the period	(167,874)	–	–
Outstanding at 31 December 2014	577,319	787,222	83,496
Number of awards that have vested	274,580	–	–

The Group has recorded a liability for $8.9 million at 31 December 2014, of which $4.9 million is due after more than one year (31 December 2013 – $4.8 million, of which $3.1 million was due after more than one year) and total expenses of $5.8 million for the year (2013 – expense of $1.7 million).

25 POST-EMPLOYMENT BENEFIT OBLIGATIONS

A) DEFINED CONTRIBUTION SCHEMES

The Group operates defined contribution schemes for a limited number of employees. The amount charged to the income statement in 2014 was $0.2 million (2013 – $0.2 million), representing the amount paid in the year. There were no outstanding amounts which remain payable at the end of either year.

B) SEVERANCE PROVISIONS

Employment terms at some of the Group's operations provide for payment of a severance indemnity when an employment contract comes to an end. This is typically at the rate of one month for each year of service (subject in most cases to a cap as to the number of qualifying years of service) and based on final salary level. The severance indemnity obligation is treated as an unfunded defined benefit plan, and the obligation recognised is based on valuations performed by an independent actuary using the projected unit credit method, which are regularly updated. The obligation recognised in the balance sheet represents the present value of the severance indemnity obligation. Actuarial gains and losses are immediately recognised in other comprehensive income.

The most recent valuation was carried out in 2014 by Ernst & Young, a qualified actuary in Santiago-Chile who is not connected with the Group.

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

	2014	2013
Average nominal discount rate	4.5%	5.3%
Average rate of increase in salaries	2.6%	3.3%
Average staff turnover	5.0%	4.8%

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

	2014 $m	2013 $m
Current service cost (charge to operating profit)	(17.2)	(16.0)
Interest cost (charge to interest expenses)	(3.5)	(3.9)
Foreign exchange credit to other finance items	12.0	8.0
Total charge to income statement	**(8.7)**	(11.9)

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

	2014 $m	2013 $m
Balance at the beginning of the year	(91.2)	(81.5)
Current service cost	(17.2)	(16.0)
Actuarial losses	(18.0)	(6.9)
Charge capitalised	0.1	(0.8)
Interest cost	(3.5)	(3.9)
Reclassification	1.1	–
Paid in the year	13.7	9.9
Foreign currency exchange difference	12.0	8.0
Balance at the end of the year	**(103.0)**	(91.2)

Assumptions description

Discount rate

The discount rate is the interest rate used to discount the estimated future severance payments to their present value. The table below shows the principal instruments and assumptions utilised in determining the discount rate:

	31.12.2014	31.12.2013
Nominal discount rate	4.5%	5.30%
Reference rate name	20-year Chilean Central Bank Bonds	20-year Chilean Central Bank Bonds
Governmental or corporate rate	Governmental	Governmental
Reference rating	AA-/AA+	AA-/AA+
Corresponds to an Issuance market (primary) or secondary market	Secondary	Secondary
Issuance currency associated to the reference rate	Chilean peso	Chilean peso
Date of determination of the reference interest rate	December 03, 2014	December 04, 2013
Source of the reference interest rate	Bloomberg	Bloomberg

25 POST-EMPLOYMENT BENEFIT OBLIGATIONS CONTINUED

Rate of increase in salaries

This represents the estimated average rates of future salary increases, reflecting likely future promotions and other changes. This has been based on historical information for the Group for the period from 2011 to 2014.

Turnover rate

This represents the estimated average level of future employee turnover. This has been based on historical information for the Group for the period from 2011 to 2014.

Sensitive analysis

Significant actuarial assumptions for the determination of the defined obligation are discount rate, expected salary increase and staff turnover. The sensitive analysis below has been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant.

- If the discount rate is 100 basis points higher the defined benefit obligation would decrease by $8.8 million. If the discount rate is 100 basis points lower the defined benefit obligation would increase by $10.4 million.
- If the expected salary growth increases by 1% the defined benefit obligation would increase by $9.8 million. If the expected salary growth decreases by 1% the defined benefit obligation would decrease by $8.4 million.
- If the staff turnover increases by 1% the defined benefit obligation would decrease by $1.5 million. If the staff turnover decreases by 1% the defined benefit obligation would increase by $1.5 million.

26 DEFERRED TAX

The following are the major deferred tax liabilities and assets recognised by the Group and movements thereon during 2014 and 2013.

	Accelerated capital allowances $m	Temporary differences on provisions $m	Withholding tax $m	Short-term differences $m	Mining tax (Royalty) $m	Tax losses $m	Total $m
At 1 January 2013	(628.9)	87.0	(150.9)	(13.5)	(26.4)	1.4	(731.3)
(Charge)/credit to income	(91.1)	21.0	(81.1)	0.2	(8.6)	(0.5)	(160.1)
Charge deferred in equity	–	–	–	2.4	–	–	2.4
At 1 January 2014	(720.0)	108.0	(232.0)	(10.9)	(35.0)	0.9	(889.0)
(Charge)/credit to income	(257.3)	50.5	222.5	0.2	(7.2)	0.6	9.3
Reclassification	–	–	–	0.3	–	–	0.3
Charge deferred in equity	–	–	–	4.2	–	–	4.2
At 31 December 2014	**(977.3)**	**158.5**	**(9.5)**	**(6.2)**	**(42.2)**	**1.5**	**(875.2)**

The credit to the income statement of $9.3 million (2013 – $160.1 million charge) includes a credit for foreign exchange differences of $2.9 million (2013 – includes a credit of $2.1 million).

Certain deferred tax assets and liabilities have been offset. Deferred tax assets and liabilities are offset where the Group has a legally enforceable right to do so. The following is the analysis of the deferred tax balance (after offset):

	2014 $m	2013 $m
Deferred tax assets	**104.6**	76.9
Deferred tax liabilities	**(979.8)**	(965.9)
Net deferred tax balances	**(875.2)**	(889.0)

At 31 December 2014, the Group had unused tax losses of $14.3 million (2013 – $235.9 million) available for offset against future profits. A deferred tax asset of $1.5 million has been recognised in respect of these losses in 2014 (2013 – $4.5 million). These losses may be carried forward indefinitely.

At 31 December 2014, the aggregate amount of temporary differences associated with undistributed earnings of subsidiaries for which deferred tax liabilities have not been recognised was $4,520.4 million (2013 – $5,124.5 million). No liability has been recognised in respect of these differences because the Group is in a position to control the timing of the reversal of the temporary differences and it is likely that such differences will not reverse in the foreseeable future.

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

27 DECOMMISSIONING AND RESTORATION AND OTHER LONG-TERM PROVISIONS

	2014 $m	2013 $m
Balance at the beginning of the year	(494.3)	(384.6)
Credit/(charge) to operating profit in the year	7.4	(71.0)
Release of discount to net interest in the year	(5.6)	(10.3)
Actuarial gain/(loss)	0.6	(3.5)
Capitalised adjustment to provision	48.1	(31.8)
Reclassification	0.9	–
Utilised in year	6.2	5.5
Foreign currency exchange difference	2.4	1.4
Balance at the end of the year	(434.3)	(494.3)
Analysed as follows:		
Decommissioning and restoration	(432.6)	(492.5)
Termination of Water concession	(1.7)	(1.8)
Balance at the end of the year	(434.3)	(494.3)

A) DECOMMISSIONING AND RESTORATION

Decommissioning and restoration costs relate to the Group's mining operations. Costs are estimated on the basis of a formal closure plan and are subject to regular independent formal review. It is estimated that the provision will be utilised from 2024 until 2059 based on current mine plans.

$69.5 million of the provision relates to Michilla, and this element of the provision is expected to be utilised following the termination of operations at Michilla at the end of 2015.

During the year ended 31 December 2014, the decommissioning and restoration provisions at the Group's mining operations decreased by a net total of $60.0 million, mainly relating to decreases in decommissioning costs which were reflected through adjustments to the corresponding asset balances. The net decrease mainly relates to Los Pelambres, reflecting updated forecasts of the exact nature of required closure activities and their costs.

B) TERMINATION OF WATER CONCESSION

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

28 SHARE CAPITAL AND OTHER RESERVES

(i) Share capital

The ordinary share capital of the Company is as follows:

	2014 number	2013 number	2014 $m	2013 $m
Authorised				
Ordinary shares of 5p each	1,300,000,000	1,300,000,000	118.9	118.9

	2014 number	2013 number	2014 $m	2013 $m
Issued and fully paid				
Ordinary shares of 5p each	985,856,695	985,856,695	89.8	89.8

The Company has one class of ordinary shares which carry no right to fixed income. Each ordinary share carries one vote at any general meeting.

There were no changes in the authorised or issued share capital of the Company in either 2013 or 2014. Details of the Company's preference share capital, which is included within borrowings in accordance with IAS 32, are given in Note 21a(xvii).

(ii) Other reserves

Details of the share premium account, hedging, fair value and translation reserves and retained earnings for both 2014 and 2013 are included within the Consolidated statement of changes in equity on page 108.

29 NON-CONTROLLING INTERESTS

The non-controlling interests of the Group during 2014 and 2013 are as follows:

	Non-controlling Interest %	Country	At 01.01.14 $m	Share of profit/ (losses) for the financial year $m	Share of dividends $m	Capital contribution on non-controlling interest $m	Elimination of non-controlling interest $m	Hedging and actuarial gains/losses $m	Exchange differences $m	**At 31.12.14 $m**
Los Pelambres	40.0	Chile	1,030.9	352.3	(392.0)	–	–	(19.9)	–	**971.3**
Centinela	30.0	Chile	819.8	56.1	(15.0)	–	–	0.2	–	**861.1**
Michilla	0.1	Chile	37.4	(0.3)	(5.2)	–	(32.0)	0.8	–	**0.7**
Antucoya	30.0	Chile	(26.2)	(3.8)	–	46.2	–	(1.7)	–	**14.5**
Twin Metals	60.0	USA	62.5	(12.3)	–	6.5	(56.7)	–	–	**–**
Railway and other transport services	50.0	Bolivia	14.7	(1.1)	–	–	–	–	(0.2)	**13.4**
Total			1,939.1	390.9	(412.2)	52.7	(88.7)	(20.6)	(0.2)	**1,861.0**

	Non-controlling Interest %	Country	At 01.01.13 $m	Share of profit/ (losses) for the financial year $m	Capital increase on non-controlling interest $m	Capital contribution on non-controlling interest $m	Share of dividends $m	Hedging and actuarial gains/losses $m	Exchange differences $m	At 31.12.13 $m
Los Pelambres	40.0	Chile	980.5	477.7	–	–	(422.1)	(5.2)	–	1,030.9
Centinela	30.0	Chile	691.8	155.7	–	–	(30.0)	2.3	–	819.8
Michilla	25.8	Chile	50.8	(11.5)	–	–	–	(1.9)	–	37.4
Antucoya	30.0	Chile	(115.6)	(1.6)	–	91.1	–	(0.1)		(26.2)
Twin Metals	60.0	USA	70.4	(39.9)	13.3	18.7	–	–	–	62.5
Railway and other transport services	50.0	Bolivia	16.3	(0.2)	–	–	–	(1.4)	–	14.7
Total			1,694.2	580.2	13.3	109.8	(452.1)	(6.3)	–	1,939.1

SUMMARISED FINANCIAL POSITION AND CASH FLOW FOR THE YEARS ENDED 2014 AND 2013

	Los Pelambres 2014 $m	**Centinela 2014 $m**	**Michilla 2014 $m**	**Antucoya 2014 $m**
Non-controlling interest (%)	**40.0%**	**30.0%**	**0.1%**	**30.0%**
Cash and cash equivalent	**219.5**	**760.2**	**68.8**	**171.1**
Current assets	**473.1**	**457.2**	**64.1**	**78.4**
Non-current assets	**2,968.2**	**4,295.1**	**47.8**	**1,458.4**
Current liabilities	**(475.2)**	**(869.7)**	**(47.5)**	**(796.0)**
Non-current liabilities	**(783.7)**	**(1,681.2)**	**(66.4)**	**(867.4)**
Accumulated non-controlling interest	**(971.3)**	**(861.1)**	**(0.7)**	**(14.5)**
Net cash flow from operating activities	**1,376.1**	**744.5**	**65.2**	**(158.5)**
Net cash flow from investing activities	**(408.9)**	**(838.9)**	**(10.5)**	**(676.6)**
Net cash flow from financing activities	**(914.9)**	**(1.1)**	**(20.0)**	**959.1**

	Los Pelambres 2013 $m	Centinela 2013 $m	Michilla 2013 $m	Antucoya 2013 $m
Non-controlling interest (%)	40.0%	30.0%	25.8%	30.0%
Cash and cash equivalent	192.4	506.8	34.0	47.1
Current assets	675.2	756.1	103.8	38.1
Non-current assets	2,881.8	3,399.8	89.8	680.8
Current liabilities	(338.6)	(954.0)	(39.9)	(694.9)
Non-current liabilities	(846.8)	(1,174.7)	(54.3)	(177.9)
Accumulated non-controlling interest	(1,030.9)	(819.8)	(37.4)	26.2
Net cash flow from operating activities	1,168.1	968.9	41.6	(24.6)
Net cash flow from investing activities	(160.4)	(510.4)	(17.2)	(574.3)
Net cash flow from financing activities	(1,196.2)	(786.8)	–	598.1

NOTES TO THE SUMMARISED FINANCIAL POSITION AND CASH FLOW

(i) The amounts disclosed for each subsidiary are based on the amounts included in the consolidated financial statements (ie 100% of the results and balances of the subsidiary rather than the non-controlling interest proportionate share) before inter-company eliminations.

(ii) Summarised income statement information is shown in the segment information in Note 4.

30 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

A) RECONCILIATION OF PROFIT BEFORE TAX TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2014 $m	2013 $m
Profit before tax	**1,573.5**	2,083.5
Depreciation and amortisation	**606.0**	517.7
Net (profit)/loss on disposals	**(24.1)**	12.4
Net finance expense	**62.1**	74.2
Share of results from associates and joint ventures	**4.1**	14.4
Decrease in inventories	**32.1**	1.8
Decrease/(increase) in debtors	**124.8**	(148.2)
Increase in creditors and provisions	**129.3**	103.4
Cash flows from operations	**2,507.8**	2,659.2

B) ANALYSIS OF CHANGES IN NET (DEBT)/CASH

	At 01.01.14 $m	Cash flows $m	Other $m	Exchange $m	At 31.12.14 $m
Cash and cash equivalents	**613.7**	**259.2**	–	**(27.5)**	**845.4**
Liquid investments	**2,071.4**	**(542.3)**	–	–	**1,529.1**
Total cash and cash equivalents and liquid investments	**2,685.1**	**(283.1)**	–	**(27.5)**	**2,374.5**
Bank borrowings due within one year	**(329.4)**	**29.7**	**23.7**	–	**(276.0)**
Bank borrowings due after one year	**(985.0)**	**(1,042.2)**	**(23.3)**	–	**(2,050.5)**
Finance leases due within one year	**(11.6)**	**12.2**	**(9.1)**	–	**(8.5)**
Finance leases due after one year	**(44.6)**	–	**6.6**	–	**(38.0)**
Preference shares	**(3.3)**	–	–	**0.2**	**(3.1)**
Total borrowings	**(1,373.9)**	**(1,000.3)**	**(2.1)**	**0.2**	**(2,376.1)**
Net (debt)/cash	**1,311.2**	**(1,283.4)**	**(2.1)**	**(27.3)**	**(1.6)**

	At 01.01.13 $m	Cash flows $m	Other $m	Exchange $m	At 31.12.13 $m
Cash and cash equivalents	1,811.3	(1,181.3)	–	(16.3)	613.7
Liquid investments	2,480.6	(409.2)	–	–	2,071.4
Total cash and cash equivalents and liquid investments	4,291.9	(1,590.5)	–	(16.3)	2,685.1
Bank borrowings due within one year	(434.3)	267.0	(162.1)	–	(329.4)
Bank borrowings due after one year	(1,377.2)	245.5	146.7	–	(985.0)
Finance leases due within one year	(12.7)	15.6	(14.5)	–	(11.6)
Finance leases due after one year	(61.8)	–	15.0	2.2	(44.6)
Preference shares	(3.2)	–	–	(0.1)	(3.3)
Total borrowings	(1,889.2)	528.1	(14.9)	2.1	(1,373.9)
Net cash	2,402.7	(1,062.4)	(14.9)	(14.2)	1,311.2

C) NET (DEBT)/CASH

	2014 $m	2013 $m
Cash, cash equivalents and liquid investments	**2,374.5**	2,685.1
Total borrowings	**(2,376.1)**	(1,373.9)
	(1.6)	1,311.2

31 OPERATING LEASE ARRANGEMENTS

	2014 $m	2013 $m
Minimum lease payments under operating leases recognised in income for the year	36.6	23.5

At the balance sheet date, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2014 $m	2013 $m
Within one year	30.5	23.8
In their second to fifth years inclusive	33.3	21.3
After five years	0.8	2.3
	64.6	47.4

Operating lease payments relate mainly to rental of plant and equipment by operating subsidiaries of the Group.

32 CONCESSION ARRANGEMENTS

In 2003, the Group was awarded a 30-year concession to operate the water rights and facilities in the Antofagasta Region of Chile previously controlled by the state-owned operator ECONSSA (formerly known as ESSAN). The concession consists of two businesses, one an unregulated business supplying mines and other industrial users and the other a regulated water business supplying domestic customers. The concession contract was signed and control of the assets and operation assumed on 29 December 2003 by Aguas de Antofagasta S.A., a wholly-owned subsidiary of the Group.

Under the concession contract, certain assets and liabilities (mainly certain specific tangible fixed assets and working capital items) were transferred to Aguas de Antofagasta by way of sale. Other assets (mainly water rights and infrastructure) were transferred by way of concession and will devolve to ECONSSA at the end of the 30-year period.

Aguas de Antofagasta will also be required to transfer to ECONSSA any tangible fixed assets and working capital items under its ownership at the end of the 30-year concession period. A provision for the termination of the Water concession has been created for the fixed assets and working capital items under Aguas de Antofagasta's ownership to be transferred to ECONSSA at the end of the concession period. The provision is based on the net present value of the estimated value of these assets and liabilities in existence at the end of the concession. The release of the discount applied in establishing the net present value of future costs is charged to the income statement in each accounting period and is disclosed as a financing cost. Further details of this provision are given in Note 27(b).

The Chilean Water Regulator (Superintendencia de Servicios Sanitarios) sets domestic tariffs every five years following a regulatory review including representations from the operator of the concession. The last regulatory review was completed during 2011 and there was not significant variation compared to the last regulatory review in 2006.

33 EXCHANGE RATES IN US DOLLARS

Assets and liabilities denominated in foreign currencies are translated into US dollars and sterling at the period-end rates of exchange.

Results denominated in foreign currencies have been translated into dollars at the average rate for each period.

	2014	2013
Year end rates	US$1.6426 = £1; US$1 = Ch$606.75	US$1.6515 = £1; US$1 = Ch$524.61
Average rates	US$1.6072 = £1; US$1 = Ch$570.15	US$1.5630 = £1; US$1 = Ch$495.00

34 RELATED PARTY TRANSACTIONS

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this Note. Transactions between the Group and its associates are disclosed below.

The transactions that Group companies entered into with related parties who are not members of the Group are set out below.

A) QUIÑENCO S.A.

Quiñenco S.A. ("Quiñenco") is a Chilean financial and industrial conglomerate, the shares of which are traded on the Santiago Stock Exchange. The Group and Quiñenco are both under the control of the Luksic family, and three Directors of the Company, Jean-Paul Luksic, Andrónico Luksic and Gonzalo Menéndez, are also directors of Quiñenco.

The following material transactions took place between the Group and the Quiñenco group of companies, all of which were on normal commercial terms:

- the Group bought supply from Madeco, a subsidiary of Quiñenco for $0.4 million (2013 – nil). The balance due from Madeco at the end of the year was nil (2013 – nil);
- the Group sold copper cathodes during the year for nil (2013 – $6.8 million) to Madeco S.A., a subsidiary of Quiñenco. The balance due from Madeco at the end of the year was nil (2013 – less than $0.1 million);
- the Group bought copper wire from Madeco for nil (2013 – for $0.8 million);
- the Group earned interest income of $0.5 million (2013 – $0.7 million) during the year on deposits with Banco de Chile S.A., a subsidiary of Quiñenco. Deposit balances at the end of the year were $70.1 million (2013 – $48.7 million);
- the Group earned interest income of $1.5 million (2013 – $1.1 million) during the year on investments with BanChile Corredores de Bolsa S.A., a subsidiary of Quiñenco. Investment balances at the end of the year were $26.3 million (2013 – $17.3 million);
- the Group bought fuel from ENEX S.A. a subsidiary of Quiñenco of $54.3 million (2013 – $79.2 million). The balance due from ENEX S.A. at the end of the year was nil (2013 – nil); and
- the Group has contract shipping services from Compañia Sudamericana de Vapores S.A., subsidiary of Quiñenco, of nil (2013 – $0.5 million).

B) COMPAÑÍA DE INVERSIONES ADRIÁTICO S.A.

In 2013, the Group leased office space on normal commercial terms from Compañía de Inversiones Adriático S.A., a company controlled by the Luksic family, at a cost of less than $0.7 million (2013 – $0.7 million).

C) COMPAÑÍA ANTOFAGASTA TERMINAL INTERNACIONAL S.A.

As explained in Note 16, the Group has a 30% interest in Antofagasta Terminal Internacional S.A. ("ATI") which is accounted for as an associate. During 2014, the Group has not received dividends from ATI (2013 – nil).

D) ANTOMIN LIMITED, ANTOMIN 2 LIMITED AND ANTOMIN INVESTORS LIMITED

The Group holds a 51% interest in Antomin 2 Limited ("Antomin 2") and Antomin Investors Limited ("Antomin Investors"), which own a number of copper exploration properties. The Group originally acquired its 51% interest in these properties for a nominal consideration from Mineralinvest Establishment, a company controlled by the Luksic family, which continues to hold the remaining 49% of Antomin 2 and Antomin Investors. During the year ended 31 December 2014 the Group incurred $17.0 million (year ended 31 December 2013 – $22.1 million) of exploration work at these properties.

E) TETHYAN COPPER COMPANY LIMITED

As explained in Note 16 the Group has a 50% interest in Tethyan Copper Company Limited ("Tethyan"), which is a joint venture with Barrick Gold Corporation over Tethyan's mineral interests in Pakistan. During 2014 the Group contributed $8.5 million (2013 – $7.0 million) to Tethyan. The balance due from Tethyan to Group companies at the end of the year was nil (2013 – nil).

F) ENERGÍA ANDINA S.A.

As explained in Note 16, the Group has a 50.1% interest in Energia Andina, which is a joint venture with Origin Energy Geothermal Chile Limitada for the evaluation and development of potential sources of geothermal and solar energy. The balance due from Energía Andina S.A. to the Group at 31 December 2014 was less than $0.1 million (2013 – less than $0.1 million). During the year ended 31 December 2014 the Group contributed $7.7 million to Energía Andina (2013 – $21.6 million).

G) MICHILLA/MINERA CERRO CENTINELA S.A.

In March 2014 the Group acquired an additional 25.7% interest in Michilla for $30.9 million, increasing the Group's interest from 74.2% to 99.9%. This included the acquisition of the 7.973% stake held by Minera Cerro Centinela S.A., an entity ultimately controlled by the Luksic family, for $9.6 million. Prior to this transaction, Michilla paid dividends of $1.6 million to Minera Cerro Centinela S.A. (2013 – nil).

H) DIRECTORS AND OTHER KEY MANAGEMENT PERSONNEL

Information relating to Directors' remuneration and interests are given in the Remuneration report on pages 86 to 99. Information relating to the remuneration of key management personnel including the Directors is given in Note 7.

I) INVERSIONES HORNITOS S.A.

As explained in Note 16, the Group has a 40% interest in Inversiones Hornitos S.A., which is accounted for as an associate. The Group paid $175.3 million (year ended 31 December 2013 – $167.8 million) to Inversiones Hornitos in relation to the energy supply contract at Centinela. During 2014, the Group has received dividends from Inversiones Hornitos S.A. for $20 million (2013 – nil).

J) EL ARRAYÁN

As explained in Note 16, the Group has a 30% interest in Parque Eólico El Arrayán S.A. ("El Arrayán"), which is accounted for as an associate. The Group paid $12.0 million (year ended 31 December 2013 – nil) to El Arrayán in relation to the energy supply contract at Los Pelambres. During 2014 the Group has contributed $2.6 million to El Arrayán (year ended December 2013 – nil).

K) ALTO MAIPO SPA

As explained in Note 16, the Group has a 40% interest in Alto Maipo SpA ("Alto Maipo"), which is accounted for as an associate. During 2014 the Group has not made capital contributions to Alto Maipo (2013 – $52.6 million). The balance due from Alto Maipo to the Group at 31 December 2014 was $152.4 (2013 – $47.0 million) representing loan financing with an interest rate of LIBOR six-month plus 4.25%.

L) TWIN METALS

As explained in Note 16, the Group holds a 40% interest in Twin Metals Minnesota LLC ("Twin Metals"), which from July 2014 has been accounted for as an associate. The Group has contributed $2.8 million to Twin Metals since July 2014 while it has been accounted for as an associate. Throughout 2013 and up to July 2014 Twin Metals was controlled by the Group and accounted for as a subsidiary, and therefore all contributions from the Group to Twin Metals during this period were between consolidated Group subsidiaries.

35 LITIGATION AND CONTINGENT LIABILITIES

Antofagasta plc or its subsidiaries are subject to various claims which arise in the ordinary course of business. No provision has been made in the financial statements and none of these claims are currently expected to result in any material loss to the Group. Details of the principal claims in existence either during, or at the end of, the period and the current status of these claims are set out below:

LOS PELAMBRES – MAURO TAILINGS DAM

As previously announced, during 2008 Los Pelambres entered into binding settlements in respect of litigation relating to the Mauro tailings dam. Since then, there have been a series of civil claims filed by some members of the Caimanes community (which is located near the Mauro valley) seeking to stop the operation of the dam. Many of these claims have been rejected by the relevant courts.

Two of these claims are currently ongoing and Los Pelambres is continuing to take necessary steps to protect its position. In the first claim, the plaintiffs have argued that the tailings dam affects their alleged water rights and the environment. This allegation is based on assertions that the dam interferes with the flow and quality of the water in the Pupío stream, a stream that passes through the Caimanes community. This claim was rejected by the Civil Court in Los Vilos in a judgement issued in November 2012, which was than affirmed by the Court of Appeals of La Serena in August 2013. In October 2014, the Supreme Court, by split decision, upheld the appeal and ordered Los Pelambres to submit back to the Civil Court in Los Vilos, within one month, an implementation plan for works that would ensure that the operation of the dam does not affect the normal flow and quality of the waters of the Pupío stream. Los Pelambres believes that the requirements of this order have already been met as Los Pelambres has undertaken significant works to ensure that the flow of the Pupío stream is not altered and that the operation of the tailings dam does not affect the quantity or quality of these waters – something that has been confirmed by accredited independent assessors and other public services in Chile and confirmed by the Supreme Court in a parallel decision.

Nevertheless, on 21 November 2014, Los Pelambres submitted this plan to the Civil Court in Los Vilos. On 9 March 2015 that Court found that the plan submitted by Los Pelambres was not sufficient to address the requirements of the Supreme Court order, and as a consequence Los Pelambres must destroy part, or all, of the tailings dam wall. Los Pelambres considers the ruling to be flawed, has appealed the Court's decision and is considering the exercise of all available legal measures that may be required to overturn this decision and address its potential consequences.

In the second claim, the plaintiffs are seeking demolition of the dam on the basis of the risk that its collapse would pose to the community. The Civil Court in Los Vilos issued a decision in May 2014 denying the demolition request but ordering Minera Los Pelambres to undertake some additional measures to ensure protection of the community, in the event of a major earthquake or similar natural event. These measures need to be reviewed and agreed with the technically competent bodies responsible for supervision of the dam. The decision of that Court has been appealed by both the plantiffs and Los Pelambres and these appeals will be heard before the Court of Appeal of La Serena. The Court of Appeal of La Serena is expected to hear this matter in the second quarter of 2015. Any decision of the Court of Appeal may also be subject to an appeal to the Supreme Court of Chile.

LOS PELAMBRES – BOTADERO CERRO AMARILLO

Xstrata Pachon S.A. has filed a claim against Los Pelambres before the Federal Court of San Juan, Argentina, alleging that Los Pelambres has unlawfully deposited waste-rock ("Botadero Cerro Amarillo") on its property on the Argentinian side of the Chile/Argentina border.

Los Pelambres is located on the Chilean side of a section of the border between Chile and Argentina in the Coquimbo region of Chile and Xstrata Pachon is located on the Argentinian side of the border in the same area.

Los Pelambres received all of the required authorisations from the Chilean government at the time before depositing the waste-rock in its current location for the first time, which according to the official Chilean cartography at that time was located within Chile. Subsequently, Chile modified the official cartography in this area without making public this change.

Los Pelambres stopped using (and depositing rock) in the relevant area of the Botadero Cerro Amarillo in 2011. After this time, a Bi-national Border subcommission undertook a demarcation mission in the area, placing markers in the area to demarcate the borderline. Following the completion of this exercise, it was established that part of the Botadero Cerro Amarillo is located in Argentina.

Los Pelambres has informed the Chilean government of the claim filed by Xstrata Pachon, noting that the use and operation of the Botadero Cerro Amarillo was at all times properly authorised by the Chilean authorities.

Los Pelambres has presented objections to the jurisdiction of the Argentinean courts to hear the Xstrata Pachon's claim and any decision of this Court on this preliminary issue may be appealed by each party. It is not expected that a determinative outcome will be reached on these facts for several years.

TETHYAN COPPER COMPANY PTY LIMITED

The Group holds a 50% interest in Tethyan Copper Company Pty Limited ("Tethyan"), its joint venture with Barrick Gold Corporation ("Barrick"). In February 2011, Tethyan submitted an application for a mining lease to the Government of Balochistan which was subsequently rejected in November 2011. Tethyan is pursuing two international arbitrations in order to protect its legal rights: one against the Government of Pakistan under the auspices of the International Centre for Settlement of Investment Disputes ("ICSID"), and another against the Government of Balochistan under the auspices of the International Chamber of Commerce ("ICC"). Tethyan is seeking monetary damages only and is no longer seeking the grant of a mining lease at Reko Diq. During 2014, Tethyan presented arguments on preliminary issues before the ICC tribunal (including as to the jurisdiction of the ICC tribunal) and on jurisdiction and merits before the ICSID tribunal. Both arbitrations are continuing: Tethyan prevailed on the preliminary issues before the ICC Tribunal, which will now proceed to consider the merits of the parties' respective claims, while a decision from the ICSID Tribunal on jurisdiction and liability is anticipated in 2015.

36 EVENTS AFTER THE BALANCE SHEET DATE

DULUTH METALS LIMITED AND TWIN METALS MINNESOTA LIMITED

In January 2015 the Group completed its acquisition of 100% of Duluth Metals Limited ("Duluth"). Duluth holds a 60% stake in Twin Metals Minnesota Limited ("Twin Metals"), the company in which the Group held a 40% stake as at December 2014. Twin Metals is seeking to develop a copper-nickel-PGM deposit in northeastern Minnesota. In November 2014 Antofagasta entered into a binding letter of agreement to acquire 100% of Duluth. The acquisition completed subsequent to the year end following approval from Duluth's shareholders in January 2015. Accordingly, subsequent to the year end the Group has a 100% interest in Duluth and as a result of this a 100% interest in Twin Metals.

As at 31 December 2014 the Group held 17.2% of Duluth's share capital, with a fair value of US$9 million. The fair value of the consideration transferred to acquire the remaining share capital of Duluth in January 2015 was US$48 million, reflecting the agreed acquisition price of C$0.45 per share. As part of the acquisition agreement the Group agreed to redeem convertible debentures previously issued by Duluth, at a cost of US$34 million. Accordingly, the total cash consideration related to the acquisition was US$82 million. Including the US$9 million value of the 17.2% of Duluth's share capital already held by the Group at 31 December 2014, the total fair value of 100% of Duluth (taking account of the redemption of the convertible debentures) was $91 million.

The principal asset of Duluth was its 60% interest in Twin Metals. The provisional estimate of the net fair value of the other identifiable assets and liabilities of Duluth at the acquisition date is a net liability of US$10 million. The difference between the total consideration and the net assets acquired (other than the interest in Twin Metals) is therefore provisionally estimated to be US$101 million, which represents the fair value of Duluth's 60% stake in Twin Metals. From January 2015 Twin Metals will be consolidated as a 100% subsidiary of the Group, with its principal asset being its mining properties, reflected within property, plant and equipment. Accordingly, the provisionally estimated US$101 million value, which reflects the fair value of Duluth's 60% interest in the Twin Metals project, will be reflected within the Twin Metals mining properties held within property, plant and equipment.

37 ULTIMATE PARENT COMPANY

The immediate parent of the Group is Metalinvest Establishment, which is controlled by E. Abaroa Foundation, in which members of the Luksic family are interested.

Both Metalinvest Establishment and the E. Abaroa Foundation are domiciled in Liechtenstein. Information relating to the interest of Metalinvest Establishment and the E. Abaroa Foundation are given in the Directors' report.

PARENT COMPANY
FINANCIAL STATEMENTS

38 ANTOFAGASTA PLC – BALANCE SHEET OF THE PARENT COMPANY AND RELATED NOTES

AT 31 DECEMBER 2014

	Notes	2014 $m	2013 $m
Fixed assets			
Investment in subsidiaries	39D	600.5	600.6
Current assets			
Debtors – amounts falling due within one year			
– amounts owed by subsidiaries	39D	44.7	121.2
Current asset investments (term deposits)		66.5	6.4
Cash at bank and in hand		2.3	3.1
		113.5	130.7
Creditors – amounts falling due within one year			
Other creditors		–	(0.8)
Amounts owed to subsidiaries		(296.6)	(296.9)
		(296.6)	(297.7)
Net current liabilities		(183.1)	(167.0)
Total assets less current liabilities		417.4	433.6
Creditors – amounts falling due after more than one year			
Preference shares	39E	(3.1)	(3.3)
Total assets less total liabilities		414.3	430.3
Capital and reserves			
Called up shares capital			
– Ordinary shares – equity	39F	89.8	89.8
Reserves			
– Share premium account	39F	199.2	199.2
– Profit and loss account	39F	125.3	141.3
Shareholders' funds (including non-equity interests)		414.3	430.3

Approved by the Board and signed on its behalf on 16 March 2015.

JEAN-PAUL LUKSIC
Chairman

WILLIAM HAYES
Senior Independent Director and Chairman Audit and Risk Committee

38A BASIS OF PREPARATION OF THE BALANCE SHEET AND RELATED NOTES OF THE PARENT COMPANY

The Antofagasta plc Parent Company balance sheet and related notes have been prepared in accordance with United Kingdom generally accepted accounting principles ("UK GAAP") and in accordance with UK company law. The financial information has been prepared on a historical cost basis. The financial statements have been prepared on a going concern basis. The functional currency of the Company and the presentational currency adopted is US dollars.

A summary of the principal accounting policies is set out below. There were no changes in accounting policies in 2014.

The preparation of financial statements in conformity with UK GAAP requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Although these estimates are based on management's best knowledge of the amount, event or actions, following implementation of these standards, actual results may differ from those estimates.

As permitted by section 408 of the Companies Act 2006, the profit and loss account of the Parent Company is not presented as part of these financial statements. The profit after tax for the year of the Parent Company amounted to $948.2 million (2013 – $433.0 million).

It is currently expected that the individual company accounts of Antofagasta plc will be prepared in accordance with FRS 101 from 2015 onwards. FRS 101 applies the recognition and measurement bases of IFRS with reduced disclosure requirements. It is expected that the 2015 individual company accounts for Antofagasta will be prepared in accordance with FRS 101 unless the Company receives objections in respect of this.

38B PRINCIPAL ACCOUNTING POLICIES OF THE PARENT COMPANY

A) CURRENCY TRANSLATION

The Company's functional currency is the US dollar. Transactions denominated in other currencies, including the issue of shares, are translated at the rate of exchange ruling on the date of the transaction. Monetary assets and liabilities, including amounts due from or to subsidiaries, are translated at the rate of exchange ruling at the end of the financial year. Exchange differences are charged or credited to the profit and loss account in the year in which they arise.

B) REVENUE RECOGNITION

Interest is accounted for on an accruals basis. Dividends proposed by subsidiaries are recognised as income by the Company when they represent a present obligation of the subsidiaries, ie in the period in which they are formally approved for payment.

C) DIVIDENDS PAYABLE

Dividends proposed are recognised when they represent a present obligation, ie in the period in which they are formally approved for payment. Accordingly, an interim dividend is recognised when paid and a final dividend is recognised when approved by shareholders.

D) INVESTMENTS IN SUBSIDIARIES

Investments in subsidiaries represent equity holdings in subsidiaries and long-term amounts owed by subsidiaries. Such investments are valued at cost less any impairment provisions. Investments are reviewed for impairment if events or changes in circumstances indicate that the carrying amount may not be recoverable. When a review for impairment is conducted, the recoverable amount is assessed by reference to the net present value of expected future cash flows of the relevant income generating unit or disposal value if higher.

As explained in Note 39D, amounts owed by subsidiaries due in foreign currencies are translated at year end rates of exchange with any exchange differences taken to the profit and loss account.

E) CURRENT ASSET INVESTMENTS AND CASH AT BANK AND IN HAND

Current asset investments comprise highly-liquid investments that are readily convertible into known amounts of cash and which are subject to insignificant risk of changes in value, typically maturing within 12 months.

Cash at bank and in hand comprise cash in hand and deposits repayable on demand.

F) BORROWINGS – PREFERENCE SHARES

The sterling-denominated preference shares issued by the Company carry a fixed rate of return without the right to participate in any surplus. They are accordingly classified as borrowings and translated into US dollars at period-end rates of exchange. Preference share dividends are included within finance costs.

G) EQUITY INSTRUMENTS – ORDINARY SHARE CAPITAL AND SHARE PREMIUM

Equity instruments issued are recorded at the proceeds received, net of direct issue costs. Equity instruments of the Company comprise its sterling-denominated issued ordinary share capital and related share premium.

As explained above, the presentational and the functional currency of the Company is US dollars, and ordinary share capital and share premium are translated into US dollars at historical rates of exchange based on dates of issue.

H) CASH FLOW STATEMENT

The Company's individual financial statements are outside the scope of FRS 1 "Cash Flow Statements" because the Company prepares publicly available consolidated financial statements which include a consolidated cash flow statement. Accordingly, the Company does not present an individual company cash flow statement.

I) RELATED PARTY DISCLOSURES

The Company's individual financial statements are exempt from the requirements of FRS 8 "Related Party Disclosures" because its individual financial statements are presented together with its consolidated financial statements. Accordingly, the individual financial statements do not include related party disclosures.

38C EMPLOYEES AND DIRECTORS

Antofagasta plc had no employees during 2014 and 2013. Details of fees payable to Directors are set out in the Remuneration report.

38D SUBSIDIARIES

A) INVESTMENT IN SUBSIDIARIES

	2014 $m	2013 $m
Shares in subsidiaries at cost	57.6	57.6
Amounts owed by subsidiaries due after more than one year	542.9	543.0
	600.5	600.6

	Shares $m	Loans $m	Total $m
1 January 2014	57.6	543.0	600.6
Loans repaid	–	(0.1)	(0.1)
31 December 2014	**57.6**	**542.9**	**600.5**

B) AMOUNTS OWED BY SUBSIDIARIES DUE WITHIN ONE YEAR

At 31 December 2014, amounts owed by subsidiaries due within one year were $42.1 million (2013 – $121.2 million).

38E BORROWINGS – PREFERENCE SHARES

The authorised, issued and fully paid preference share capital of the Company comprised 2,000,000 (5%) cumulative preference shares of £1 each at both 31 December 2014 and 31 December 2013. As explained in Note 39B(f), the preference shares are measured in the balance sheet in US dollars at period-end rates of exchange.

The preference shares are non-redeemable and are entitled to a fixed 5% cumulative dividend, payable in equal instalments in June and December of each year. On a winding-up, the preference shares are entitled to repayment and any arrears of dividend in priority to ordinary shareholders, but are not entitled to participate further in any surplus. Each preference share carries 100 votes (see Note 21a(xvii)) at any general meeting.

38F RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	Called up ordinary share capital $m	Share premium account $m	Profit and loss account $m	Total $m
At 1 January 2013 (equity)	89.8	199.2	683.3	972.3
Profit for the financial year	–	–	433.0	433.0
Dividends paid	–	–	(975.0)	(975.0)
At 31 December 2013 and 1 January 2014	89.8	199.2	141.3	430.3
Profit for the financial year	–	–	948.2	948.2
Dividends paid	–	–	(964.2)	(964.2)
31 December 2014 (equity)	**89.8**	**199.2**	**125.3**	**414.3**

The ordinary shares rank after the preference shares in entitlement to dividend and on a winding-up. Each ordinary share carries one vote at any general meeting.

OTHER *information*

FIVE-YEAR SUMMARY

	2014 US$m	2013 US$m	2012 US$m	2011 US$m	2010 US$m
Consolidated balance sheet					
Intangible asset	118.6	133.0	157.6	155.3	311.5
Property, plant and equipment	8,227.1	7,424.8	6,513.2	6,443.0	6,093.4
Investment property	2.6	3.3	162.5	104.7	–
Inventories[1]	247.8	252.7	3.5	3.1	3.7
Investment in associate[2]	198.1	175.2	106.5	84.8	58.0
Trade and other receivables	239.5	180.8	108.3	67.7	42.9
Derivative financial instruments	–	–	8.0	47.6	–
Available-for-sale investments	15.6	16.6	44.5	36.5	21.8
Deferred tax assets	104.6	76.9	103.8	83.2	110.0
Non-current assets[2]	9,153.9	8,263.3	7,207.9	7,025.9	6,641.3
Current assets[2]	3,661.2	4,126.3	5,655.9	4,679.3	4,946.5
Current liabilities[2]	(1,163.4)	(1,130.6)	(1,295.1)	(985.3)	(930.7)
Non-current liabilities[2]	(3,617.0)	(2,595.4)	(2,763.9)	(2,912.5)	(3,131.3)
	8,034.7	8,663.6	8,804.8	7,807.4	7,525.8
Share capital	89.8	89.8	89.8	89.8	89.8
Share premium	199.2	199.2	199.2	199.2	199.2
Reserves (retained earnings and hedging, translation and fair value reserves)	5,884.7	6,435.5	6,821.6	5,907.2	5,881.6
Equity attributable to equity holders of the Company	6,173.7	6,724.5	7,110.6	6,196.2	6,170.6
Non-controlling interests	1,861.0	1,939.1	1,694.2	1,611.2	1,355.2
	8,034.7	8,663.6	8,804.8	7,807.4	7,525.8

	2014 US$m	2013 US$m	2012 US$m	2011 US$m	2010 US$m
Consolidated income statement					
Group revenue	5,290.4	5,971.6	6,740.1	6,076.0	4,577.1
Total profit from operations and associates[2]	1,635.6	2,157.7	2,852.7	3,097.4	2,591.9
Profit before tax[2,3]	1,573.5	2,083.5	2,761.8	3,076.2	2,573.2
Income tax expense[2]	(722.8)	(843.7)	(1,022.2)	(946.2)	(752.5)
Non-controlling interests	(390.9)	(580.2)	(702.4)	(893.4)	(768.9)
Net earnings (profit attributable to equity holders of the Company)	459.8	659.6	1,037.2	1,236.6	1,051.8
EBITDA[4]	2,221.6	2,702.2	3,864.4	3,660.5	2,771.9

See footnotes on page 161.

	2014 US$m	2013 US$m	2012 US$m	2011 US$m	2010 US$m
Earnings per share					
Basic and diluted earnings per share[2]	46.6	66.9	105.2	125.4	106.7

Dividends to ordinary shareholders of the Company

	2014 US$m	2013 US$m	2012 US$m	2011 US$m	2010 US$m
Dividends per share proposed in relation to the year					
Ordinary dividends (interim and final)	21.5	95.0	21.0	20.0	16.0
Special dividends	–	–	77.5	24.0	100.0
	21.5	95.0	98.5	60.0	49.6
Dividends per share paid in the year and deducted from equity	97.8	90.0	44.5	120.0	24.0

	2014 US$m	2013 US$m	2012 US$m	2011 US$m	2010 US$m
Consolidated cash flow statement					
Cash flow from operations[2]	2,507.8	2,659.2	3,826.0	3,552.5	2,433.9
Interest paid	(45.4)	(57.2)	(88.1)	(69.3)	(42.4)
Income tax paid[2]	(641.5)	(896.5)	(901.2)	(1,018.1)	(427.9)
Net cash from operating activities[2]	1,820.9	1,705.5	2,836.7	2,465.1	1,963.6
Investing activities					
Acquisition and disposal of subsidiaries, joint venture, associates,	–	–	–	–	–
Dividends from associates	20.0	–	1.1	1.2	0.8
Available-for-sale investments, investing activities and recovery of VAT[2]	372.7	278.9	(496.0)	(1,165.9)	(188.0)
Purchases and disposals of intangible assets, property, plant and equipment	(1,644.6)	(1,334.2)	(868.1)	(670.5)	(1,298.3)
Interest received	16.5	14.0	24.8	21.7	26.2
Net cash used in investing activities[2]	(1,235.4)	(1,041.3)	(1,338.2)	(1,813.5)	(1,459.3)
Financing activities					
Dividends paid to equity holders of the Company	(964.2)	(975.0)	(438.7)	(1,183.0)	(236.6)
Dividends paid to preference holders and non-controlling interests	(412.4)	(452.3)	(702.7)	(741.2)	(702.9)
New borrowings less repayment of borrowings and finance leases	1,050.3	(418.2)	105.6	(114.5)	562.2
Net cash used in financing activities	(326.3)	(1,845.5)	(1,035.8)	(2,038.7)	(377.3)
Net (decrease)/increase in cash and cash equivalents[2]	259.2	(1,181.3)	462.7	(1,387.1)	127.0

	2014 US$m	2013 US$m	2012 US$m	2011 US$m	2010 US$m
Consolidated net cash					
Cash, cash equivalents and liquid investments[2]	2,374.5	2,685.1	4,291.9	3,280.0	3,541.6
Short-term borrowings	(284.5)	(341.0)	(447.0)	(301.9)	(137.6)
Medium and long-term borrowings	(2,091.6)	(1,032.9)	(1,442.2)	(1,838.4)	(2,058.9)
	(2,376.1)	(1,373.9)	(1,889.2)	(2,140.3)	(2,196.5)
Net cash at the year end[2]	(1.6)	1,311.2	2,402.7	1,139.7	1,345.1

1 Non-current inventories refer to ore stockpiles that are expected to be processed more than 12 months after the statement of financial position date. The 2014, 2013 and 2012 balances have been prepared on this basis, and the 2011 balance has been restated to reflect this classification. The 2010 balances have not been restated to reflect this classification.

2 The 2012 figures have been restated as a result of the adoption of IFRS 11 Joint Arrangements and the application of the amendments to IAS 19 Employee Benefits in 2013. The 2011 and 2010 balances have not been restated.

3 In 2012 the Consolidated income statement included $500.0 million as a provision against the carrying value of property, plant and equipment relating to the Antucoya project. Excluding this exceptional item profit before tax was $3,254.2 million.

4 EBITDA refers to Earnings Before Interest, Tax, Depreciation and Amortisation. EBITDA is calculated by adding back depreciation, amortization, profit or loss on disposals and impairment charges to operating profit from subsidiaries and joint ventures.

ORE RESERVES AND MINERAL RESOURCES ESTIMATES

AT 31 DECEMBER 2014

INTRODUCTION

The ore reserves and mineral resources estimates presented in this report comply with the requirements of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves 2012 edition (the JORC Code) which has been used by the Group as minimum standard for the preparation and disclosure of the information contained herein. The definitions and categories of Ore Reserves and Mineral Resources are set out below.

The information on ore reserves and mineral resources was prepared by or under the supervision of Competent Persons as defined in the JORC Code. The Competent Persons have sufficient experience relevant to the style of mineralisation and type of deposit under consideration and to the activity which they are undertaking. The Competent Persons consent to the inclusion in this report of the matters based on their information in the form and context in which it appears. The Competent Person for Exploration Results and Mineral Resources (except for the Twin Metals Mineral Resource Estimate) is Guillermo Muller (CP, Chile), Manager of Mineral Resource Evaluation for Antofagasta Minerals. The Competent Person for the Twin Metals Mineral Resource Estimate is Dr. Harry Parker, SME, Registered Member, Technical Director of AMEC. The Competent Person for Ore Reserves is Murray Canfield (P.Eng. Ontario), Technical Manager of Mining for Antofagasta Minerals.

The Group's operations and projects are subject to a comprehensive programme of audits aimed at providing assurance in respect of ore reserves and mineral resources estimates. The audits are conducted by suitably qualified Competent Persons from within a particular division, another division of the Company or from independent consultants.

The ore reserves and mineral resources estimates represent full reserves and resources, with the Group's attributable share for each mine shown in the 'Attributable Tonnage' column. The Group's economic interest in each mine is disclosed in the notes following the estimates on pages 167 to 169. The totals in the table may include some small apparent differences as the specific individual figures have not been rounded.

DEFINITIONS AND CATEGORIES OF ORE RESERVES AND MINERAL RESOURCES

A **'Mineral Resource'** is a concentration or occurrence of material of intrinsic economic interest in or on the Earth's crust in such form, quality and quantity that there are reasonable prospects for eventual economic extraction. The location, quantity, grade, geological characteristics and continuity of a Mineral Resource are known, estimated or interpreted from specific geological evidence and knowledge. Mineral Resources are sub-divided, in order of increasing geological confidence, into Inferred, Indicated and Measured categories.

An **'Inferred Mineral Resource'** is that part of a Mineral Resource for which tonnage, grade and mineral content can be estimated with a low level of confidence. It is inferred from geological evidence and assumed but not verified geological and/or grade continuity. It is based on information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes which may be limited or of uncertain quality and reliability.

An **'Indicated Mineral Resource'** is that part of a Mineral Resource for which tonnage, densities, shape, physical characteristics, grade and mineral content can be estimated with a reasonable level of confidence. It is based on exploration, sampling and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes. The locations are too widely or inappropriately spaced to confirm geological and/or grade continuity but are spaced closely enough for continuity to be assumed.

A **'Measured Mineral Resource'** is that part of a Mineral Resource for which tonnage, densities, shape, physical characteristics, grade and mineral content can be estimated with a high level of confidence. It is based on detailed and reliable exploration, sampling and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes. The locations are spaced closely enough to confirm geological and grade continuity.

An **'Ore Reserve'** is the economically mineable part of a Measured and/or Indicated Mineral Resource. It includes diluting materials and allowances for losses, which may occur when the material is mined. Appropriate assessments and studies have been carried out, and include consideration of and modification by realistically assumed mining, metallurgical, economic, marketing, legal, environmental, social and governmental factors. These assessments demonstrate at the time of reporting that extraction could reasonably be justified. Ore Reserves are sub-divided in order of increasing confidence into Probable Ore Reserves and Proved Ore Reserves.

A **'Probable Ore Reserve'** is the economically mineable part of an Indicated, and in some circumstances, a Measured Mineral Resource. It includes diluting materials and allowances for losses which may occur when the material is mined. Appropriate assessments and studies have been carried out, and include consideration of and modification by realistically assumed mining, metallurgical, economic, marketing, legal, environmental, social and governmental factors. These assessments demonstrate at the time of reporting that extraction could reasonably be justified.

A **'Proved Ore Reserve'** is the economically mineable part of a Measured Mineral Resource. It includes diluting materials and allowances for losses which may occur when the material is mined. Appropriate assessments and studies have been carried out, and include consideration of and modification by realistically assumed mining, metallurgical, economic, marketing, legal, environmental, social and governmental factors. These assessments demonstrate at the time of reporting that extraction could reasonably be justified.

ORE RESERVES ESTIMATES

AT 31 DECEMBER 2014

	Tonnage (millions of tonnes)		Copper (%)		Molybdenum (%)		Gold (g/tonne)		Attributable tonnage (millions of tonnes)	
	2014	2013	**2014**	2013	**2014**	2013	**2014**	2013	**2014**	2013
Los Pelambres (see note (a))										
Proved	**727.9**	653.8	**0.61**	0.63	**0.022**	0.022	**0.05**	0.05	**436.7**	392.3
Probable	**640.0**	779.4	**0.57**	0.59	**0.015**	0.016	**0.04**	0.04	**384.0**	467.7
Total	**1,367.8**	1,433.2	**0.59**	0.61	**0.019**	0.019	**0.04**	0.04	**820.7**	859.9
Centinela (see note (b))										
Centinela Concentrates (ex-Esperanza Sulphides, including ex-Esperanza Sur)										
Proved	**616.2**	485.5	**0.50**	0.53	**0.011**	0.011	**0.20**	0.21	**431.3**	339.9
Probable	**1,266.3**	1,303.7	**0.42**	0.42	**0.012**	0.013	**0.13**	0.14	**886.4**	912.6
Sub-total	**1,882.5**	1,789.2	**0.44**	0.45	**0.012**	0.013	**0.16**	0.16	**1,317.7**	1,252.5
Centinela Cathodes (ex-El Tesoro)										
Proved	**64.1**	64.6	**0.67**	0.74	**–**	–	**–**	–	**44.9**	45.2
Probable	**144.0**	147.5	**0.38**	0.39	**–**	–	**–**	–	**100.8**	103.2
Sub-total	**208.1**	212.1	**0.47**	0.50	**–**	–	**–**	–	**145.7**	148.5
Centinela Total										
Proved	**680.3**	550.1	**0.52**	0.55	**–**	–	**–**	–	**476.2**	385.1
Probable	**1,410.3**	1,451.2	**0.41**	0.41	**–**	–	**–**	–	**987.2**	1,015.8
Total	**2,090.6**	2,001.3	**0.45**	0.45	**–**	–	**–**	–	**1,463.4**	1,400.9
Antucoya (see note (c))										
Proved	**384.1**	367.8	**0.36**	0.37	**–**	–	**–**	–	**268.8**	257.5
Probable	**297.6**	268.0	**0.31**	0.32	**–**	–	**–**	–	**208.3**	187.6
Total	**681.6**	635.8	**0.34**	0.35	**–**	–	**–**	–	**477.2**	445.1
Michilla (see note (d))										
Proved	**–**	6.2	**–**	1.15	**–**	–	**–**	–	**–**	4.6
Probable	**2.7**	2.6	**1.20**	0.90	**–**	–	**–**	–	**2.7**	1.9
Total	**2.7**	8.7	**1.20**	1.08	**–**	–	**–**	–	**2.7**	6.5
Group total	**4,142.8**	4,079.0	**0.48**	0.49	**–**	–	**–**	–	**2,764.0**	2,712.4

ORE RESERVES AND
MINERAL RESOURCES ESTIMATES
AT 31 DECEMBER 2014

MINERAL RESOURCES ESTIMATES (INCLUDING ORE RESERVES)

	Tonnage (millions of tonnes)		Copper (%)		Molybdenum (%)		Gold (g/tonne)		Attributable tonnage (millions of tonnes)	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
Los Pelambres (see note (a))										
Measured	1,064.8	820.5	0.60	0.62	0.023	0.024	0.05	0.05	638.9	492.3
Indicated	2,174.9	1,396.8	0.53	0.57	0.015	0.018	0.05	0.04	1,305.0	838.1
Measured + Indicated	3,239.7	2,217.4	0.55	0.59	0.018	0.020	0.05	0.04	1,943.8	1,330.4
Inferred	2,984.4	3,496.7	0.47	0.47	0.015	0.013	0.06	0.05	1,790.7	2,098.0
Total	6,224.1	5,714.0	0.51	0.52	0.017	0.016	0.06	0.05	3,734.5	3,428.4
Centinela (see note (b))										
Centinela Concentrates (ex-Esperanza Sulphides, including ex-Esperanza Sur)										
Measured	643.4	511.9	0.48	0.51	0.011	0.006	0.19	0.20	450.4	358.3
Indicated	1,660.3	1,784.0	0.38	0.39	0.012	0.004	0.12	0.12	1,162.2	1,248.8
Measured + Indicated	2,303.7	2,295.9	0.41	0.42	0.012	0.004	0.14	0.14	1,612.6	1,607.1
Inferred	1,028.5	948.8	0.31	0.31	0.011	0.007	0.09	0.08	719.9	664.2
Sub-total	3,332.2	3,244.7	0.38	0.38	0.011	0.005	0.12	0.12	2,332.5	2,271.3
Centinela Cathodes (ex-El Tesoro)										
Measured	102.4	111.3	0.59	0.64	–	–	–	–	71.7	77.9
Indicated	233.7	255.6	0.35	0.35	–	–	–	–	163.6	178.9
Measured + Indicated	336.1	367.0	0.42	0.44	–	–	–	–	235.3	256.9
Inferred	22.9	54.9	0.27	0.24	–	–	–	–	16.0	38.4
Sub-total	358.9	421.8	0.41	0.41	–	–	–	–	251.3	295.3
Centinela Total										
Measured	745.8	623.2	0.50	0.53	–	–	–	–	522.1	436.2
Indicated	1,894.0	2,039.7	0.38	0.38	–	–	–	–	1,325.8	1,427.8
Measured + Indicated	2,639.7	2,662.9	0.41	0.42	–	–	–	–	1,847.8	1,864.0
Inferred	1,051.3	1,003.7	0.31	0.30	–	–	–	–	735.9	702.6
Total	3,691.1	3,666.5	0.38	0.39	–	–	–	–	2,583.8	2,566.6
Antucoya (see note (c))										
Measured	446.7	462.3	0.34	0.34	–	–	–	–	312.7	323.6
Indicated	442.4	436.5	0.30	0.30	–	–	–	–	309.6	305.6
Measured + Indicated	889.0	898.8	0.32	0.32	–	–	–	–	622.3	629.2
Inferred	315.4	309.7	0.28	0.27	–	–	–	–	220.8	216.8
Total	1,204.4	1,208.5	0.31	0.30	–	–	–	–	843.1	846.0
Michilla (see note (d))										
Measured	23.2	24.7	1.70	1.65	–	–	–	–	23.2	18.3
Indicated	23.6	23.5	1.50	1.47	–	–	–	–	23.6	17.4
Measured + Indicated	46.8	48.2	1.60	1.56	–	–	–	–	46.8	35.8
Inferred	15.4	15.3	1.69	1.69	–	–	–	–	15.4	11.4
Total	62.2	63.6	1.62	1.59	–	–	–	–	62.2	47.2
Encuentro (see note (e))										
Oxides										
Measured	142.4	142.4	0.47	0.47	–	–	–	–	142.4	142.4
Indicated	27.8	27.8	0.31	0.31	–	–	–	–	27.8	27.8
Measured + Indicated	170.2	170.2	0.44	0.44	–	–	–	–	170.2	170.2
Inferred	8.6	8.6	0.32	0.32	–	–	–	–	8.6	8.6
Sub-total	178.8	178.8	0.44	0.44	–	–	–	–	178.8	178.8
Sulphides										
Measured	424.0	424.0	0.53	0.53	–	0.015	–	0.21	424.0	424.0
Indicated	544.0	551.8	0.35	0.35	–	0.014	–	0.13	544.0	551.8
Measured + Indicated	967.9	975.8	0.43	0.43	–	0.015	–	0.16	967.9	975.8
Inferred	172.7	217.7	0.29	0.28	–	0.012	–	0.13	172.7	217.7
Sub-total	1,140.6	1,193.5	0.41	0.40	–	0.014	–	0.16	1,140.6	1,193.5
Total	1,319.4	1,372.3	0.41	0.40	–	–	–	–	1,319.4	1,372.3

	Tonnage (millions of tonnes)		Copper (%)		Molybdenum (%)		Gold (g/tonne)		Attributable tonnage (millions of tonnes)	
	2014	2013	**2014**	2013	**2014**	2013	**2014**	2013	**2014**	2013
Polo Sur (see note (f))										
Oxides										
Measured	–	–	–	–	–	–	–	–	–	–
Indicated	**93.1**	90.9	**0.42**	0.42	–	–	–	–	**93.1**	90.9
Measured + Indicated	**93.1**	90.9	**0.42**	0.42	–	–	–	–	**93.1**	90.9
Inferred	**29.8**	21.3	**0.33**	0.30	–	–	–	–	**29.8**	21.3
Sub-total	**122.8**	112.2	**0.40**	0.40	–	–	–	–	**122.8**	112.2
Sulphides										
Measured	–	–	–	–	–	–	–	–	–	–
Indicated	**690.6**	706.1	**0.37**	0.37	–	0.007	–	0.06	**690.6**	706.1
Measured + Indicated	**690.6**	706.1	**0.37**	0.37	–	0.007	–	0.06	**690.6**	706.1
Inferred	**521.8**	582.9	**0.30**	0.30	–	0.007	–	0.05	**521.8**	582.9
Sub-total	**1,212.4**	1,289.0	**0.34**	0.34	–	0.007	–	0.06	**1,212.4**	1,289.0
Total	**1,335.2**	1,401.1	**0.35**	0.34	–	–	–	–	**1,335.2**	1,401.1
Penacho Blanco (see note (g))										
Oxides										
Measured	–	–	–	–	–	–	–	–	–	–
Indicated	–	–	–	–	–	–	–	–	–	–
Measured + Indicated	–	–	–	–	–	–	–	–	–	–
Inferred	**17.5**	16.9	**0.30**	0.30	–	–	–	–	**8.9**	8.6
Sub-total	**17.5**	16.9	**0.30**	0.30	–	–	–	–	**8.9**	8.6
Sulphides										
Measured	–	–	–	–	–	–	–	–	–	–
Indicated	–	–	–	–	–	–	–	–	–	–
Measured + Indicated	–	–	–	–	–	–	–	–	–	–
Inferred	**275.8**	280.6	**0.43**	0.43	–	0.002	–	0.05	**140.7**	143.1
Sub-total	**275.8**	280.6	**0.43**	0.43	–	0.002	–	0.05	**140.7**	143.1
Total	**293.3**	297.5	**0.42**	0.42	–	–	–	–	**149.6**	151.7
Mirador (ex-Mirador Sulphides (see note (h)))										
Oxides										
Measured	**0.7**	0.0	**0.46**	0.19	–	–	–	–	**0.7**	0.0
Indicated	**10.2**	2.0	**0.44**	0.47	–	–	–	–	**10.2**	2.0
Measured + Indicated	**10.9**	2.0	**0.44**	0.46	–	–	–	–	**10.9**	2.0
Inferred	**22.0**	17.7	**0.27**	0.24	–	–	–	–	**22.0**	17.7
Sub-total	**32.9**	19.7	**0.33**	0.26	–	–	–	–	**32.9**	19.7
Sulphides										
Measured	**1.5**	1.5	**0.38**	0.38	–	0.006	–	0.14	**1.5**	1.5
Indicated	**35.3**	37.8	**0.34**	0.33	–	0.006	–	0.11	**35.3**	37.8
Measured + Indicated	**36.8**	39.3	**0.34**	0.33	–	0.006	–	0.11	**36.8**	39.3
Inferred	**30.7**	108.6	**0.27**	0.25	–	0.007	–	0.05	**30.7**	108.6
Sub-total	**67.5**	147.9	**0.31**	0.28	–	0.007	–	0.06	**67.5**	147.9
Total	**100.4**	167.6	**0.31**	0.27	–	–	–	–	**100.4**	167.6
Los Volcanes (ex-Conchi (see note (i)))										
Oxides										
Measured	–	–	–	–	–	–	–	–	–	–
Indicated	–	–	–	–	–	–	–	–	–	–
Measured + Indicated	–	–	–	–	–	–	–	–	–	–
Inferred	**40.8**	–	**0.39**	–	–	–	–	–	**20.8**	–
Sub-total	**40.8**	–	**0.39**	–	–	–	–	–	**20.8**	–
Sulphides										
Measured	–	–	–	–	–	–	–	–	–	–
Indicated	–	–	–	–	–	–	–	–	–	–
Measured + Indicated	–	–	–	–	–	–	–	–	–	–
Inferred	**1,240.2**	–	**0.47**	–	–	0.009	–	–	**632.5**	–
Sub-total	**1,240.2**	–	**0.47**	–	–	–	–	–	**632.5**	–
Total	**1,281.0**	–	**0.47**	–	–	–	–	–	**653.3**	–

MINERAL RESOURCES ESTIMATES (INCLUDING ORE RESERVES)

	Tonnage (millions of tonnes)		Copper (%)		Nickel (%)		TPM (g/tonne Au+Pt+Pd)		Attributable Tonnage (millions of tonnes)	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
Twin Metals (see note (j))										
Maturi										
Measured	279.5	267.9	0.63	0.63	0.20	0.20	0.57	0.58	86.1	83.4
Indicated	745.5	702.3	0.58	0.58	0.19	0.19	0.59	0.61	285.0	271.4
Measured + Indicated	1,025.0	970.2	0.59	0.59	0.19	0.19	0.58	0.60	371.1	354.9
Inferred	481.4	510.2	0.49	0.51	0.16	0.17	0.52	0.53	173.4	180.2
Sub-total	1,506.4	1,480.4	0.56	0.56	0.18	0.18	0.56	0.57	544.5	535.1
Birch Lake										
Measured	–	–	–	–	–	–	–	–	–	–
Indicated	90.4	90.4	0.52	0.52	0.16	0.16	0.87	0.86	25.3	25.3
Measured + Indicated	90.4	90.4	0.52	0.52	0.16	0.16	0.87	0.86	25.3	25.3
Inferred	217.0	217.0	0.46	0.46	0.15	0.15	0.64	0.64	60.8	60.8
Sub-total	307.4	307.4	0.48	0.48	0.15	0.15	0.70	0.70	86.1	86.1
Spruce Road										
Measured	–	–	–	–	–	–	–	–	–	–
Indicated	–	–	–	–	–	–	–	–	–	–
Measured + Indicated	–	–	–	–	–	–	–	–	–	–
Inferred	435.5	435.4	0.43	0.43	0.16	0.16	–	–	121.9	121.9
Sub-total	435.5	435.4	0.43	0.43	0.16	0.16	–	–	121.9	121.9
Maturi South West										
Measured	–	–	–	–	–	–	–	–	–	–
Indicated	93.1	93.1	0.48	0.48	0.17	0.17	0.31	0.31	26.1	26.1
Measured + Indicated	93.1	93.1	0.48	0.48	0.17	0.17	0.31	0.31	26.1	26.1
Inferred	29.3	29.3	0.43	0.43	0.15	0.15	0.26	0.26	8.2	8.2
Sub-total	122.4	122.4	0.47	0.47	0.17	0.16	0.30	0.30	34.3	34.3
Total	2,371.7	2,345.7	0.52	0.52	0.17	0.17	0.46	0.47	786.8	777.4

	Tonnage (millions of tonnes)		Copper (%)		Nickel (%)		TPM (g/tonne Au+Pt+Pd)		Attributable Tonnage (millions of tonnes)	
Total Group	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
Measured + Indicated	9,993.2	8,965.3	0.47	0.47	–	–	–	–	6,856.8	6,249.9
Inferred	7,889.5	7,271.7	0.42	0.41	–	–	–	–	4,712.2	4,508.4
Total	17,882.9	16,236.9	0.45	0.45	–	–	–	–	11,568.3	10,758.3

NOTES TO ORE RESERVES AND MINERAL RESOURCES ESTIMATES

The ore reserves mentioned in this report were determined considering specific cut-off grades for each mine and using a long-term copper price of $3.10/lb ($3.00/lb in 2013), $11.00/lb molybdenum (unchanged from 2013) and $1,300/oz gold ($1,200/oz gold in 2013), unless otherwise noted. These same values have been used for copper equivalent (CuEq) estimates, where appropriate.

In order to ensure that the stated resources represent mineralisation that has "reasonable prospects for eventual economic extraction" (JORC code) the resources are enclosed within pit shells that were optimised based on measured, indicated and inferred resources and considering a copper price of $3.60/lb ($3.30/lb in 2013). Mineralisation estimated outside these pit shells is not included in the resource figures unless they can expect to be exploited by underground methods.

A) LOS PELAMBRES

Los Pelambres is 60% owned by the Group. The cut-off grade applied to the determination of ore reserves and mineral resources is 0.35% copper. For 2014 the mineral resource model has been updated with 225 drill holes for a total of 76,100 metres.

The decrease of 65 million tonnes in ore reserves is due principally to depletion in the period and reflects the remaining capacity of the existing tailing dams, limiting the amount of mineral resource that can be converted into ore reserves.

Mineral resources increased overall by a net 510 million tonnes, including depletion. Mineral resources in the measured plus indicated categories increased by 1,022 million tonnes while resources in the inferred category decreased by 512 million tonnes, reflecting increased information from new drill holes improving the confidence in the Mineral Resource categories.

B) CENTINELA (EX-ESPERANZA, INCLUDING EX-EL TESORO)

Centinela is 70% owned by the Group and consists of the integration of the Esperanza (referred to as Centinela Concentrates) and El Tesoro (referred to as Centinela Cathodes) operations. The cut-off grade applied to the determination of ore reserves for Centinela Concentrates (ex-Esperanza) is 0.20% equivalent copper, with 0.15% copper used as a cut-off grade for mineral resources. The cut-off grade used for the Centinela Cathodes (ex-El Tesoro) pits is as follows: Tesoro Central and Tesoro North-East deposits is 0.41% copper for ore reserves and 0.31% for mineral resources; the Mirador deposit is 0.30% copper for ore reserves and 0.15% for mineral resources. The cut-off grade applied to oxides contained in the Centinela Concentrates deposit (processed separately as Run-of-Mine leach, or ROM) is 0.20% copper for ore reserves and 0.15% copper for mineral resources. For 2014 the mineral resource model has been updated with 91 drill holes for 30,500 metres, all in the Centinela Concentrates deposit.

The Centinela integrated ore reserves increased by a net 89 million tonnes after depletion of 41 million tonnes, and the integrated mineral resources by a net 93 million tonnes. The increase is mainly due to changes in the Esperanza Sur pit design, taking into consideration updates to the resource model, geotechnical design and economic parameters in the period. The Centinela Cathodes ore reserves are made up of 99 million tonnes at 0.66% copper of heap-leach and 109 million tonnes at 0.30% copper of ROM ore.

C) ANTUCOYA

Antucoya is 70% owned by the Group. The cut-off grade applied to the determination of ore reserves is approximately 0.2% copper, with 0.15% copper used as a cut-off grade for mineral resources.

Pre-stripping continued in the Antucoya pit during 2014, with no depletion of ore reserves or mineral resources in the period. Ore reserves have increased by 46 million tonnes due to changes in the cut-off grade strategy, taking into consideration an increased copper price assumption and changes to the geo-metallurgical model.

Mineral resources have remained virtually unchanged.

D) MICHILLA

During 2014 the Group increased its ownership in Michilla to 99.9% (from 74.2% in 2013). Its operations comprise open pit mines, underground mines and other workings. The cut-off grade applied to the determination of ore reserves and mineral resources is 0.38 % copper for open pit, 1.2% copper for the Estefanía underground mine and 0.8% copper for other workings.

Ore reserves decreased by a net 6 million tonnes, including depletion of 4 million tonnes. Plant feed was 4.5 million tonnes, with the difference coming from ore not considered in the mine plan.

Mineral resources decreased by 1 million tonnes. The mineral resources estimate for Michilla includes several resource block models, incorporating the multiple deposits on the property.

Not included in the mineral resources estimate is the spent ore deposited on site. This is material that is removed from the dynamic heap-leach pads after the primary leach cycle is completed. During 2014, 8.4 million tonnes of spent ore at a grade of 0.26% was processed through the secondary leaching process. 2.6 million tonnes of this material was from the dynamic leach pads (re-leaching of part of the ore processed during 2014) and 5.8 million tonnes from the existing spent ore dump.

E) ENCUENTRO

Encuentro is 100% owned by the Group. The cut-off grade applied to the determination of mineral resources for both oxides and sulphides is 0.15% copper.

Total mineral resources have decreased by 53 million tonnes, with updates to the cost model used in the optimisation process more than offsetting the increase in copper price used.

F) POLO SUR

Polo Sur is 100% owned by the Group. The cut-off grade applied to the determination of mineral resources for both oxides and sulphides is 0.20% copper.

Total mineral resources have decreased by 66 million tonnes, with updates to the cost model used in the optimisation process more than offsetting the increase in copper price used. The 2014 resource model incorporates information from 9,900 metres of additional drilling in 36 drill holes.

G) PENACHO BLANCO

Penacho Blanco is 51% owned by the Group. The cut-off grade applied to the determination of mineral resources for both oxides and sulphides is 0.20% copper.

Total mineral resources have decreased by 4 million tonnes, with updates to the cost model used in the optimisation process offsetting the increase in copper price used.

H) MIRADOR (EX-MIRADOR SULPHIDES)

Mirador is 100% owned by the Group. A portion of the Mirador oxides are subject to an agreement between the Group and Centinela, whereby Centinela purchased the rights to mine the oxide ore reserves within an identified area. The ore reserves and mineral resources subject to the agreement with Centinela are reported in the Centinela Cathodes section. The cut-off grade applied to the determination of mineral resources for oxides is 0.15% copper and for sulphides is 0.20% copper.

Total mineral resources have decreased by 67 million tonnes, with updates to the cost model used in the optimisation process more than offsetting the increase in copper price used.

I) LOS VOLCANES (EX-CONCHI)

Los Volcanes is 51% owned by the Group. The cut-off grade applied to the determination of mineral resources for both oxides and sulphides is 0.20% copper. Los Volcanes was upgraded to Mineral Resources in mid 2014.

Total mineral resources have increased by 45 million tonnes, with updates to the cost model used in the optimisation process only partially offsetting the increase in copper price used.

J) TWIN METALS MINNESOTA LLC

At year end the Group had a 40% interest in Twin Metals Minnesota LLC ("Twin Metals"), with the remaining 60% held by Duluth Metals Limited ("Duluth"). In November 2014 Antofagasta entered into a binding letter of agreement to acquire 100% of Duluth. The acquisition completed subsequent to the year-end following approval from Duluth's shareholders in January 2015. Accordingly, subsequent to the year-end the Group has a 100% interest in Duluth and as a result of this a 100% interest in Twin Metals.

The Maturi and Maturi Southwest deposits have been incorporated in the pre-feasibility study completed by Twin Metals during 2014. The nearby Birch Lake and Spruce Road deposits were not part of the pre-feasibility study. Twin Metals has a 70% interest in the Birch Lake Joint Venture ("BLJV") which holds the Birch Lake, Spruce Road and Maturi Southwest deposits, as well as a portion of the main Maturi deposit. The prices used for the Twin Metals resource estimate remain unchanged from 2013.

The cut-off grade applied to the determination of mineral resources is 0.3% copper, which when combined with credits from nickel, platinum, palladium and gold, is deemed appropriate for an underground operation. In the resource table "TPM" (Total Precious Metals) refers to the sum of platinum, palladium and gold values in grammes per tonne. The TPM value of 0.57 for the Maturi resource estimate is made up of 0.15 g/tonne platinum, 0.34 g/tonne palladium and 0.08 g/tonne gold. The TPM value of 0.30 for the Maturi Southwest resource estimate is made up of 0.08 g/tonne platinum, 0.17 g/tonne palladium and 0.05 g/tonne gold. The TPM value of 0.70 g/tonne for the Birch Lake resource estimate is made up of 0.19 g/tonne platinum, 0.41 g/tonne palladium and 0.10 g/tonne gold. The Spruce Road resource estimate does not include TPM values as they were not assayed for.

Total Mineral Resources increased by 26 million tonnes, all in the Maturi deposit, mostly as a result of new information from a drill campaign in the upper portion of the deposit being incorporated into the 2014 Resource Model. 65 drill holes were added to the database for the 2014 mineral resource estimate.

K) OTHER MINERAL INVENTORY

In addition to the Mineral Resources noted above, the Group has interests in other deposits located in the Antofagasta Region of Chile, some of them containing gold and/or molybdenum. At the moment they are in exploration or in the process of resource estimation. The potential quantity and grade of each of the deposits is conceptual in nature, there has been insufficient exploration to define these deposits as mineral resources, and it is uncertain if further exploration will result in the determination of a mineral resource. These include:

(i) In the Centinela Mining District

Llano-Paleocanal is 70% owned by the Group, as part of the Centinela operation. The Mineral Inventory of the deposit (incorporating both oxide and sulphide mineralisation) is estimated to be in the range of 90 to 140 million tonnes with grades in the range of 0.6% to 0.4% copper. The table below details the deposit with its associated tonnage and grade ranges, the number of drill holes and associated metres drilled, as well as the Group's ownership interest:

Mineral Deposit	Tonnes range (million tonnes)		Grade range (% Cu)		Number drill holes	Total metres	Ownership interest (%)
Llano-Paleocanal	90	140	0.51	0.41	361	60,560	70.0
Total	**90**	**140**	**0.51**	**0.41**	**361**	**60,560**	

(ii) In the Michilla District

In the Michilla District there are several satellite deposits to the main Michilla ore body that have been included in the Mineral Resources Table. However, there is at least one other deposit within a potentially economic radius of the Michilla mine: Rencoret, owned 100% by the Group.

Mineral Deposit	Tonnes range (million tonnes)		Grade range (% Cu)		Number drill holes	Total metres	Ownership interest (%)
Rencoret	15	25	1.22	1.00	31	8.300	100.0
Total	**15**	**25**	**1.22**	**1.00**	**31**	**8.300**	

(iii) In the El Abra District

The Group has two mineral deposits within a few kilometres of the El Abra ore body, located near Calama in the Antofagasta Region of Chile. Los Volcanes (ex-Conchi) is a porphyry copper mineral deposit (with oxide and sulphide mineralisation), which was upgraded to a Mineral Resource during 2014, while Brujulina is an exotic-style mineral deposit (oxide mineralisation only). The Mineral Inventory of the remaining Brujulina deposit, owned 51% by the Group, is estimated to be in the range of 50 to 80 million tonnes with grades in the range of 0.65% to 0.53% copper.

Mineral Deposit	Tonnes range (million tonnes)		Grade range (% Cu)		Number drill holes	Total metres	Ownership interest (%)
Brujulina	50	80	0.65	0.53	159	15,300	51.0
Total	**50**	**80**	**0.65**	**0.53**	**159**	**15,300**	

L) ANTOMIN 2 AND ANTOMIN INVESTORS

The Group has an approximately 51% interest in two indirect subsidiaries, Antomin 2 Limited ("Antomin 2") and Antomin Investors Limited ("Antomin Investors"), which own a number of copper exploration properties in Chile's Antofagasta Region and Coquimbo Region. These include, among others, Penacho Blanco, Los Volcanes (ex-Conchi) and Brujulina (see Note k(iii) above). The remaining approximately 49% of Antomin 2 and Antomin Investors is owned by Mineralinvest Establishment ("Mineralinvest"), a company controlled by the Luksic family.

Further details are set out in Note 38(d) to the financial statements.

MINING PRODUCTION AND SALES,
TRANSPORT AND WATER STATISTICS

FOR THE YEAR ENDED 31 DECEMBER 2014

	Production		Sales		Net cash costs		Realised prices	
Production and sales volumes, realised prices and cash cost by mine	**2014 '000 tonnes**	2013 '000 tonnes	**2014 '000 tonnes**	2013 '000 tonnes	**2014 \$/lb**	2013 \$/lb	**2014 \$/lb**	2013 \$/lb
Copper								
Los Pelambres	**391.3**	405.3	**386.0**	414.0	**1.18**	1.16	**2.95**	3.25
Centinela Concentrates	**172.8**	174.9	**178.8**	168.2	**1.54**	1.43	**2.97**	3.22
Centinela Cathodes	**93.8**	102.6	**92.1**	101.6	**1.79**	1.36	**3.11**	3.34
Michilla	**47.0**	38.3	**46.1**	38.4	**2.38**	3.22	**3.30**	3.64
Group total	**704.8**	721.2	**703.0**	722.2				
Group weighted average (net cash cost)					**1.43**	1.36	**3.00**	3.28
Group weighted average (before by-products)					**1.83**	1.79		
Cash cost at Los Pelambres comprise								
Cash cost before by-product credits*					**1.56**	1.52		
By-product credits (principally molybdenum and gold)					**(0.38)**	(0.36)		
Net cash cost					**1.18**	1.16		
*Includes tolling charges of \$0.21/lb and \$0.17/lb for 2104 and 2013 respectively.								
Cash cost at Centinela Concentrates comprise								
Cash cost before by-product credits					**2.29**	2.36		
By-product credits (principally gold)					**(0.75)**	(0.93)		
Net cash cost					**1.54**	1.43		
*Includes tolling charges of \$0.24/lb and \$0.20/lb for 2104 and 2013 respectively.								
LME average							**3.11**	3.32
Gold	**'000 ounces**	'000 ounces	**'000 ounces**	'000 ounces			**\$/oz**	\$/oz
Los Pelambres	**66.5**	56.7	**63.8**	56.7			**1,265**	1,362
Centinela Concentrates	**204.4**	237.1	**203.6**	226.0			**1,261**	1,357
Group total	**270.8**	293.8	**267.4**	282.7			**1,262**	1,358
Market average price							**1,266**	1,410
Molybdenum	**'000 ounces**	'000 ounces	**'000 ounces**	'000 ounces			**\$/lb**	\$/lb
Los Pelambres	**7.9**	9.0	**8.2**	8.8			**11.0**	10.0
Market average price							**11.4**	10.3

Quarterly information	Q1	Q2	Q3	Q4	**2014 Full year**	2013 Full year
Group total						
Total copper production volume ('000 tonnes)	169.4	178.7	169.2	187.4	**704.8**	721.2
Total copper sales volume ('000 tonnes)	168.3	174.9	160.7	199.1	**703.0**	722.2
Total gold production volume ('000 ounces)	56.8	67.0	64.7	82.2	**270.9**	293.8
Total gold sales volume ('000 ounces)	57.1	68.1	56.6	85.5	**267.4**	282.7
Total molybdenum production volume ('000 tonnes)	1.7	1.6	2.3	2.4	**7.9**	9.0
Total molybdenum sales volume ('000 tonnes)	1.5	1.7	2.5	2.4	**8.2**	8.8
Weighted average realised copper price (\$/lb)	2.9	3.3	3.0	2.9	**3.0**	3.3
Realised gold price (\$/oz)	1,403	1,315	1,149	1,198	**1,262**	1,358
Realised molybdenum price (\$/lb)	10.5	18.5	11.1	5.9	**11.0**	10.0
Weighted average cash costs (\$/lb)						
– before by-product credits	1.83	1.90	1.85	1.75	**1.83**	1.79
– net of by-product credits	1.46	1.45	1.42	1.39	**1.43**	1.37

Quarterly information	Q1	Q2	Q3	Q4	2014 Full year	2013 Full year
Los Pelambres (60% owned)						
Daily average ore treated ('000 tonnes)	162.6	191.0	175.7	175.8	**176.3**	177.2
Average ore grade (%)	0.7	0.7	0.7	0.7	**0.7**	0.7
Average recovery (%)	91.7	89.7	88.6	87.8	**89.4**	90.0
Copper production ('000 tonnes)	95.7	100.9	94.9	99.7	**391.3**	405.3
Copper sales ('000 tonnes)	95.8	94.2	89.9	106.1	**386.0**	414.0
Average moly ore grade (%)	0.0	0.0	0.0	0.0	**0.0**	0.0
Average moly recovery (%)	81.5	86.5	81.1	86.0	**83.8**	82.8
Molybdenum production ('000 tonnes)	1.7	1.6	2.3	2.4	**7.9**	9.0
Molybdenum sales ('000 tonnes)	1.5	1.7	2.5	2.4	**8.2**	8.8
Gold production ('000 ounces)	15.5	18.1	17.0	15.9	**66.5**	56.7
Gold sales ('000 ounces)	15.5	15.8	15.4	17.0	**63.8**	56.7
Cash costs before by-product credits ($/lb)	1.64	1.59	1.51	1.52	**1.56**	1.52
Net cash costs ($/lb)	1.31	1.11	1.06	1.25	**1.18**	1.16
Centinela concentrate (70% owned) (Previously Esperanza)						
Daily average ore treated ('000 tonnes)	82.1	88.4	84.6	88.0	**85.8**	87.2
Average ore grade (%)	0.6	0.6	0.7	0.7	**0.7**	0.6
Average recovery (%)	87.6	88.2	88.5	88.4	**88.2**	87.3
Copper production ('000 tonnes)	39.2	43.1	41.4	49.1	**172.8**	174.9
Copper sales ('000 tonnes)	39.0	46.8	38.4	54.6	**178.8**	168.2
Average gold ore grade (g/tonne)	0.3	0.3	0.3	0.3	**0.3**	0.3
Average gold recovery (%)	70.6	71.8	74.9	80.0	**74.7**	78.1
Gold production ('000 ounces)	41.3	48.9	47.7	66.3	**204.4**	237.1
Gold sales ('000 ounces)	41.6	52.3	41.2	68.5	**203.6**	226.0
Cash costs before by-product credits ($/lb)	2.20	2.50	2.44	2.06	**2.29**	2.36
Net cash costs ($/lb)	1.44	1.75	1.76	1.27	**1.54**	1.43
Centinela cathodes (70% owned) (Previously El Tesoro)						
Daily average ore treated ('000 tonnes)	25.8	25.2	23.1	26.6	**25.2**	21.3
Average ore grade (%)	1.3	1.2	1.3	1.4	**1.3**	1.5
Average recovery (%)	73.8	72.7	68.4	67.6	**70.5**	78.2
Copper production – heap-leach ('000 tonnes)	21.2	19.7	19.6	23.1	**83.6**	94.0
Copper production – total ('000 tonnes)	23.7	22.3	22.0	25.7	**93.8**	102.6
Copper sales ('000 tonnes)	23.1	22.0	21.4	25.5	**92.1**	101.6
Cash costs ($/lb)	1.68	1.93	1.86	1.73	**1.79**	1.36
Michilla (99.9% owned)						
Daily average ore treated ('000 tonnes)	12.0	12.9	11.00	12.90	**12.2**	12.0
Average ore grade (%)	1.1	1.1	1.1	1.2	**1.1**	0.9
Average recovery (%)	80.0	79.2	80.5	78.5	**79.5**	77.9
Copper production – heap-leach ('000 tonnes)	9.4	10.8	9.0	10.9	**40.1**	31.8
Copper production – total ('000 tonnes)	10.8	12.4	10.9	12.9	**47.0**	38.3
Copper cathodes – sales volume ('000 tonnes)	10.4	11.9	11.0	12.9	**46.1**	38.4
Cash costs ($/lb)	2.49	2.28	2.47	2.31	**2.38**	3.22
Transport (100% owned)						
Total tonnage transported ('000 tonnes)	1,729	1,790	1,853	1,871	**7,302**	7,413
Water (100% owned)						
Water volume sold – potable and untreated (million m^3)	12.9	12.7	12.2	13.1	**50.9**	51.3

NOTES

(i) The production and sales figures represent the actual amounts produced and sold, not the Group's share of each mine. The Group owns 60% of Los Pelambres, 70% of Centinela, 70% of El Tesoro and 99.9% of Michilla.

(ii) Los Pelambres produces copper and molybdenum concentrates, Centinela produces copper concentrate and copper cathodes and Michilla produces copper cathodes. The figures for Los Pelambres and Centinela Concentrates are expressed in terms of payable metal contained in concentrate. Los Pelambres and Centinela Concentrates are also credited for the gold and silver contained in the copper concentrate sold.

(iii) Cash costs are a measure of the cost of operational production expressed in terms of dollars per pound of payable copper produced. Cash costs are stated net of by-product credits and include tolling charges for concentrates at Los Pelambres and Centinela Concentrates. Cash costs exclude depreciation, financial income and expenses, hedging gains and losses, exchange gains and losses and corporation tax.

(iv) Realised copper prices are determined by comparing revenue from copper sales (grossing up for tolling charges for concentrates) with sales volumes for each mine in the period. Realised molybdenum and gold prices are calculated on a similar basis. 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.

GLOSSARY AND DEFINITIONS

BUSINESS, FINANCIAL AND ACCOUNTING

ADASA	Aguas de Antofagasta S.A., a wholly owned subsidiary of the Group incorporated in Chile and operating the Water concession in Chile's Antofagasta Region acquired from ECONSSA.
ADR	American Depositary Receipt.
AIFR	All Injury Frequency Rate.
Alto Maipo	Alto Maipo SpA, a 40%-owned associate of the Group incorporated in Chile, which owns the Alto Maipo hydroelectric project in the upper section of the Maipo River in Chile.
AMSA	Antofagasta Minerals S.A., a wholly owned subsidiary of the Group incorporated in Chile, which acts as the corporate centre for the mining division.
Annual report	The Annual Report and Financial Statements of Antofagasta plc.
Antucoya	Minera Antucoya S.A., a copper project located approximately 45 km east of Michilla, 70% owned by the Group.
ATI	Antofagasta Terminal Internacional S.A., a 30%-owned associate of the Group incorporated in Chile and operating the port in the city of Antofagasta.
Australian dollars	Australian currency.
Banco de Chile	Banco de Chile, a subsidiary of Quiñenco.
Barrick Gold	Barrick Gold Corporation, the joint venture partner of the Group in Tethyan Copper Company Limited.
Capex	Capital expenditure(s).
Cash costs	A measure of the cost of operational production expressed in terms of dollars per pound of payable copper produced. Cash costs are stated net of by-product credits and include tolling charges for concentrates for Los Pelambres and Centinela Concentrates. Cash costs exclude depreciation, financial income and expenses, hedging gains and losses, exchange gains and losses and corporation tax.
CCU	Compañía de Cervecerías Unidas S.A., an associate of Quiñenco.
Centinela	Minera Centinela S.A., a 70%-owned subsidiary of the Group incorporated in Chile, incorporates Centinela Concentrates (formerly Esperanza) and Centinela Cathodes (formerly El Tesoro).
Centinela Mining District	Copper district located in the Antofagasta Region of Chile, where Minera Centinela is located. Formerly known as the Sierra Gorda district.
CGU	Cash-Generating Unit.
Chilean peso	Chilean currency.
Companies Act 2006	Principal legislation for United Kingdom company law.
Company	Antofagasta plc.
Continental water	Water that comes from the interior of land masses including rain, snow, streams, rivers, lakes and groundwater.
Corporate Governance Code	The UK Corporate Governance Code published by the Financial Reporting Council in September 2012 and applicable to listed companies for reporting years beginning on or after 1 October 2012. The code replaced the 2010 Combined Code on Corporate Governance and was first applied by the Group for the year ended 31 December 2013.
Directors	The Directors of the Company.
Duluth	Duluth Metals Limited, a wholly owned subsidiary of Antofagasta plc since 28 January 2015 through which the Group holds the Twin Metals Project.
EBITDA	Earnings Before Interest, Tax, Depreciation and Amortisation.
ECONSSA	Empresa Concesionaria de Servicios Sanitarios S.A., the Chilean state-owned company which previously operated the regulated and non-regulated water distribution business in Chile's Antofagasta Region (formerly known as ESSAN).
El Arrayán	Parque Eólico el Arrayán SPA, a 30%-owned associate of the Group that operates a wind-power plant providing up to 40MW of electricity to Los Pelambres.
El Tesoro	Known as Centinela Cathodes following the creation of Centinela.
ENAP	Empresa Nacional del Petróleo, the 50% joint venture partner of the Group in Energía Andina S.A.
Encuentro	Copper oxides and sulphide prospect located in the Centinela Mining District held through Compañía Contractual Minera Encuentro, a wholly owned subsidiary of the Group incorporated in Chile, formerly known as Caracoles.
Energía Andina S.A.	Energía Andina S.A., a 50%-owned joint venture entity of the Group incorporated in Chile.
EPS	Earnings per share.
Esperanza	Known as Centinela Concentrates following the creation of Centinela.
Esperanza Sur	Copper prospect located in the Centinela Mining District. Formerly known as Telégrafo.
ESSAN	Empresa de Servicios Sanitarios S.A., former name of ECONSSA.
EU	European Union.
FCA	Financial Conduct Authority.
FCAB	Ferrocarril de Antofagasta a Bolivia, the Chilean name for the Antofagasta Railway Company plc, a wholly owned subsidiary of the Group incorporated in the UK and operating a rail network in Chile's Antofagasta Region.
FTSE All-Share Index	A market-capitalisation weighted index representing the performance of all eligible companies listed on the London Stock Exchange's main market.
GAAP	Generally Accepted Accounting Practice or Generally Accepted Accounting Principles.
Government	The Government of the Republic of Chile.
Group	Antofagasta plc and its subsidiary companies.

Hedge accounting	Accounting treatment for derivatives financial instrument permitted under IAS 39 "Financial Instruments: Recognition and Measurement", which recognises the offsetting effects on profit or loss of changes in the fair values of a hedging instrument and the hedged item.
IAS	International Accounting Standards.
IASB	International Accounting Standards Board.
IFRIC	International Financial Reporting Interpretations Committee.
IFRS	International Financial Reporting Standards.
Inversiones Hornitos	Inversiones Hornitos S.A., a 40%-owned associate of the Group incorporated in Chile which owns the 150MW Hornitos thermoelectric power plant in Mejillones in Chile's Antofagasta Region.
IVA	Impuesto al Valor Agregado, or Chilean Value Added Tax (Chilean VAT).
Key Management Personnel	Persons with authority and responsibility for planning, directing and controlling the activities of the Group.
KPI	Key performance indicator.
LIBOR	London Inter Bank Offer Rate.
LME	London Metal Exchange.
Los Pelambres	Minera Los Pelambres, a 60%-owned subsidiary of the Group incorporated in Chile.
LSE	London Stock Exchange.
LTIFR	Lost Time Injury Frequency Rate.
Madeco	Madeco S.A., a subsidiary of Quiñenco.
Marubeni	Marubeni Corporation, the Group's 30% minority partner in Minera Centinela and Antucoya.
Michilla	Minera Michilla S.A., a 99.9%-owned subsidiary of the Group incorporated in Chile.
Mirador	Copper oxide deposit that forms part of the Centinela operation.
PPA	Power Purchase Agreement.
Provisional pricing	A sales term in several copper and molybdenum concentrate sale agreements and cathodes sale agreements that provides for provisional pricing of sales at the time of shipment, with final pricing being based on the monthly average LME copper price or monthly average molybdenum price for specific future periods, normally ranging from 30 to 180 days after delivery to the customer. For the purposes of IAS 39, the provisional sale is considered to contain an embedded derivative (ie the forward contract for which the provisional sale is subsequently adjusted) that is separated from the host contract (ie the sale of metals contained in the concentrate or cathode at the provisional invoice price less tolling charges deducted).
Quiñenco	Quiñenco S.A., a Chilean financial and industrial conglomerate under the control of the Luksic family and listed on the Santiago Stock Exchange.

Realised prices	Effective sale price achieved comparing revenues (grossed up for tolling charges for concentrate) with sales volumes.
Reko Diq	Reko Diq is a substantial copper-gold porphyry district in south-west Pakistan. The Group's interest is held through Tethyan Copper Company Limited, a 50-50 joint venture with Barrick Gold Corporation of Canada.
Run-of-river	A type of hydroelectric plant using the flow of a stream as it occurs and having little or no reservoir capacity.
Sernageomin	Servicio Nacional de Geología y Minería.
Sterling	UK currency.
SVS	Superintendencia de Valores y Seguros de Chile, the Chilean securities regulator.
Telégrafo	The former name of the Encuentro copper prospect and located in the Centinela Mining District.
Tethyan	Tethyan Copper Company Limited, a 50%-owned joint venture entity of the Group incorporated in Australia.
TSR	Total Shareholder Return, being the movement in the Company's share price plus reinvested dividends.
Twin Metals Minnesota Project	A copper, nickel and platinum group metals (strategic metals) underground-mining project located in northeastern Minnesota.
UK	United Kingdom.
UK Corporate Governance Code 2010	The UK Corporate Code published by the Financial Reporting Council in May 2010 and applicable to listed companies for reporting years beginning on or after 29 June 2010. The code replaced the 2008 Combined Code on Corporate Governance.
UKLA	United Kingdom Listing Authority.
US	United States.
US dollars	United States currency.

GLOSSARY AND DEFINITIONS

MINING INDUSTRY

Brownfield project	A development or exploration project in the vicinity of an existing operation.
By-products (credits in copper concentrates)	Products obtained as a result of copper processing. Los Pelambres and Centinela Concentrates receive credit for the gold and silver content in the copper concentrate sold. Los Pelambres also produces molybdenum concentrate.
Concentrate	The product of a physical concentration process, such as flotation or gravity concentration, which involves separating ore minerals from unwanted wasted rock. Concentrates require subsequent processing (such as smelting or leaching) to break down or dissolve the ore minerals and obtain the desired elements, usually metals.
Contained copper	The proportion or quantity of copper contained in a given quantity of ore or concentrate.
Copper cathode	Refined copper produced by electrolytic refining of impure copper by electrowinning.
Cut-off grade	The lowest grade of mineralised material considered economic to process and used in the calculation of ore reserves and mineral resources.
Flotation	A process of separation by which chemicals in solution are added to materials, some of which are attracted to bubbles and float, while others sink. This results in the production of concentrate.
Grade A copper cathode	Highest-quality copper cathode (LME registered and certified in the case of Centinela Cathodes and Michilla).
Greenfield project	The development or exploration of a new project not previously examined.
Heap-leaching	A process for the recovery of copper from ore. The crushed material is laid on a slightly sloping, impermeable pad and leached by uniformly trickling (gravity fed) chemical solution through the beds to ponds. The metal is then recovered from the solution through the SX-EW process.
JORC	Joint Ore Reserves Committee of Australia.
Leaching	The process by which a soluble mineral can be economically recovered by dissolution.
LOM or Life-of-Mine	The remaining life of a mine expressed in years, calculated by reference to scheduled production rates (ie comparing the rate at which ore is expected to be extracted from the mine to current defined reserves).
Mineral resources	Material of intrinsic economic interest occurring in such form and quantity that there are reasonable prospects for eventual economic extraction. Mineral resources are stated inclusive of ore reserves, as defined by JORC.
MW	Megawatts (one million watts).
Open pit	Mine working or excavation that is open to the surface.
Ore	Rock from which metal(s) or mineral(s) can be economically and legally extracted.
Ore grade	The relative quantity, or percentage, of metal content in an ore body or quantity of processed ore.
Ore reserves	Part of Mineral Resources for which appropriate assessments have been carried out to demonstrate that at a given date extraction could be reasonably justified. These include consideration of and modification by realistically assumed mining, metallurgical, economic, marketing, legal, environmental, social and governmental factors.
Oxide and Sulphide ores	Different kinds of ore containing copper. Oxide ore occurs on the weathered surface of ore-rich lodes and normally results in the production of cathode copper through a heap-leaching process. Sulphide ore comes from an unweathered parent ores process and normally results in the production of concentrate through a flotation process which then requires smelting and refining to produce cathode copper.
Payable copper	The proportion or quantity of contained copper for which payment is received after metallurgical deduction.
Porphyry	A large body of rock which contains disseminated chalcopyrite and other sulphide minerals. Such a deposit is mined in bulk on a large scale, generally in open pits, for copper and its by-product molybdenum.
Run-of-Mine ("ROM")	A process for the recovery of copper from ore, typically used for low-grade ores. The mined, uncrushed ore is leached with a chemical solution. The metal is then recovered from the solution through the SX-EW process.
Stockpile	Material extracted and piled for future use.
SX-EW	Solvent-Extraction and Electrowinning. A process for extracting metal from an ore and producing pure metal. First the metal is leached into solution; the resulting solution is then purified in the solvent-extraction process; the solution is then treated in an electrochemical process (electrowinning) to recover cathode copper.
Tailings dam	Construction used to deposit the rock waste which remains as a result of the concentrating process after the recoverable minerals have been extracted in concentrate form.
TC/RCs	Treatment and refining charges, being terms used to set the smelting and refining charge or margin for processing copper concentrate and normally set either on an annual basis or on a spot basis.
Tolling charges	Charges or margins for converting concentrate into finished metal. These include TC/RCs, price participation and price sharing for copper concentrate and roasting charges for molybdenum concentrate.
tpd	Tonnes per day, normally with reference to the quantity of ore processed over a given period of time expressed as a daily average.
Underground mine	Natural or man-made excavation under the surface of the ground.

CURRENCY ABBREVIATIONS

$	US dollar.
$'000	Thousand US dollars.
$m	Million US dollars.
£	Pounds sterling.
£'000	Thousand pounds sterling.
£m	Million pounds sterling.
p	Pence sterling.
C$m	Million Canadian dollars.
Ch$	Chilean peso.
Ch$'000	Thousand Chilean pesos.
Ch$m	Million Chilean pesos.
A$	Australian dollars.
A$'000	Thousand Australian dollars.
A$m	Million Australian dollars.

DEFINITIONS AND CONVERSION OF WEIGHTS AND MEASURES

lb	Pound.
oz	A troy ounce.
'000 m^3	Thousand cubic metres.
'000 tonnes	Thousand metric tonnes.
1 kilogramme =	2.2046 pounds.
1 metric tonne =	1,000 kilogrammes.
1 kilometre =	0.6214 miles.
1 troy ounce =	31.1 grammes.

CHEMICAL SYMBOLS

Cu	Copper.
Mo	Molybdenum.
Au	Gold.
Ag	Silver.

SHAREHOLDER INFORMATION

DIVIDENDS

Details of dividends proposed in relation to the year are given in the Directors' report on page 100, and in Note 11 to the financial statements.

If approved at the Annual General Meeting ("AGM"), the final dividend of 9.8 cents will be paid on 22 May 2015 to ordinary shareholders that are on the register at the close of business on 24 April 2015. Shareholders can elect (on or before 27 April 2015) to receive this final dividend in US Dollars, Pounds Sterling or Euro, and the exchange rate which will be applied to final dividends to be paid in Pounds Sterling or Euro will be set as soon as reasonably practicable after that date (which is currently anticipated to be on 30 April 2015).

Further details of the currency election timing and process (including the default currency of payment) are available on the Antofagasta plc website (www.antofagasta.co.uk) or from the Company's registrar, Computershare Investor Services PLC on +44 87 0702 0159.

Dividends are paid gross without deduction of United Kingdom income tax. As at the date of this notice, Antofagasta plc is not resident in the United Kingdom for tax purposes. However, Antofagasta plc is expected to become resident in the United Kingdom for tax purposes before the final dividend of 9.8 cents per ordinary shares is paid on 22 May 2015 (if approved at the AGM). Accordingly, that dividend and all subsequent dividends will be treated in the same way as dividends received from any other company that is tax resident in the United Kingdom.

ANNUAL GENERAL MEETING

The Annual General Meeting will be held at Church House Conference Centre, Dean's Yard, Westminster, London SW1P 3NZ at 10.30 am on Wednesday, 20 May 2015. The formal notice of the Annual General Meeting and resolutions to be proposed are set out in the Notice of Annual General Meeting.

LONDON STOCK EXCHANGE LISTING AND SHARE PRICE

The Company's shares are listed on the London Stock Exchange.

The Company's American Depositary Receipts ("ADRs") also trade on the over-the-counter market in the United States. Each ADR represents the right to receive two ordinary shares.

SHARE CAPITAL

Details of the Company's ordinary share capital are given in Note 28 to the financial statements.

SHAREHOLDER CALENDAR 2015

23 April 2015	Ex-Dividend date for 2014 Final Dividend
24 April 2015	Record date for 2014 Final Dividend
27 April 2015	Final date for receipt of 2014 Final Dividend Currency Elections
29 April 2015	Quarterly Production Report – Q1 2015
30 April 2015	Pound Sterling and Euro rate set for 2014 Final Dividend
20 May 2015	Annual General Meeting
22 May 2015	Payment date for 2014 Final Dividend
29 July 2015	Quarterly Production Report – Q2 2015
25 August 2015	Interim Results Announcement – Half Year 2015
17 September 2015	Ex-Dividend date for 2015 Interim Dividend
18 September 2015	Record date for 2015 Interim Dividend
21 September 2015	Final date for receipt of 2015 Interim Dividend Currency Elections
24 September 2015	Pound Sterling and Euro rate set for 2015 Interim Dividend
8 October 2015	Payment date for 2015 Interim Dividend
28 October 2015	Quarterly Production Report – Q3 2015

Dates are provisional and subject to change.

REGISTRARS

Computershare Investor Services PLC
The Pavilions
Bridgwater Road
Bristol BS99 6ZY
United Kingdom
Tel: +44 87 0702 0159
www.computershare.com

WEBSITE

Antofagasta plc's annual and half-yearly financial reports, press releases and other presentations are available on the Group's website at www.antofagasta.co.uk.

REGISTERED OFFICE

Cleveland House
33 King Street
London SW1Y 6RJ
United Kingdom
Tel: +44 20 7808 0988

SANTIAGO OFFICE

Antofagasta Minerals
Av. Apoquindo 4001 – Piso 18
Santiago, Chile
Tel: +562 2798 7000

REGISTERED NUMBER

1627889

Additional information can be found in the Shareholder Information section of the Notice of Annual General Meeting and on the Group's website.

DIRECTORS AND ADVISORS

DIRECTORS

Jean-Paul Luksic	Chairman
William Hayes	Non-Executive
Gonzalo Menéndez	Non-Executive
Ramón Jara	Non-Executive
Juan Claro	Non-Executive
Hugo Dryland	Non-Executive
Tim Baker	Non-Executive
Manuel Lino Silva De Sousa-Oliveira (Ollie Oliveira)	Non-Executive
Andrónico Luksic	Non-Executive
Vivianne Blanlot	Non-Executive
Jorge Bande	Non-Executive

COMPANY SECRETARY

Julian Anderson

AUDITOR

Deloitte LLP

SOLICITOR

Clifford Chance LLP

FINANCIAL ADVISORS

N M Rothschild & Sons

STOCKBROKERS

Bank of America Merrill Lynch

J.P. Morgan Cazenove

BANKER

The Royal Bank of Scotland plc

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Radley Yeldar **www.ry.com**

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ANTOFAGASTA PLC

VISIT WWW.ANTOFAGASTA.CO.UK FOR UP-TO-DATE INVESTOR INFORMATION INCLUDING OUR PAST FINANCIAL RESULTS.

CLEVELAND HOUSE
33 KING STREET
LONDON
SW1Y 6RJ
UNITED KINGDOM