CESCO

CENTER FOR COPPER AND MINING STUDIES

# MINING FINANCIAL REPORT

## N°7
## First Quarter 2010

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Santiago, Wednesday, July 14, 2010. Number 7, 1st Quarter 2010.

- The average copper price in the first quarter of 2010 was 328.5 USD cents/lb. This price more than doubled the average price in the first quarter of the previous year (155.8 cents USD/lb), which had an influence on the significant variations in the different variables analyzed in this report.
- The increase in income in the Chilean copper industry during the first quarter of 2010 was basically in line with the increase in the copper price during that period. This situation was different from the international companies, whose income increased slightly less. The lower increase can be explained by the fact that production in global companies is more highly diversified.
- The 12 leading copper-producing companies in the world –according to their stake in the ownership of the mining operations-, decreased their production in the first quarter of this year by 6.8% compared to the same period in 2009.
- An outstanding element in the period was the reincorporation of Asarco in the Grupo Mexico, which had a significant effect on the company's results.
- The 11 largest copper-producing companies in Chile increased their production 3.1% in the period, which meant that the two leading Chilean producing companies, Codelco and Escondida, have stabilized their production levels at around 1.7 and 1.1 million tons, respectively, after a period of significant variations.
- BHP Billiton, Vale, Grupo Mexico and Xstrata have exceeded their market value prior to the world financial crisis, while Freeport and Antofagasta Minerals have equaled it.
- Copper production data from Norilsk Nickel and Kazakhmys have been included in this report, which makes it possible to report on the production of the 12 largest copper-producing companies in the world.

World Mining Industry

**Table 1:**
*Income and Ebitda of leading mining companies that produce copper*

| Company | Income | | | | EBITDA | | | |
|---|---|---|---|---|---|---|---|---|
| | US$ Million | | | % Var. | US$ Million | | | % Var. |
| | Jan-Dec 2009 | Jan-Mar 2009 | Jan-Mar 2010 | 1Q09 vs. 1Q10 | Jan-Dec 2009 | Jan-Mar 2009 | Jan-Mar 2010 | 1Q09 vs. 1Q10 |
| BHP Billiton | 45,007 | n.a. | n.a. | n.a. | 17,570 | n.a. | n.a. | n.a. |
| Rio Tinto | 44,036 | n.a. | n.a. | n.a. | 14,471 | n.a. | n.a. | n.a. |
| Vale | 23,939 | 5,421 | 6,848 | 26.3% | 9,407 | 2,341 | 3,049 | 30.2% |
| Anglo American | 24,637 | n.a. | n.a. | n.a. | 6,930 | n.a. | n.a. | n.a. |
| Xstrata | 22,732 | n.a. | n.a. | n.a. | 7,046 | n.a. | n.a. | n.a. |
| Freeport McMoRan Copper & Gold | 15,040 | 2,602 | 4,363 | 67.7% | 7,517 | 904 | 2,319 | 156.5% |
| Codelco | 12,148 | 2,013 | 3,601 | 78.9% | 5,471 | 596 | 2,179 | 265.5% |
| Grupo Mexico | 4,831 | 851 | 1,933 | 127.2% | 2,126 | 287 | 920 | 220.5% |
| KGHM Polska Miedz | 4,235 | 749 | 1,260 | 68.1% | 1,196 | 290 | 404 | 39.4% |
| Antofagasta Minerals Plc | 2,963 | 545 | 982 | 80.3% | 1,681 | 265 | 623 | 135.6% |
| **Total** | **199,567** | **12,180** | **18,986** | **56%** | **73,414** | **4,682** | **9,494** | **103%** |

*Source: Based on information published by the companies.*
These companies represent, jointly, approximately 55.8% of world copper production (2009e). In 2008 they represented 56.9%.

The average copper price in the first quarter of 2010 was 328.5 USD cents/lb, which more than doubled the average price in the first quarter of the previous year (155.8 USD cents/lb).

The 111% increase in the copper price was clearly reflected in the higher level of income (+56%) and profits (+103%) of the leading mining companies that produce copper in the world.

Increases in income varied between 68% and 80% except for Grupo Mexico, which had a much larger increase of 127%, as it was the company with the biggest increase in production in the period, due to the recovery of Asarco.

Proportionally the increase in Ebitda was higher than income, since the increase in costs in the first quarter of the year –compared to the same period of 2009-, was lower than the increase in income.

The significant increase in the Ebitda of Codelco can be explained – among other factors-, by a relevant drop of 59% in administrative expenses, explained by reductions in some items and adjustments corresponding to the accounting practices of subsidiaries like Gaby.

***Table 2:***
*Return on capital of leading mining companies that produce copper in the world*

| Company | ROE | | | ROE Var. |
|---|---|---|---|---|
| | at 12-31-09 | at 03-31-09 | at 03-31-10 | 1Q09 vs. 1Q10 |
| BHP Billiton | 0.21 | n.a. | n.a. | n.a. |
| Anglo American | 0.10 | n.a. | n.a. | n.a. |
| Rio Tinto | 0.11 | n.a. | n.a. | n.a. |
| Vale | 0.09 | 0.03 | 0.03 | -11.4% |
| Xstrata | 0.02 | n.a. | n.a. | n.a. |
| Freeport McMoRan Copper & Gold | 0.28 | 0.01 | 0.08 | 1324.8% |
| Codelco[1] | 0.24 | 0.02 | 0.10 | 425.7% |
| Codelco[2] (calculated with comparable net profit) | 0.61 | 0.06 | 0.22 | 286.3% |
| Grupo Mexico | 0.18 | 0.005 | 0.07 | 1329.4% |
| KGHM Polska Miedz | 0.19 | 0.07 | 0.08 | 17.6% |
| Antofagasta Minerals Plc | 0,10 | n.a. | n.a. | n.a. |
| **Average (with Codelco[1])** | **0.15** | **0.02** | **0.07** | **175%** |
| **Average (with Codelco[2])** | **0.19** | **0.03** | **0.09** | **186%** |

*Source: Prepared by Cesco based on information published by companies*

1. ROE calculated with net profit of fiscal year.
2. ROE calculated with comparable net profit. Comparable net profit is the profit Codelco would have if it paid the same 17% tax as private companies.

The important increases in profitability, especially of Freeport and Grupo Mexico, were influenced – besides the price and production factors mentioned above-, by the low basis for comparison of the first quarter of 2009 when the effects of the world economic crisis were most intense, resulting in an important drop in income and profitability. Another factor was the fact that the reduction of costs implemented by the industry in response to the crisis became evident later in 2009 and did not manage to offset, in that quarter, the drop in income due to the economic crisis.

***Table No. 3:***
*Debt*
(Total Liabilities / Total Assets)

| Company | Debt Ratio | | | (%) Var. |
|---|---|---|---|---|
| | Jan-Dec 2009 | at 03-31-09 | at 03-31-10 | 1Q09 vs. 1Q10 |
| BHP Billiton | 0.45 | n.a. | n.a. | n.a. |
| Anglo American | 0.50 | n.a. | n.a. | n.a. |
| Rio Tinto | 0.53 | n.a. | n.a. | n.a. |
| Vale | 0.42 | 0.44 | 0.42 | -5.2% |
| Xstrata | 0.45 | n.a. | n.a. | n.a. |
| Freeport McMoRan Copper & Gold | 0.58 | 0.66 | 0.56 | -14.5% |
| Codelco | 0.67 | 0.73 | 0.70 | -4.4% |
| Grupo Mexico | 0.44 | 0.33 | 0.45 | 35.2% |
| KGHM Polska Miedz | 0.29 | 0.29 | 0.31 | 7.3% |
| Antofagasta Minerals plc | 0.30 | n.a. | n.a. | n.a. |
| **Average** | **0.46** | **0.49** | **0.49** | **-0.5%** |

*Source: Prepared by Cesco based on information published by companies.*

At the aggregate level, 10 of the biggest copper-producing companies in the world have maintained their debt level around 0.5.

The debt levels of the companies are different, however, in this period compared to the first quarter of last year. While KGHM and especially Grupo Mexico increased their debt, Codelco, Vale and particularly Freeport reduced their debt during this period.

The increase in the debt level of Grupo Mexico was mainly due to the reorganization of the subsidiary, Asarco, which it recovered at the end of 2009.

***Table No. 4:***
*Mine Copper Production*[1]
*(In thousands of M.T.)*

| | Company | Jan-Dec 2009 | Jan-Mar 2010 | (%) Var. Jan-Mar 08/09 | (%) Var. Jan-Mar 09/10 |
|---|---|---|---|---|---|
| 1 | Freeport McMoRan Copper & Gold | 1,861 | 421 | 18.3% | -10.8% |
| 2 | Codelco (inc. Gabriela Mistral) | 1,702 | 383 | 7.2% | 3.2% |
| 3 | BHP Billiton | 1,145 | 229 | -14.0% | -19.0% |
| 4 | Xstrata | 907 | 223 | -1.3% | 2.7% |
| 5 | Rio Tinto | 805 | 165 | 8.6% | -15.7% |
| 6 | Anglo American | 683 | 161 | -5.8% | 6.8% |
| 7 | Grupo Mexico | 496 | 159 | -6.3% | 32.6% |
| 8 | Antofagasta Minerals plc | 453 | 121 | -2.3% | 5.1% |
| 9 | KGHM Polska Miedz | 439 | 108 | 3.8% | -2.7% |
| 10 | Norilsk Nickel | 402 | 97 | -7.7% | 1.0% |
| 11 | Kazakhmys | 361 | 81 | 1.6% | -7.3% |
| 12 | Vale | 198 | 34 | 0.0% | -53.6% |
| | **Total** | **9,452** | **2,182** | **1.9%** | **-4.8%** |

*Source: Prepared by Cesco based on information published by companies. .*

The 12 largest copper-producing companies in the world reduced their production 4.8% in the first quarter of this year compared to the same period in 2009.

Freeport's lower production is due to a planned drop in the grades at Grasberg, which caused 31% lower production at that deposit compared to the first quarter of 2009. The same situation also affected production at Rio Tinto, a company that has a minor stake in Grasberg. In addition, the Kennecott Utah Copper mine, a division of Rio Tinto, also had lower grades, which had an impact on lower production at the company.

Lower production at BHP Billiton is mainly due to a mechanical failure last October at the Olympic Dam mine, as well as lower grades at Cerro Colorado and a strike at Spence in late 2009.

The Sudbury and Voisey Bay mines are one of the main sources of copper production at Vale, and they were affected by long strikes.

The significant increase in production at Grupo Mexico is due to the reincorporation of Asarco in the company in December of the previous year, which contributed 50 thousand tons of copper during this quarter.

**Table No. 5:**
*Production[1] Attributable to Mine Copper*
*(In thousands of M.T.)*

| | Company | Jan-Dec 2009 | Jan-Mar 2010 | (%) Var. Jan-Mar 08/09 | (%) Var. Jan-Mar 09/10 |
|---|---|---|---|---|---|
| 1 | Codelco (incl. El Abra and G. Mistral) | 1,782 | 385 | 7.0% | -1.8% |
| 2 | Freeport McMoRan Copper & Gold | 1,519 | 337 | 19.8% | -14.1% |
| 3 | BHP Billiton | 1,145 | 229 | -14.0% | -19.0% |
| 4 | Xstrata | 835 | 205 | -0.1% | 1.7% |
| 5 | Rio Tinto | 805 | 165 | 19.5% | -15.7% |
| 6 | Anglo American | 670 | 161 | -5.8% | 6.8% |
| 7 | Grupo Mexico | 394 | 126 | -0.8% | 32.6% |
| 8 | KGHM Polska Miedz | 439 | 108 | 3.8% | -2.7% |
| 9 | Norilsk Nickel | 402 | 97 | -7.7% | 1.0% |
| 10 | Kazakhmys | 359 | 81 | 9.1% | -7.3% |
| 11 | Antofagasta Minerals plc | 287 | 76 | -11.3% | 5.1% |
| 12 | Vale | 198 | 34 | 0.0% | -53.6% |
| | **Total** | **8,835** | **2,005** | **2.9%** | **-6.8%** |

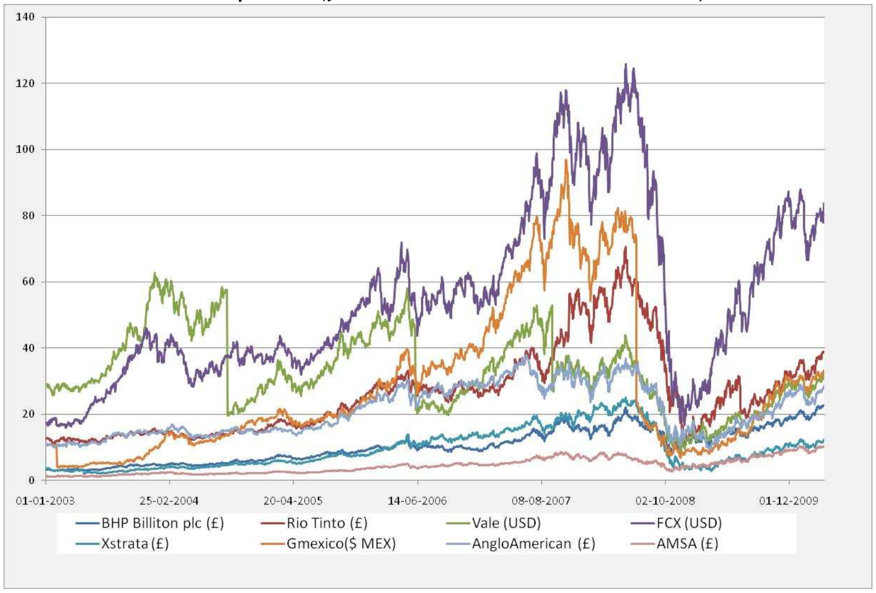
*Source: Prepared by Cesco based on information published by companies*

1. Production attributable to mine copper is the production adjusted by the percentage of company ownership in the mining operation

Production at the 12 largest copper-producing companies in the world – according to their stake in the ownership of the mining operations-, dropped 6.8% in the first quarter of this year compared to the same period in 2009.

***Graph No. 1***

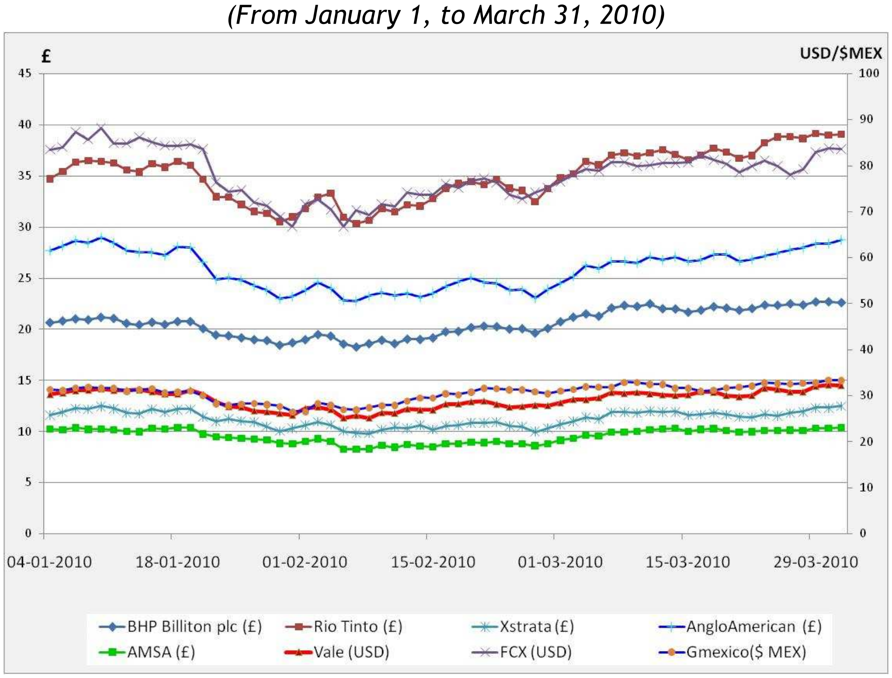
*Stock prices (from 01-01-2003 to 03-31-2010)*




*Sources: London Stock Exchange, New York Stock Exchange and Mexican Stock Exchange.*

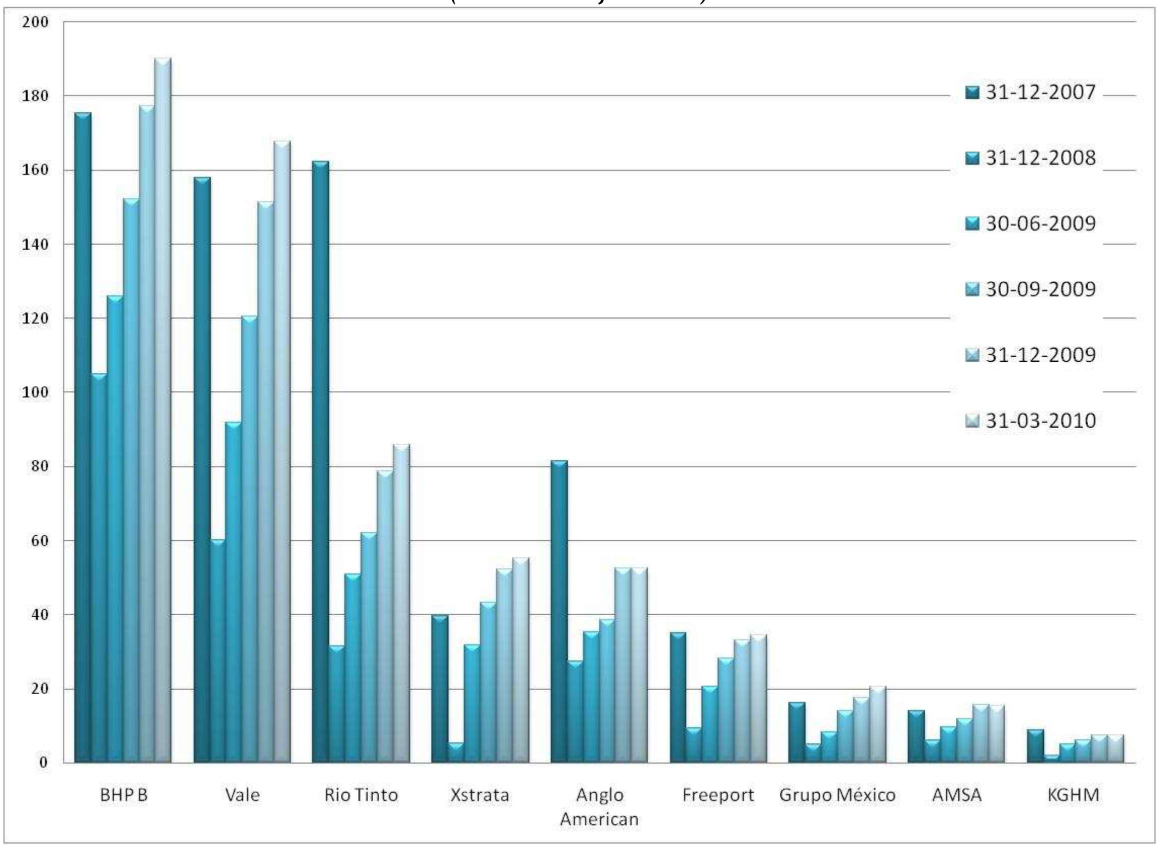
***Graph No. 2***

*Stock prices in the first quarter of 2010*
*(From January 1, to March 31, 2010)*




*Sources: London Stock Exchange, New York Stock Exchange and Mexican Stock Exchange.*

***Graph No. 3***
*Market Capitalization*
*(In billions of dollars)*




*Sources: Annual reports, official press releases and information for investors in the companies, together with information from the following stock exchanges: London Stock Exchange, New York Stock Exchange, Mexican Stock Exchange and Warsaw Stock Exchange.*

BHP Billiton, Vale, Grupo Mexico and Xstrata have exceeded their pre-crisis market value (end of 2007), while Freeport and Antofagasta Minerals have equaled their market value prior to the world financial crisis.

The other companies still have lower market values than they had before the crisis, especially Rio Tinto and Anglo American.

## 2. Mining Industry in Chile

*Table No. 6: Copper production in the Chilean industry by company*
*(In M.T. of fine copper)*

| Company | Principal Owner(s) | 1st Q 2010 | Variation | |
|---|---|---|---|---|
| | | | 1st Q 08-09 | 1st Q 09-10 |
| **Copper** | | | | |
| Codelco* | Chilean State | 383,300 | 6.9% | 3.2% |
| Minera Escondida | BHP Billiton (57.5%)<br>Rio Tinto (30%)<br>Jeco Corp (10%)<br>IFC (2.5%) | 245,600 | -29.8% | 4.8% |
| Antofagasta Minerals | Antofagasta plc | 120,600 | -2.3% | 5.1% |
| Collahuasi | Anglo American plc (44%)<br>Xstrata plc (44%)<br>Consortium led by Mitsui & Co. Ltd. (12%) | 141,400 | 8.4% | 18.5% |
| Anglo American Chile** | Anglo American plc | 97,500 | -11.2% | -0.1% |
| Candelaria | Freeport McMoRan Copper & Gold | 25,100 | -5.0% | -31.0% |
| El Abra | F-McM Copper & Gold (51%)<br>Codelco (49%) | 38,400 | -2.0% | -0.5% |
| Zaldívar | Barrick Gold Corp. | 36,300 | 3.6% | 5.8% |
| Cerro Colorado | BHP Billiton | 20,200 | -7.7% | -23.8% |
| Quebrada Blanca | Teck (76,5%)<br>Pudahuel (13,5%)<br>Enami (10%) | 22,100 | 3.4% | 2.8% |
| Lomas Bayas | Xstrata plc | 16,800 | 25.5% | -5.1% |
| **Total Copper** | | **1,147,300** | **-6.8%** | **3.1%** |

*Source: Prepared by CESCO based on Cochilco data.*

*Table No. 7: Production and sales of other relevant minerals in the Chilean industry*

| Company | Principal Owner(s) | | | |
|---|---|---|---|---|
| **Molybdenum (in thousands of pounds)** | | **Jan-Mar 2010** | | **(%) Var. 08-09** |
| Molymet (Own sales and maquila) | Capitalización y Rentas del Pacífico S.A. (35.56%)<br>Others (64.44) | 34,950 | | -4.3% |
| **Iron and Steel** | | **Jan-Mar 2010** | **(%) Var. Jan-Mar 08-09** | **(%) Var Jan-Mar 09-10** |
| CAP (Iron) (in M.T.M.) (shipments) | Invercap S.A. (24.9%)<br>Mitsubishi Corporation (18.93%)<br>Others (56.17%) | 1,906 | -5.4% | 20.6% |
| CAP (Steel) (in M.T.) (shipments) | | 196,222 | -48.0% | 7.0% |
| **Nitrates (in tons)** | | **2009** | **(%) Var Jan-Dec 07-08** | **(%) Var Jan-Dec 08-09** |
| SQM (Iodine and derivatives) | Sociedad de Inversiones Pampa Calichera (26.76%)<br>Inversiones El Boldo Ltda. (23.68%)<br>The Bank of New York (16.09%)<br>Others (33.47%) | 7,200 | 15.4% | -31.4% |
| SQM (Lithium and derivatives) | | 21,300 | -2.4% | -23.7% |
| SQM (Potassium Chloride) | | 556,500 | 3.7% | 199.8% |
| SQM (Industrial Nitrates) | | 149,200 | -7.6% | -7.8% |

*Sources: Based on reasoned analyses provided to the Securities and Insurance Commission by companies and available information published by companies.*

NOTES:

(1) Molymet processes about 30% of the molybdenum in the western market. CAP represents 0.087% of steel production in the world and about 0.9% of world iron production. SQM is a strong participant in world markets of potassium (49%), lithium (30%), and iodine (33%).

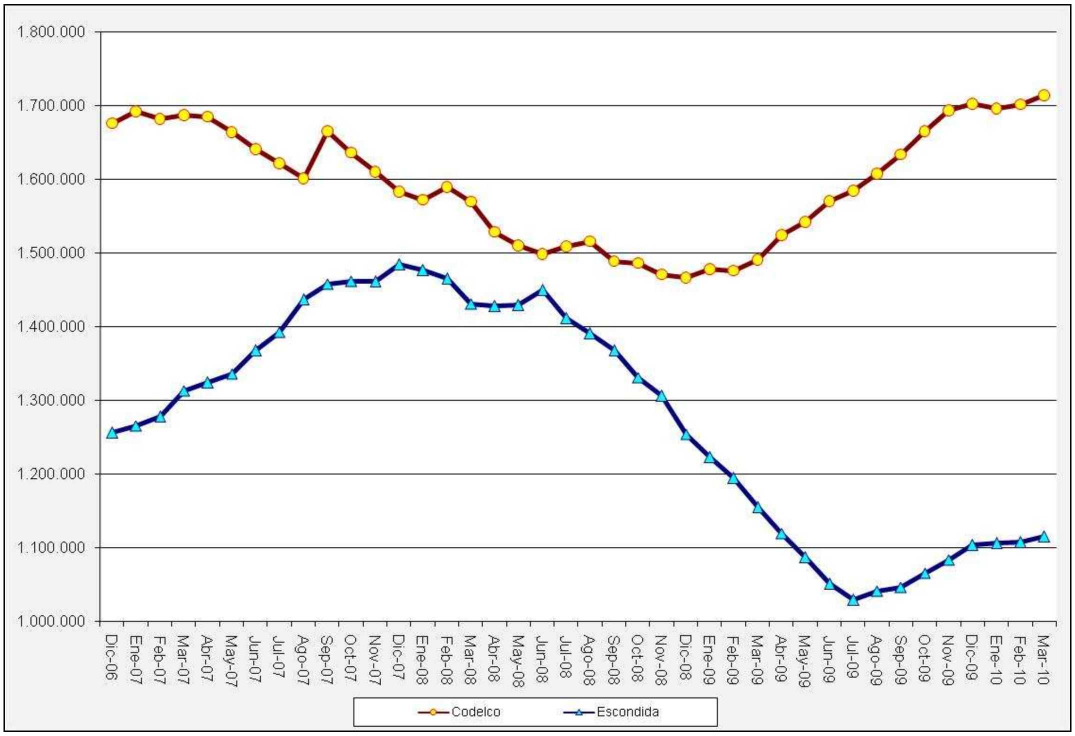
(2) Molymet publishes production data annually (as of the 1st quarter of 2009 it provides information on physical sales), SQM provides that information semiannually, and CAP quarterly.

As we explained in the previous report, the large increase in production of potassium chloride was due to the fact that the potassium chloride market was not affected by the economic crisis, and there was even an increase in demand driven by changes in nutrition and the growth in world population. Investments made by SQM in the Salar de Atacama (Atacama Salt Flats) have enabled it to deal with the increase in demand.

***Graph No. 4***

*Annualized Production: Codelco and Minera Escondida*

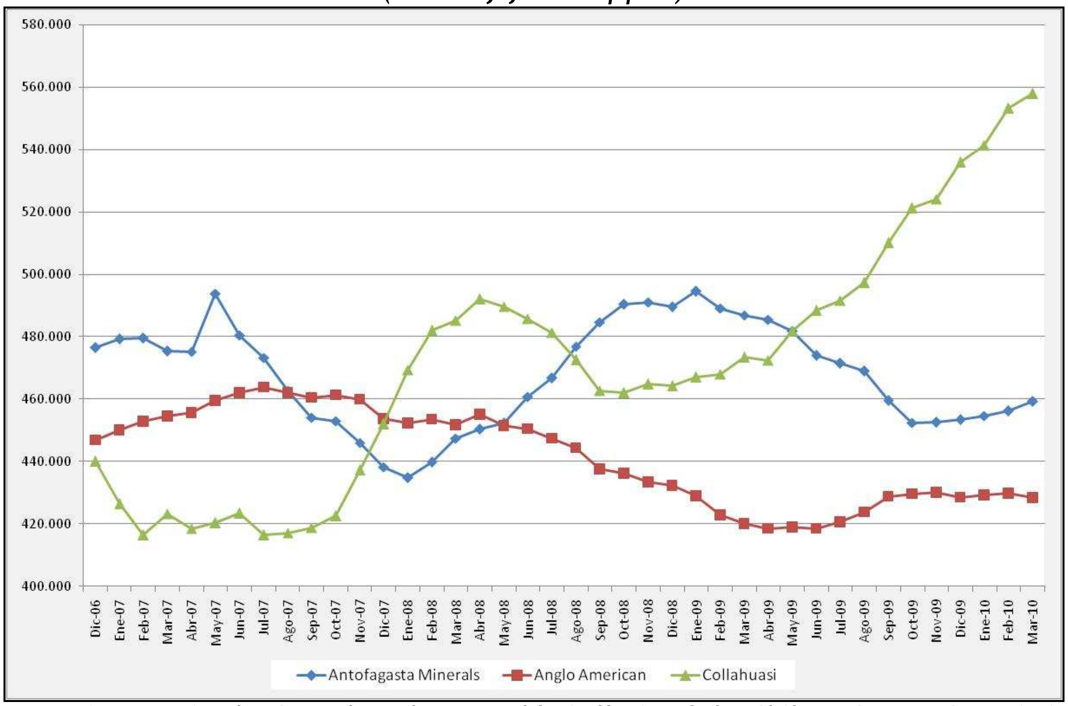
*(M.T. of fine copper)*




The two leading Chilean producing companies, Codelco and Escondida, have stabilized their production levels around 1.7 and 1.1 million tons, respectively, after a period of significant variations in production.

The graphs that show the production of the mining companies (graphs No. 4, 5 and 6) have been divided into three in order to facilitate visualization due to differences of scale among the operations.

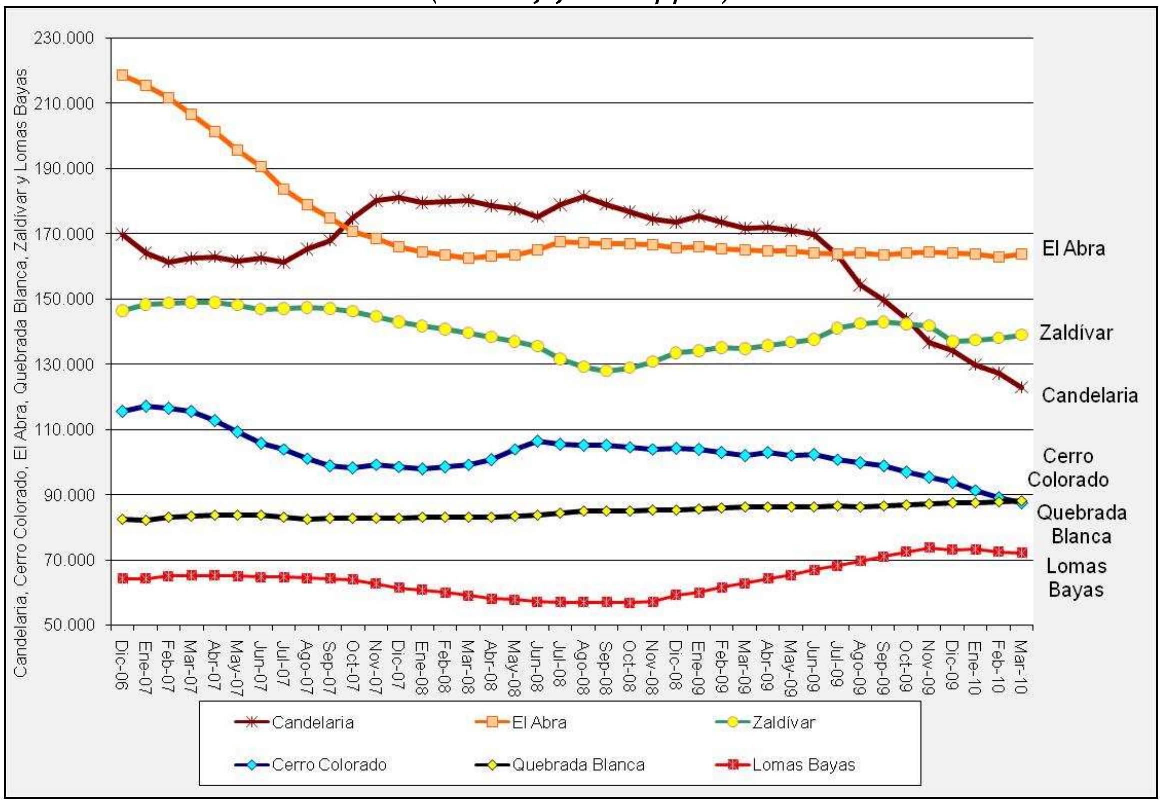
***Graph No. 5***
*Annualized Production*
*(M.T. of fine copper)*




*Source: Preparation by Cesco based on Monthly Bulletin of the Chilean Copper Commission*

Better grades and higher recoveries have steadily driven production at Collahuasi. In the future a project will be operating that will enable the company to increase its processing capacity by 150,000 per day in 2011, as well as its phase I and phase II projects that signify about 4 billion dollars.

***Graph No. 6***
*Annualized Production*
*(M.T. of fine copper)*




*Source: Prepared by Cesco on the basis of the Monthly Bulletin of the Chilean Copper Commission.*

Lomas Bayas has benefited from higher grades and improvements in ore recovery, whereas the grades of Candelaria and Cerro Colorado have dropped.

Table No. 8: Operating Costs
(In USD millions)

| Company | Cost in the period | Variation | |
|---|---|---|---|
| | Jan-Mar 2010 | Jan-Mar 08 v/s Jan-Mar 09 | Jan-Mar 09 v/s Jan-Mar 10 |
| Codelco | 1,981 | n.a. | 18% |
| Minera Escondida | 733 | 16% | 12% |
| Antofagasta Minerals | 364 | -4% | 28% |
| Collahuasi | 324 | 16% | 14% |
| Anglo American Chile | 561 | -16% | 78% |
| Candelaria | 164 | -27% | 15% |
| El Abra | 116 | -18% | -8% |
| Zaldívar | 86 | 47% | -15% |
| Cerro Colorado | 92 | 3% | 7% |
| Quebrada Blanca | 62 | -11% | 26% |
| Lomas Bayas | 57 | 33% | 8% |
| **AVERAGE** | **413** | **-11%** | **20%** |
| | | | |
| Molymet (Mo Oxide) (1) | 264 | -72% | 30% |
| CAP (Steel and Iron) | 278 | n.a. | -8% |
| SQM (Nitrates) | 275 | n.a. | 41% |
| **AVERAGE** | **272** | **-72%** | **16%** |

*Source: Prepared by Cesco on the basis of financial information for the period provided to the Securities and Insurance Commission by companies and public information from the companies.*
(1) Codelco, CAP and SQM started to deliver financial information according to International Financial Reporting Standards (IFRS) in this quarter, and therefore there are no comparable data available for 2008.

The increase in costs in the copper industry continued its upward trend this quarter (+20%). Increased costs at Anglo American were particularly noticeable, mainly due to the 231% increase in operating costs at Anglo American Norte. As of April 1, 2009 Anglo American (through Anglo American Norte) started to sell the Collahuasi production that was attributable to its stake in the ownership of the company (44%). This had an impact on costs and income, as the basis for comparison changed substantially between the first quarter of 2009 and the same period in 2010.

The higher price of molybdenum is one of the main factors behind the increase in costs at Molymet, a company that processes this mineral. While the average monthly price was 8.75 US$/lb in the first quarter of 2009, it was 15.77 US$/lb in the same period of 2010.

**Table No. 9:**
Unit costs (Cash Cost - C1)
(In cents of the dollar per pound)

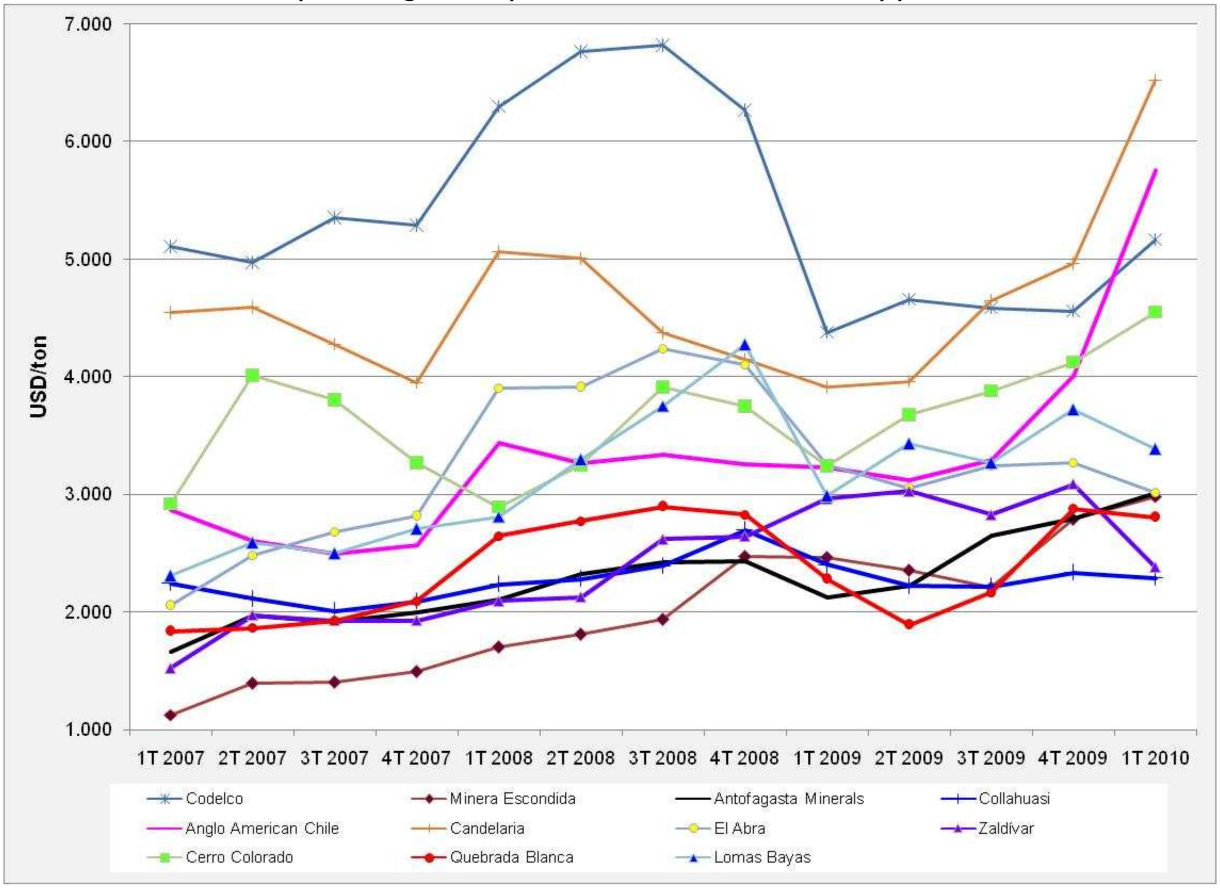
| Company | 1Q 2009 | 1Q 2010 | Jan-Mar 08 v/s 09 | Jan-Mar 09 v/s 10 |
|---|---|---|---|---|
| Codelco | 95.2 | 102.3 | 130.0% | 7.5% |
| Minera Escondida | 84.1 | 83.4 | 22.6% | -0.8% |
| Antofagasta Minerals | 97.5 | 94.7 | 35.0% | -2.9% |
| *Los Pelambres* | 84.7 | 74.1 | 126.5% | -12.5% |
| *El Tesoro* | 124.2 | 134.3 | -4.0% | 8.1% |
| *Michilla* | 140.3 | 172.3 | -26.7% | 22.8% |
| Zaldívar | 130.0 | 105.0 | 71.1% | -19.2% |
| **SIMPLE AVERAGE** | **101.7** | **96.4** | **57.6%** | **-5.3%** |
| **WEIGHTED AVERAGE** | **108.5** | **109.8** | **65.4%** | **1.2%** |

Sources: Information from companies.

Zaldívar substantially reverted its cost trend in this period – reducing operating costs-, which is reflected in the drop in its C1.

The increase in Codelco's operating costs is explained by higher production and higher personnel costs incurred by collective negotiations carried out in the first quarter of 2010.

**Graph No. 7:**
Operating costs per metric ton of mine copper




Source: Public information from companies, Cochilco, SVS.

Note: This indicator is calculated by dividing the total accumulated operating cost of each company by the total amount of copper produced. The cost per ton calculated here includes total operating costs by company. Therefore, the Codelco cost includes refining and smelting costs, which are not comparable to the costs of other companies that only produce copper concentrate.

The largest increases in this indicator correspond to Candelaria, which reflected the combined effect of an increase in operating cost, and especially a decrease in production, and to Anglo American, which was affected by an increase in operating cost.

## 4. Financial Analysis of Large-scale Mining in Chile

### *A) Main Accounts and Results*

***Table No. 10:*** *Income*
*(In USD millions and percentage variations)*

| Company | Jan-Dec 2009 | Jan-Mar 2010 | Jan-Mar 08/09 variation | Jan-Mar 09/10 variation |
|---|---|---|---|---|
| Codelco | 12,148 | 3,601 | n.a. | 78.9% |
| Minera Escondida | 7,071 | 1,997 | n.a. | 82.5% |
| Antofagasta Minerals | 2,680 | 934 | -55.3% | 114.0% |
| Anglo American | 2,938 | 1,010 | -59.5% | 141.0% |
| Collahuasi | 3,208 | 1,013 | -56.4% | 107.3% |
| Average | **5,609** | **1,711** | **-58.4%** | **92.2%** |
| Candelaria | 1,123 | 254 | -55.1% | 11.2% |
| El Abra | 916 | 282 | n.a. | 86.7% |
| Zaldívar | 790 | 246 | -56.4% | 94.0% |
| Cerro Colorado | 547 | 161 | -60.8% | 60.6% |
| Average | **844** | **236** | **-57.2%** | **55.5%** |
| Quebrada Blanca | 435 | 181 | -54.9% | 135.6% |
| Lomas Bayas | 417 | 105 | -47.1% | 70.5% |
| Average | **426** | **143** | **-51.8%** | **106.7%** |
| Molymet | 948 | 280 | -70.4% | 22.4% |
| CAP | 1,386 | 317 | n.a. | 4.5% |
| SQM | 1,437 | 389 | n.a. | 21.0% |
| Average | **1,257** | **329** | **-46.3%** | **15.5%** |

*Source: Prepared by Cesco on the basis of financial information for the period provided to the Securities and Insurance Commission by companies and public information from the companies.*

*Codelco, El Abra, CAP and SQM started delivering financial information according to International Financial Reporting Standards (IFRS) this year; therefore, there are no available data for 2008 that are comparable. The same applies to Escondida, which started providing information according to IFRS in the 4th quarter of 2009.

The increase in income in the copper industry in Chile during the first quarter of 2010 was largely in line with the increase in the copper price for the period, which contrasts with the situation of the international companies analyzed in Table 1. This can be explained by the fact that the product portfolio of global companies is more diversified, as is their income.

***Table No. 11:*** *Fiscal Year Profit*
*(In USD millions and percentage variations)*

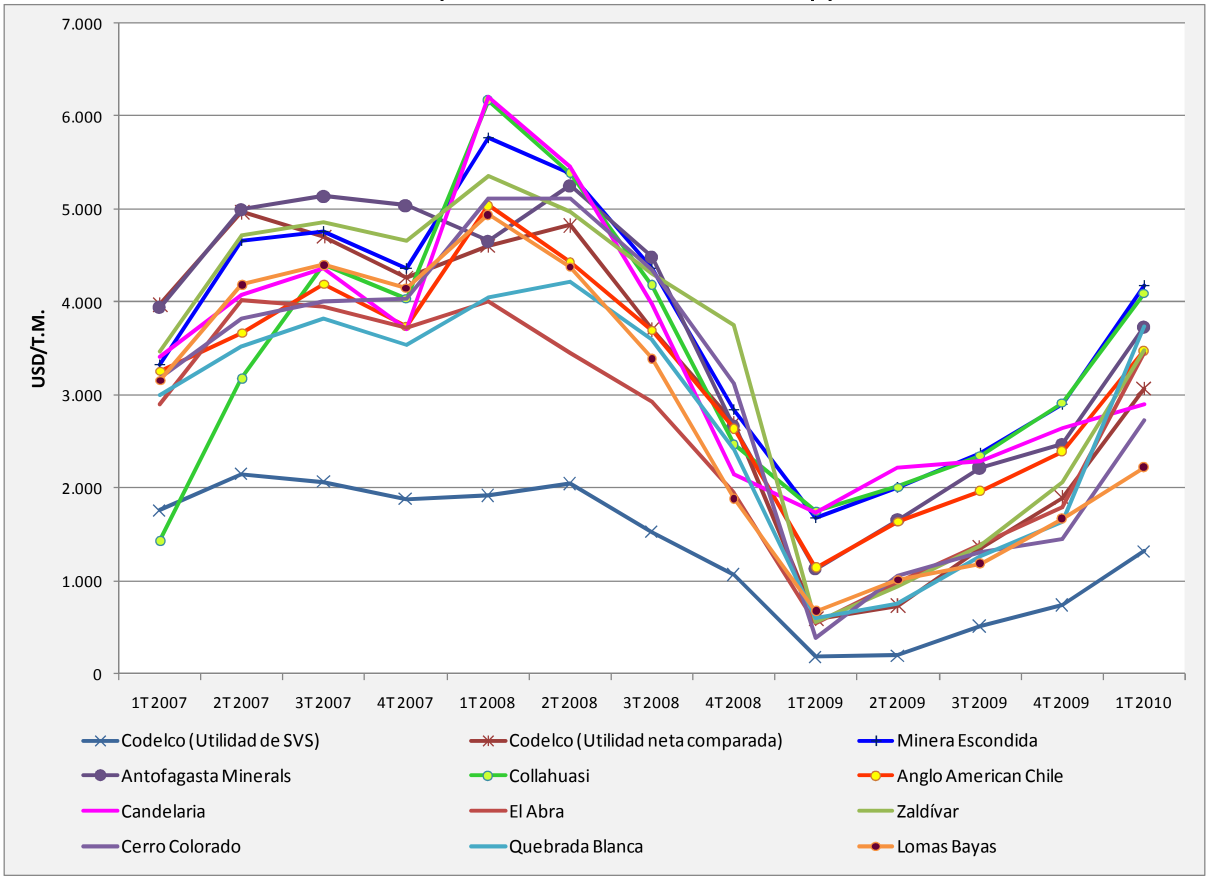
| Company | Jan-Dec 2009 | Jan-Mar 2010 | Jan-Mar 08/09 variation | Jan-Mar 09/10 variation |
|---|---|---|---|---|
| Codelco (SVS)[1] | 1,262 | 505 | n.a. | 631.3% |
| Codelco (Comparable net profit)[2] | 3,235 | 1,177 | n.a. | 437.4% |
| Minera Escondida | 3,200 | 1,026 | n.a. | 160.4% |
| Antofagasta Minerals | 1,119 | 450 | -76.3% | 247.3% |
| Anglo American | 1,026 | 339 | -79.9% | 204.8% |
| Collahuasi | 1,565 | 578 | -69.2% | 176.3% |
| **Average with Codelco[1]** | **1,634** | **580** | **-79.1%** | **217.4%** |
| **Average with Codelco[2]** | **2,029** | **714** | **-80.0%** | **235.9%** |
| Candelaria | 355 | 73 | -73.3% | 15.0% |
| El Abra | 295 | 133 | n.a. | 534.7% |
| Zaldívar | 281 | 126 | -89.3% | 565.3% |
| Cerro Colorado | 136 | 55 | -92.9% | 430.8% |
| **Average** | **267** | **97** | **-84.2%** | **240.5%** |
| Quebrada Blanca | 143 | 82 | -84.7% | 537.9% |
| Lomas Bayas | 122 | 37 | -82.8% | 212.6% |
| **Average** | **133** | **60** | **-83.8%** | **381.5%** |
| Molymet | 70 | 6 | -35.1% | -75.0% |
| CAP | -15 | 21 | n.a. | 115.2% |
| SQM | 327 | 77 | n.a. | -12.1% |
| **Average** | **127** | **35** | **-25.6%** | **-1.9%** |

*Source: Prepared by Cesco on the basis of financial information for the period provided to the Securities and Insurance Commission by companies and public information from companies.*

[1] Fiscal Year Profit reported to the Securities and Insurance Commission.
[2] Comparable Net Profit published by Codelco. This is the result that it would have had if it paid income taxes like private companies (17%).

In this table and the following one can see very significant variations in the comparisons between this quarter and the same period of the previous year, which are due to wide fluctuations in income that the industry experienced as a result of the financial crisis that started in September 2008. The bases for comparison have been altered relevantly, which explains the size of the variations between one period and another.

**Graph No. 8:**
Profits per metric ton of mine copper




Source: Public information from companies, SVS and Cochilco.

*Table No. 12: Income tax from Income Statements*
*(In USD millions and percentage variations)*

| Company | Jan-Dec 2009 | Jan-Mar 08/09 variation | Jan-Mar 09/10 variation |
|---|---|---|---|
| Codelco | 1,851 | n.a. | 847.7% |
| Minera Escondida | 825 | n.a. | 150.7% |
| Antofagasta Minerals | 285 | -75.6% | 224.7% |
| Anglo American Chile | 258 | -77.5% | 182.4% |
| Collahuasi | 402 | -62.0% | 125.7% |
| Total | **3,621** | **-83.5%** | **326.7%** |
| Candelaria | 88 | -76.0% | 6.1% |
| El Abra | 75 | n.a. | 698.6% |
| Zaldívar | 74 | -98.1% | 3567.5% |
| Cerro Colorado | 28 | -92.5% | 396.1% |
| Total | **265** | **-87.6%** | **289.5%** |
| Quebrada Blanca | 37 | -82.1% | 430.4% |
| Lomas Bayas | 31 | -78.3% | 265.0% |
| Total | **69** | **-80.7%** | **363.0%** |
| Molymet | 19 | -53.1% | 114.3% |
| CAP | -10 | n.a. | 805.8% |
| SQM | 77 | n.a. | -0.6% |
| Total | **86** | **-24.4%** | **41.5%** |

*Source: Prepared by Cesco on the basis of financial information for the period provided to the Securities and Insurance Commission by companies and public information from the companies.*

*Table No. 13: Reserves for Specific Tax on Mining*
*(In USD millions and percentage variations)*

| Company | Effect of Reserve for Tax on mining Jan-Mar 2010 (US$ millions) | Reserve for Tax on Mining 2009 | Annual variation 2008/2009 |
|---|---|---|---|
| Codelco | 66 | 177 | -17.7% |
| Minera Escondida | 50 | 116 | -72.0% |
| Antofagasta Minerals | 18 | 41 | -41.5% |
| Anglo American Chile | 15 | 39 | -30.2% |
| Collahuasi | 29 | 51 | -22.5% |
| Total | **179** | **424** | **-48.3%** |
| Candelaria | 4 | 10 | -61.7% |
| El Abra | 7 | 16 | -5.5% |
| Zaldívar | 6 | 15 | -19.3% |
| Cerro Colorado | 0 | 5 | -60.5% |
| Total | **17** | **46** | **-38.0%** |
| Quebrada Blanca | 4 | 7 | -30.8% |
| Lomas Bayas | 2 | 6 | 15.9% |
| Total | **6** | **13** | **-15.9%** |

*Source: Prepared by Cesco on the basis of Financial Information for the period provided to the Securities and Insurance Commission by companies and public information from the companies.*

**Important note:** companies have different reserve policies so the reserve account for the specific tax on mining may show very relevant variations among companies throughout the tax period. For that reason, the information published serves as a reference, and it does not represent a basis for comparison of the actual amount of this tax among companies.

Considering that the purpose of monthly provisional payments (PPM) is to comply with tax payment for the respective tax year, the fact there are no monthly reserves does not mean taxes are not paid. The rate for calculating monthly provisional payments varies according to the provisional payments already made and the gross income of the previous fiscal year.

## *B) Selection of Main Financial Ratios*

*Table No. 14: Return on Capital Ratio*

| Company | ROE at 03/31/2009 | ROE at 03/31/210 | Variation |
|---|---|---|---|
| Codelco [1] | n.a. | 0.10 | n.a. |
| Codelco [2] | n.a. | 0.22 | n.a. |
| Minera Escondida | 0.11 | 0.19 | 68.3% |
| Antofagasta Minerals | 0.05 | 0.13 | 183.6% |
| Anglo American Chile | 0.04 | 0.11 | 145.2% |
| Collahuasi | 0.11 | 0.17 | 56.5% |
| **Average with Codelco[1]** | **0.08** | **0.14** | **78%** |
| Candelaria | 0.10 | 0.09 | -6.6% |
| El Abra | n.a. | 0.11 | n.a. |
| Zaldívar | 0.03 | 0.11 | 330.6% |
| Cerro Colorado | 0.01 | 0.03 | 387.2% |
| **Average** | **0.04** | **0.09** | **93.5%** |
| Quebrada Blanca | 0.05 | 0.28 | 505.9% |
| Lomas Bayas | 0.02 | 0.04 | 161.0% |
| **Average** | **0.03** | **0.16** | **417.6%** |
| Molymet | 0.04 | 0.01 | -75.8% |
| CAP | n.a. | 0.02 | n.a. |
| SQM | n.a. | 0.05 | n.a. |
| **Average** | **0.04** | **0.03** | **-42.5%** |

*Source: Prepared by Cesco on the basis of financial information for the period provided to the Securities and Insurance Commission by companies and information published by the companies and public information from the companies.*

[1] ROE calculated with Fiscal Year Profit.

[2] ROE calculated with Comparable Net Profit, not with Fiscal Year Profit.

In general, the mining industry has improved its return on equity levels for the first quarter of 2010 thanks to higher profits that contrast markedly with profits in the first quarter of 2009, which were affected by the world economic crisis.

The 6.6% drop at Candelaria is due to the 23% increase in its equity, which was higher than its 15% increase in profit.

***Table No. 15:***
*Debt Ratio*
*(Total Liabilities / Total Assets)*

| Company | Debt at 03/31/09 | Debt at 03/31/2010 | Variation |
|---|---|---|---|
| Codelco | n.a. | 0.70 | n.a. |
| Minera Escondida | 0.51 | 0.28 | -44.6% |
| Antofagasta Minerals | 0.29 | 0.30 | 4.2% |
| Anglo American Chile | 0.27 | 0.25 | -9.0% |
| Collahuasi | 0.40 | 0.24 | -40.1% |
| **Average** | **0.37** | **0.36** | **-3.8%** |
| Candelaria | 0.22 | 0.22 | 0.3% |
| El Abra | n.a. | 0.15 | n.a. |
| Zaldívar | 0.26 | 0.19 | -26.5% |
| Cerro Colorado | 0.06 | 0.07 | 13.8% |
| **Average** | **0.18** | **0.16** | **-12.7%** |
| Quebrada Blanca | 0.21 | 0.30 | 41.5% |
| Lomas Bayas | 0.26 | 0.15 | -41.9% |
| **Average** | **0.24** | **0.23** | **-4.3%** |
| Molymet | 0.52 | 0.54 | 4.0% |
| CAP | n.a. | 0.53 | n.a. |
| SQM | n.a. | 0.49 | n.a. |
| **Average** | **0.52** | **0.52** | **-0.1%** |

*Source: Prepared by Cesco on the basis of financial information for the period provided to the Securities and Insurance Commission by companies and public information from the companies.*

Debt levels showed marked decreases compared to the previous year, explained by a return to similar debt levels to the ones seen before the financial crisis, which forced companies to increase debt to deal with processes involving contract settlement. Quebrada Blanca and Cerro Colorado were the exception, increasing their debt levels.

Quebrada Blanca increased its liabilities in mine closure and restoration of the work site, as well as US$ 32 million in income tax payable.

Liabilities of Cerro Colorado increased 25% compared to a 10% increase in assets. The accounts that grew the most compared to the first quarter of 2009 were non-current reserves and short-term accounts payable.

***Table No. 16:***
*Acid Test*

| Company | Acid Test at 03/31/2009 | Acid Test at 03/31/2010 | Variation |
|---|---|---|---|
| Codelco | n.a. | 0.76 | n.a. |
| Minera Escondida | 0.74 | 2.31 | 211.5% |
| Antofagasta Minerals | 1.06 | 2.86 | 170.3% |
| Anglo American Chile | 2.00 | 2.10 | 5.0% |
| Collahuasi | 0.91 | 3.20 | 253.2% |
| **Average** | **1.18** | **2.25** | **91.0%** |
| Candelaria | 1.98 | 2.74 | 37.8% |
| El Abra | n.a. | 4.60 | n.a. |
| Zaldívar | 0.90 | 3.67 | 307.5% |
| Cerro Colorado | 27.24 | 22.81 | -16.3% |
| **Average** | **10.04** | **8.45** | **-15.8%** |
| Quebrada Blanca | 3.21 | 2.40 | -25.1% |
| Lomas Bayas | 0.54 | 1.18 | 116.9% |
| **Average** | **1.87** | **1.79** | **-4.6%** |
| Molymet | 2.33 | 1.48 | -36.7% |
| CAP | n.a. | 1.70 | n.a. |
| SQM | n.a. | 2.57 | n.a. |
| **Average** | **2.33** | **1.91** | **-17.9%** |

*Source: Prepared by Cesco on the basis of Financial Information for the period provided to the Securities and Insurance Commission by companies and public information from the companies.*

Liquidity ratios do not show a clear trend in the industry, but the cases of Minera Escondida, Collahuasi and Zaldívar do stand out, increasing significantly between the quarters being analyzed. Escondida shows a drop of 68% in current liabilities. The change in the Collahuasi ratio is due to a 106% increase in its current assets, while Zaldívar's assets increased 124%.

As stated in the previous report, Cerro Colorado maintained a high level of liquidity due to the relationship it maintained between high current assets and low short-term debt, which was lower than the rest of the industry.

**Notes**

This report intends to contribute to the availability of information on the mining industry in Chile and the world. It is constructed exclusively on the basis of public information from the mining companies and other entities that report information on mining companies.

The report is published quarterly, permitting a continuous and frequent analysis of the progress in the management of the mining industry. It has been constructed very carefully to accurately reflect the real figures in the mining industry; nevertheless, Cesco is not responsible for errors caused by the use of information in this report.

Use of the information contained in this report should mention the source, Center for Copper and Mining Studies CESCO.

The deadline for delivery of financial information by mining companies to the Securities and Insurance Commission of Chile is 90 days from the end of the quarterly closing. As an exception, Chilean mining companies can deliver the data on the closing of the entire year 120 days after the annual closing. Also, companies that adopt IFRS norms have an extra 15 days to report.

The criterion used for the order of companies in the world mining industry is from highest income to lowest income in the last accounting year, except for production data, where the order of highest to lowest copper production has been used. For the Chilean copper mining industry the production level from highest to lowest was used. As the production levels of Molymet, CAP and SQM are not comparable, the same criterion was used as the criterion for the world mining industry, highest income to lowest income in the last accounting year.

**Nomenclature and methodology**

World Mining Industry

- EBITDA is calculated as operating result without including depreciation of the fiscal year and amortization.
- The last accounting year of BHP Billiton corresponds to July 2008 to June 2009. Nevertheless, in this report data are used so they will be comparable with the same periods as the other companies.
- Generally Accepted Accounting Principles of the United States have been used for the results of Vale. They are published by the company together with the results based on the accounting rules of Brazil.
- BHP Billiton, Anglo American plc, Rio Tinto and Xstrata report financial information semi-annually.
- Vale, Codelco, Freeport McMoRan Copper & Gold (FCX) and Grupo Mexico report financial information quarterly.
- Antofagasta Minerals plc (also referred to as AMSA), reports financial information quarterly for operations and some selected results.
- KGHM Polska Miedz delivers its data in pln, so they are converted to USD for purposes of comparison.

Mining Industry in Chile

- Consolidated financial information has been used for: Codelco, Anglo American Chile, CAP, SQM and Molymet. In the case of Anglo American Chile, consolidated information was used from Anglo American Sur and Anglo American Norte until the first quarter of 2009. In April 2009, the merger of Anglo American Norte with its subsidiary Minorco Iversud S.A. was approved, which means that individual financial statements are equivalent to consolidated ones as of the second quarter of 2009. Consolidated financial statements will continue to be used for Anglo American Sur.
- Individual financial information has been used for: Minera Escondida, Antofagasta Minerals, Doña Inés de Collahuasi, Minera Candelaria, Minera El Abra, Minera Zaldívar, Minera Cerro Colorado, Minera Quebrada Blanca and Minera Lomas Bayas.
- The Comparable Net Profit of Codelco was taken from presentations made by Codelco at the end of each quarter. This corresponds to the Individual Financial Statements; therefore, when the use of comparable net profit was indicated in calculations of the ROE, the value of the equity was also taken from the individual balance sheets.
- All the results of Antofagasta Minerals for this report were prepared with the individual information reported by Minera Los Pelambres, Minera El Tesoro and Minera Michilla.
- As of 2009, some mining companies will start to publish their results according to the International Financial Reporting Standards (IFRS), which could generate differences in quarterly results.
- Molymet and Collahuasi started to provide financial data according to IFRS norms as of 03/31/2009. Minera Escondida started to provide information based on IFRS norms as of 12/31/2009. Anglo American, Cerro Colorado and Lomas Bayas have provided data based on IFRS since the 1st quarter of 2006. El Abra, CAP, SQM and Codelco have provided information based on IFRS as of the first quarter of 2010.
- AMSA, Zaldívar and Quebrada Blanca present financial information according to generally accepted accounting principles in Chile, whereas Minera Candelaria provides information according to US GAAP.

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