

# Remuneration Report

This report has been prepared in accordance with Schedule 7A of the Companies Act 1985. It also meets the relevant requirements of the Listing Rules of the Financial Services Authority and describes how the Board has applied the principles of good governance as set out in the Combined Code on Corporate Governance issued by the Financial Reporting Council in June 2006 ("the Combined Code") relating to directors' remuneration.

During the year under review, the Company complied with the detailed code provisions set out in Section B of the Combined Code except as follows:

- as explained on page 71, performance related pay measures did not apply to the Chairman, who was the only Executive Director (provision B.1.1).

The Companies Act 1985 requires the auditors to report to the Company's members on certain parts of this report and to state whether in their opinion those parts have been properly prepared in accordance with the Companies Act 1985. The report has therefore been divided into separate sections for unaudited and audited information.

## Unaudited Information

### Remuneration Committee

#### Membership

The Remuneration Committee currently comprises Mr. G S Menendez (Chairman), Mr. C H Bailey and Mr. D E Yarur, all of whom are considered by the Board to be independent Non-Executive Directors.

#### Responsibilities

The responsibilities of the Remuneration Committee are fully set out in its Terms of Reference which are available from the Company's registered office and may be viewed on the Company's website – [www.antofagasta.co.uk](http://www.antofagasta.co.uk). The Committee is responsible for setting remuneration policy and for reviewing the remuneration of any Executive Directors and, where appropriate, it consults the Chairman, Mr. J-P Luksic. The Committee did not make use of external consultants to provide advice on Directors' remuneration during the year. The Remuneration Committee is also responsible for

monitoring the level and structure of remuneration of Group senior management and evaluating management performance.

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

### Company policy on Directors' pay and bonuses

The Company's policy is to ensure that Directors are fairly rewarded with regard to responsibilities undertaken, and considers comparable pay levels in the United Kingdom and in Chile. Corporate and individual performance is taken into account in setting the pay level for the Chairman as an Executive Director, and this is reviewed on an annual basis to ensure it remains in line with companies of a similar size and complexity. Remuneration levels for Non-Executive Directors are based on comparable levels for companies of a similar size and complexity, and take into account specific responsibilities undertaken. Remuneration includes fees paid for non-executive directorships of subsidiary companies within the Group.

The Board does not consider it appropriate to make regular performance-related pay awards such as bonuses to the only Executive Director, Mr. J-P Luksic, given his role as Chairman of the Board and his interest in the Company's shares both directly and as a member of the Luksic family.

The Group has paid Mr. R F Jara for advisory services to the Group. The Board has taken these payments into account in determining his fees as a Non-Executive Director.

No Directors currently receive pension contributions.

## Non-Executive Directors' fees

The fees payable to Non-Executive Directors were as follows:

	2007		2006	
	GBP '000	US\$000	GBP '000	US\$000
Base fee	50	100	36	66
Audit committee chairman	10	20	10	18
Audit committee member	5	10	5	9
Remuneration committee chairman	8	16	7	13
Remuneration committee member	5	10	4	7
Nomination committee chairman	5	10	3	6
Nomination committee member	2	4	2	4

The fees are set and paid in sterling. The fees have been translated into US dollars at the average exchange rates for the relevant year for the purpose of this report. In addition to the above amounts, Non-Executive Directors also receive fees in their capacity as Non-Executive Directors of the principal operating subsidiary companies within the Group. These additional fees are included within the amounts attributable to the Non-Executive Directors within the table of Directors' remuneration on page 75.

## Service contracts and letters of appointment

Mr. J-P Luksic has a contract for services with each of the Antofagasta Railway Company plc and with Minera El Tesoro. Both contracts for services can be terminated by either party on one month's notice. There is also a contract between Antofagasta Minerals S.A. and Asesorías Ramón F Jara EIRL for the provision of advisory services by Mr. R F Jara which can also be terminated on one month's notice. The amounts payable under these contracts for services are reviewed periodically in line with the Company's policy on Directors' pay. Amounts paid during 2006 and 2007 have been included in the table of Directors' remuneration on page 75.

All Non-Executive Directors have letters of appointment with the Company, for an initial period of three years from the date of their appointment, subject to reappointment at the AGM. These letters require the Non-Executive Directors to undertake that they will have sufficient time to discharge their responsibilities. The appointments are terminable by either party on one month's notice. The letters of appointment are available for inspection at the Company's registered office during normal business hours and at the AGM (for 15 minutes prior to and during the meeting).

The service contracts and letters of appointment do not provide for any compensation for loss of office beyond payments in lieu of notice.

## Share options and long-term incentive schemes

No arrangements exist to enable Directors to acquire benefits through the acquisition of shares in the Company or any of its subsidiary undertakings, to benefit through profit-related pay or share option schemes or to participate in any long-term incentive schemes.

## Directors' interests

The Directors' interests in the shares of the Company at the beginning and end of the year were as follows:

	Ordinary shares of 5p each	
	31 December 2007	1 January 2007
J-P Luksic <sup>(1)</sup>	41,963,110	41,963,110
C H Bailey	32,000	32,000

(1) Mr. J-P Luksic's interest relates to shares held by Aureberg Establishment, an entity which he controls.

The Directors had no interests in the shares of the Company during the year other than the interests in the table set out above. No Director had any material interest in any other contract with the Company or its subsidiary undertakings during the year other than in the ordinary course of business.

No changes took place in the interests of the Directors between 31 December 2007 and the date of this report.

## Remuneration Report continued

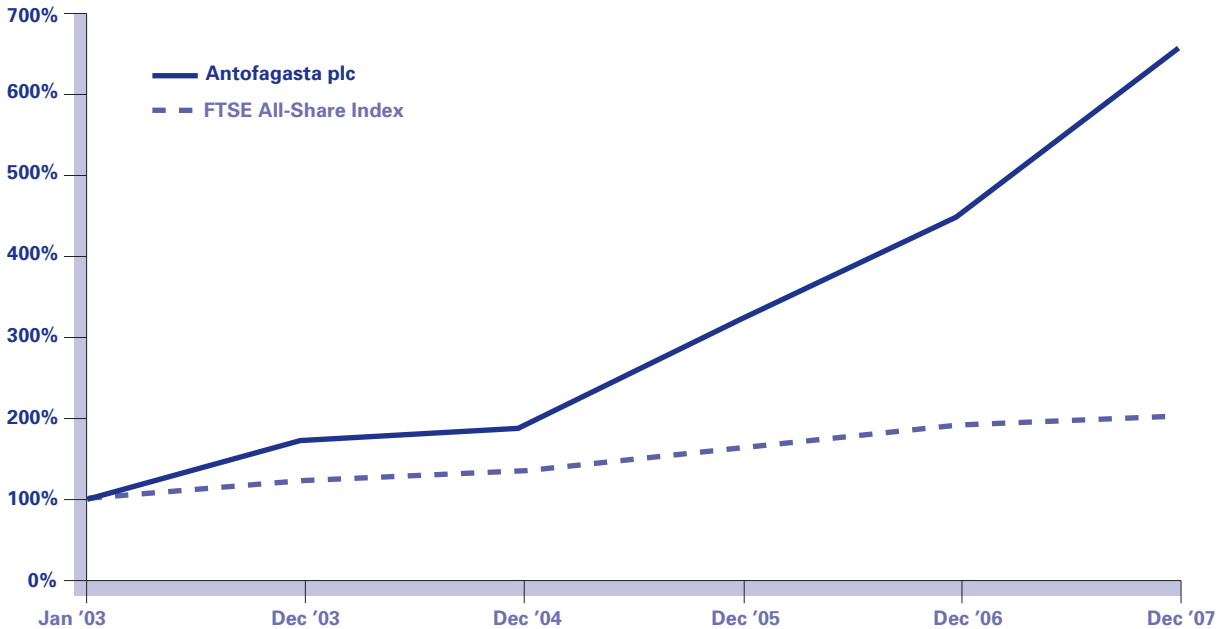
### Performance graph

The following graph shows the Company's performance compared to the performance of the FTSE All Share Index over a five-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 which relates to the London Stock Exchange, the market where the Company's ordinary shares are traded.

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 is calculated by aggregating the returns of all individual constituents of the FTSE at the end of the five-year period.

### Total Shareholder Return<sup>(1)</sup> – Antofagasta plc vs FTSE All Share Index

Total Return Basis Index – 1 January 2003 = 100



Source – Datastream.

<sup>(1)</sup> Total Shareholder Return represents share price growth plus dividends reinvested over the period.

## Audited Information

### Directors' remuneration

The remuneration of the Directors in the year is set out below in US dollars. Amounts paid in sterling or Chilean pesos have been translated at average rates for the relevant year, which are set out in Note 36 to the financial statements. Increases over 2006 result mainly

from the annual review by the Remuneration Committee carried out at the beginning of 2007 to ensure that pay levels remain in line with companies of a similar size and complexity. The annual review for 2008 which has been carried out by the Remuneration Committee in early 2008 has concluded that no further increase in the rate of fees will be made in 2008.

	Base salary and fees		Benefits		Total remuneration	
	2007 US\$000	2006 US\$000	2007 US\$000	2006 US\$000	2007 US\$000	2006 US\$000
<b>Executive Chairman</b>						
J-P Luksic <sup>(1)</sup>	2,900	1,784	82	81	2,982	1,865
<b>Non-Executive Directors</b>						
C H Bailey	134	95	–	–	134	95
G S Menendez	278	220	–	–	278	220
R F Jara <sup>(2)</sup>	683	536	–	–	683	536
D E Yarur	138	98	–	–	138	98
G A Luksic	116	83	–	–	116	83
J W Ambrus <sup>(3)</sup>	141	107	–	–	141	107
J G Claro	122	88	–	–	122	88
W M Hayes <sup>(4)</sup>	124	27	–	–	124	27
P J Adeane <sup>(5)</sup>	–	50	–	–	–	50
	<b>4,636</b>	<b>3,088</b>	<b>82</b>	<b>81</b>	<b>4,718</b>	<b>3,169</b>

<sup>(1)</sup> During 2007, remuneration of US\$1,000,000 (2006 – US\$607,000) for the provision of services by Mr. J-P Luksic was paid to Goldstream Finance Limited. This amount is included in the amounts attributable to Mr. Luksic of US\$2,900,000 (2006 – US\$1,784,000). The benefits expense represents the provision of car usage to Mr. J-P Luksic.

<sup>(2)</sup> During 2007, remuneration of US\$434,000 (2006 – US\$331,000) for the provision of services by Mr. R F Jara was paid to Asesorías Ramón F Jara EIRL. This amount is included in the amounts attributable to Mr. Jara of US\$683,000 (2006 – US\$536,000).

<sup>(3)</sup> Details of fees paid to Ingeniera y Servicios Computacionales Geovectra S.A. ("Geovectra"), a company controlled by Mr. J W Ambrus, are disclosed in Note 37 to the financial statements. These payments were on normal arm's length commercial terms for services performed by employees of Geovectra, and hence have not been included in Mr. Ambrus' fees as a Director in the table above.

<sup>(4)</sup> Mr. W M Hayes was appointed as a Director on 29 September 2006. Fees paid during 2006 therefore reflected the period since his appointment.

<sup>(5)</sup> Mr. P J Adeane retired from the Board on 29 September 2006. Fees paid during 2006 reflected the period during which he was a Non-Executive Director until his retirement from the Board. Following retirement, Mr. Adeane has continued to serve the Board as a Senior Advisor under a contract for services at the rate of £10,000 per annum. This contract can be terminated on one month's notice. Mr. Adeane was paid £10,000 (approximately US\$20,000) under this contract for services during 2007 (2006 – £2,500; approximately US\$4,600), which has not been included in his fees as a Director in the table above.

Approved on behalf of the Board



**G S Menendez**

Chairman of the Remuneration Committee

10 March 2008