



Half Yearly Financial Report for the six months ended 30 June 2008

27 August 2008

HIGHLIGHTS

SIX MONTHS TO 30 JUNE		2008	2007	% Change
Group turnover	US\$'m	2,407.0	1,942.1	23.9
Cash flows from operations	US\$'m	1,512.9	1,349.3	12.1
Profit before tax	US\$'m	1,656.6	1,436.7	15.3
Net earnings ¹	US\$'m	792.8	728.4	8.8
Earnings per share	cents	80.4	73.9	8.8
Dividend per share ² (2008 interim – ordinary 3.4 cents; special 3.0 cents) (2007 interim – ordinary 3.2 cents; special 3.0 cents)	cents	6.4	6.2	3.2
LME copper price (per pound)	cents	367.8	307.0	19.8
Group copper production	'000 tonnes	233.6	212.1	10.1
Group weighted average cash costs ³ (net of by-product credits)	cents	72.2	30.3	138.3
Group weighted average cash costs ³ (excluding by-product credits)	cents	130.6	104.4	25.1
Market molybdenum price (per pound)	US\$	33.1	28.4	16.5
Group molybdenum production	'000 tonnes	3.8	4.9	(22.4)

See footnotes on following page.

- Strong operating performance and financial results with net earnings¹ up 8.8% to US\$792.8 million (2007 half year – US\$728.4 million).** The Group has benefited from improved copper production, continued strength in commodity prices and favourable tolling charges. These factors helped offset the effect of higher operating costs which were in line with forecast and mainly due to industry pressures as well as expected lower molybdenum production. The Group's financial position remains strong.
- Total interim dividend of 6.4 cents per share, comprising an ordinary dividend of 3.4 cents per share and a special dividend of 3.0 cents per share.** This represents a 6.3% increase in the interim ordinary dividend and a 3.2% increase in the total interim dividend.
- Continued progress with capital projects.** Construction of the Mauro tailings dam, where one legal case remains pending, is virtually complete. A further plant upgrade at Los Pelambres was approved in July at a capital cost of approximately US\$1.0 billion and is expected to increase production from early 2010. The US\$1.9 billion Esperanza project received environmental approvals in June and remains on schedule to start production at the end of 2010. When fully operational, these two projects will increase Group production from expected current levels of 463,000 tonnes by approximately 285,000 tonnes or 60%.
- Introduction of Marubeni Corporation as an investment partner in the Sierra Gorda district.** Following completion in August of the agreement entered into in April, Marubeni has acquired a 30% interest in Minera Esperanza and Minera El Tesoro from the Group for a final consideration of US\$1,401 million and will fund its 30% share of the Esperanza project.
- Feasibility studies in progress to enhance the Group's project pipeline.** During the first half of 2008 feasibility studies were initiated at the Reko Diq project in Pakistan and the Antucoya project in Chile, both of which are expected to be completed in the first half of 2009.
- Further progress with the Group's exploration programme.** Further drilling is being conducted in the Sierra Gorda district (where in addition to El Tesoro and Esperanza, the Group has interests in the Telegrafo and Caracoles deposits) and a revised resource estimate is in progress at Los Pelambres. During the 2008 half year the Group also entered into mining exploration agreements in Chile and Zambia as well as for geothermal energy resources in southern Chile.

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

"This has been an excellent first half for the Group with improved copper production and prices resulting in increased earnings. Our operations have performed well and despite substantial continuing industry-wide cost pressures including fuel, energy and acid, production levels and costs across the Group remain in line with forecast. Fundamentals for both the copper and molybdenum markets remain solid and we expect this to continue well into 2009. With our sound financial position, we continue to make good progress with the Group's plans for sustainable growth through both brownfield and greenfield projects as well as exploration in Chile and internationally, and this should result in further profitable volume growth from 2010 and beyond."

- 1 *Net earnings refer to profit for the financial year attributable to equity holders of the Company.*
- 2 *Dividends are paid in either sterling or US dollars. The conversion rate for dividends to be paid in sterling will be set on 23 September 2008.*
- 3 *Cash cost is a method used by the mining industry to express the cost of production in cents per pound of copper, and is further explained in Note 26(b)(iii) to the condensed financial statements.*

Enquiries

London

Investor relations - Antofagasta plc

Tel: +44 20 7808 0988

www.antofagasta.co.uk

Desmond O'Connor - doconor@antofagasta.co.uk

Hussein Barma - hbarma@antofagasta.co.uk

Media enquiries - Bankside Consultants

Tel: +44 20 7367 8873

Keith Irons - keith@bankside.com

Oliver Winters - oliver.winters@bankside.com

Santiago

Antofagasta Minerals S.A.

Tel: +562 798 7000

Alejandro Rivera - arivera@aminerals.cl

DIRECTORS' COMMENTS FOR THE HALF YEAR TO 30 JUNE 2008

Overview

The Group has achieved strong results for the 2008 half-year, with net earnings up 8.8% to US\$792.8 million and cash flow from operations up 12.1% to US\$1,512.9 million. These results were achieved against a background of sound operational performances across the Group and continued strength in metal prices.

Metal prices in this period remained well above historical levels. LME copper prices averaged 367.8 cents per pound (2007 half year – 307.0 cents per pound), increasing from approximately 303 cents at the beginning of the year to just under 400 cents at the end of June. The Group expects fundamentals for the copper market to remain sound with prices remaining strong well into 2009, despite a softening of prices in the seasonally weaker third quarter. Nevertheless, with continued uncertainty in financial markets and the increased role of investment funds in commodity markets, the volatility that has characterised exchange-traded commodities in recent years is expected to continue. Molybdenum prices, which were much more stable, averaged US\$33.1 per pound compared with US\$28.4 per pound in the first half of 2007. The Group has benefitted from these higher metal prices together with continued positive pricing adjustments on provisionally invoiced copper sales particularly at Los Pelambres. The copper concentrates market remains in continued deficit, and this has kept tolling charges at levels favourable to producers.

The Group's operations performed well in the 2008 first half. Group copper production reached 233,600 tonnes in line with forecast and 10.1% above the 2007 half year, mainly reflecting increased throughput at Los Pelambres. As expected, molybdenum production at Los Pelambres decreased by 22.4% to 3,800 tonnes as a result of lower molybdenum grades. The transport and water divisions also performed strongly with transport tonnages maintained and water volumes increased compared with the 2007 half year.

Weighted average cash costs were 72.2 cents per pound in the 2008 half year, compared with 30.3 cents per pound in the same period last year. This increase mainly reflected lower by-product credits as a result of lower molybdenum volumes and increased on-site and shipping costs at the Group's three mines in line with forecast as a result of industry cost pressures such as energy, fuel and sulphuric acid prices and freight costs. These factors were partly offset by lower tolling charges as a result of the favourable concentrates market. Labour relations across the group remained positive. El Tesoro negotiated new 46-month agreements with both its unions in June 2008 well in advance of the expiry of the previous agreements in May 2009. All of the Group's three mining operations now have labour agreements in place which run until at least 2011.

Mainly as a result of these factors, profit before tax in the 2008 half year increased by 15.3% to US\$1,656.6 million. As explained in the Financial Commentary, income tax expense was US\$431.2 million (2007 half year – US\$331.7 million), partly reflecting the higher profit before tax but also a higher effective tax rate of 26.0% compared with 23.1% in the 2007 half year, principally due to the planned increase in the effective rate of the Chilean mining tax from approximately 2% to approximately 4%. Consequently, earnings per share increased in line with net earnings by 8.8% to 80.4 cents per share.

The Group made continued progress with its development plans during this half year. The US\$1.9 billion Esperanza project received environmental approval in June and remains on schedule with first production expected at the end of 2010. At Los Pelambres, construction of the Mauro tailings dam is expected to be completed by the beginning of the fourth quarter of this year. In May, a court-approved settlement was reached in the case concerning the validity of a sectoral permit issued by the Chilean Water Authority and other related cases concerning water rights. One remaining case on land ownership involving different claimants needs to be resolved before the new tailings dam can be put into operation and the Group remains confident of its position in front of the Chilean Courts in this case. The existing Quillayes tailings dam has capacity until early 2009. A further plant upgrade which is within existing environmental permits has been approved by the Los Pelambres board at a total estimated capital cost of US\$1.0 billion, and this is expected to result in additional production from early 2010. When fully operational, the Esperanza project and the plant upgrade at Los Pelambres are expected to lift annual Group copper production by approximately 285,000 tonnes, an increase of more than 60% from current levels. During the first half of 2008, feasibility studies were also initiated for the Reko Diq joint venture project in Pakistan and the Antucoya project in Chile, both of which are expected to be completed in the first half of 2009 and could also contribute to the Group's pipeline of future growth.

In April 2008, the Group entered into an agreement with Marubeni Corporation ("Marubeni") whereby Marubeni would enter as an investment partner in the Sierra Gorda district by acquiring a 30% interest in both the Esperanza project and the El Tesoro mine and by agreeing to fund its 30% share of the development costs of the Esperanza project. The Marubeni transaction also permits the Group to introduce further properties in the Sierra Gorda district to the venture with Marubeni in the future. Completion of this agreement was reached on 25 August, with a final consideration received (after closing adjustments) of US\$1,401 million. In April 2008, the Group also entered into an agreement to acquire the remaining minority interest in certain mining properties held through Antomin Limited required for the Marubeni transaction as well as certain other properties including part of the Antucoya project. Completion of this agreement was also reached on 25 August with a final consideration (after closing adjustments) of

US\$243 million. Neither the Marubeni nor Antomin transactions is recorded in the results to 30 June 2008 as completion had not occurred by that date.

During the 2008 first half, the Group also continued to advance its exploration programme and to acquire new opportunities in both Chile and the rest of the world. Further drilling is in progress at the Telegrafo and Caracoles deposits in the Sierra Gorda district, where the Group's existing resources exceed 3 billion tonnes and which has potential for development as a single mining complex for oxide and sulphide ores. The results of a two year drilling programme at Los Pelambres are currently under review. The Group also signed exploration agreements to acquire interests in two prospecting licences in Zambia, an interest in the Rio Figueroa deposit in Chile and to explore for geothermal energy resources in southern Chile.

As explained in "Current trading prospects" below, the Group expects to meet its planned copper and molybdenum production of 463,000 tonnes and 6,800 tonnes respectively, with weighted average cash costs before by-product credits in line with forecast at around 125 cents per pound.

The Board has declared an ordinary interim dividend of 3.4 cents per share (2007 half year – 3.2 cents per share). In view of the continued strong results this year, the Board also decided to declare a special dividend of 3.0 cents per share (2007 half year – 3.0 cents per share) giving a total interim dividend of 6.4 cents (2007 half year – 6.2 cents). This represents an increase of 6.3% on the ordinary interim dividend and an increase of 3.2% on the total interim dividend. As in previous years, the Board intends to determine an appropriate level of final dividend when the full year results are announced in March 2009 taking into account the level of profits earned in the period under review, the existing cash position of the Group and significant known or expected funding commitments.

Review of operations

Los Pelambres

Los Pelambres achieved another strong set of results with operating profit of US\$1,340.3 million, 23.3% above the 2007 half year, as increased copper volumes, higher realised copper and molybdenum prices and lower tolling charges offset the effects of higher onsite and shipping costs and lower molybdenum production.

Realised copper prices at Los Pelambres were 420.7 cents per pound (2007 half year – 348.6 cents per pound) due to both higher average LME copper prices compared with the first half of 2007 and stronger provisional pricing credits resulting from the significant increase in prices during the first half of this year. Realised molybdenum prices were US\$33.6 per pound (2007 half year – US\$30.9 per pound), mainly reflecting higher market prices and continued tight market conditions in the 2008 first half and to a lesser extent stronger pricing credits. Further details of pricing adjustments for both copper and molybdenum are given in the Financial Commentary on page 11 and in Note 4(a) to the condensed financial statements.

Los Pelambres produced 163,800 tonnes of payable copper in the first six months of 2008, 15.5% above the first six months of last year when 141,800 tonnes were produced. This was mainly as a result of higher ore throughput which averaged 141,500 tonnes per day (2007 half year – 125,500 tonnes per day) due to the lower proportion of harder primary ore treated in the period. Grades and recoveries remained similar at 0.72% and 91.5% respectively (2007 half year – 0.71% and 92.2% respectively).

Molybdenum production was 3,800 tonnes, 22.4% below the 4,900 tonnes produced in the first half of 2007. The expected decrease was mainly due to a reduction in molybdenum grades under the current phase of the mine plan following the extraction of ore from a higher grade area during the previous two years.

Cash costs, which are stated net of by-product credits and include tolling charges, were 36.0 cents per pound, marginally below forecast but 44.6 cents higher than the negative 8.6 cents per pound achieved in the first half of 2007. On-site and shipping costs increased by 26.3 cents per pound to 99.7 cents per pound mainly due to higher energy and shipping costs, partly offset by the impact of the higher production in the period. By-product credits were 27.3 cents per pound lower at 83.5 cents per pound due to the lower molybdenum volumes in the period partly offset by higher molybdenum market prices. These factors were partly offset by lower tolling charges which decreased by 9.1 cents per pound to 19.7 cents, partly due to the more favourable annual treatment and refining charges achieved in the negotiations with smelters in the 2008 calendar year, together with continued benefit from nil price participation first achieved in 2007 as a result of the "brick system" under which the annual terms agreed are often averaged over two years. The individual components of Los Pelambres' cash costs are set out in Note 26(b) to the condensed financial statements.

During the 2008 half year, Los Pelambres continued to reduce its borrowings with repayments of US\$43.1 million. Total borrowings (net of deferred financing costs) were US\$190.8 million at 30 June 2008. Continued progress was

also achieved with Los Pelambres' capital expenditure programmes, which are being financed out of its cash resources. Total capital expenditure in the 2008 half year was US\$189.4 million, including expenditures on the Mauro tailings dam project and initial works for the further upgrade of plant capacity which, as explained below, was approved in July.

Los Pelambres advanced with construction at the Mauro tailings dam, which is now virtually complete with remaining works expected to be finished by the beginning of the fourth quarter. Cumulative expenditure on this project to 30 June 2008 was US\$568 million, which included US\$41.9 million in the first half of 2008. As announced on 7 May 2008, Los Pelambres reached a binding court-approved settlement relating to the validity of a sectoral permit issued by the Chilean Water Authority and other related cases concerning water rights. This settlement committed the claimants to withdrawing their claims and allows the construction of the Mauro tailings dam to be completed. As part of the settlement, Los Pelambres paid an amount of US\$23 million to the claimants in order to acquire an area of land of approximately 8,000 hectares and related water rights adjacent to the Mauro tailings dam belonging to one of the claimants and for the settlement of the various cases.

As also explained in that announcement, a separate case concerning land ownership involving different claimants remains outstanding. Los Pelambres has appealed to the Chilean Court of Appeals against a first instance decision in 2007 which prevents operation of the tailings dam from commencing. As announced on 12 August 2008, the claimants have objected to the Chilean Constitutional Court on the basis that the relevant provision of the Chilean Civil Procedure Code on which one of the grounds of appeal is based should be declared inapplicable. The Group has been notified that the Constitutional Court has agreed to hear this objection and has accordingly ordered the Court of Appeals hearing, which is expected to take place later this year, to be temporarily suspended. Minera Los Pelambres is taking action in front of the Chilean Constitutional Court with the aim thereby of having the suspension of the Court of Appeals hearing lifted. The Group is confident of its position in front of the Chilean Constitutional Court and it is expected that its application will be heard shortly. The Group also remains confident that Minera Los Pelambres' legal title to the land in question will be upheld on appeal. The existing Quillayes tailings dam has capacity until early 2009.

Following the completion of a feasibility study in 2007 and expenditures on early works, Los Pelambres approved a further upgrade of its plant capacity in July 2008 through additional infrastructure including a third SAG mill and sixth ball mill. The repowering is within existing environmental permits and when completed is expected to increase production of payable copper by an annual average of 90,000 tonnes over the first 15 years from early 2010. The total cost of this project is expected to be approximately US\$1.0 billion including escalation. Cumulative expenditure on this project to 30 June 2008 was US\$148.2 million of which US\$96.6 million was incurred in the first half of 2008.

Copper production in the second half of the year is expected to be similar to the first half as higher ore grades are expected to compensate for lower ore throughput due to a higher proportion of harder primary ore. Molybdenum production is expected to decrease as a result of the lower ore throughput and slightly lower molybdenum grades. Full year forecast production is expected to remain at approximately 330,000 tonnes of payable copper and 6,800 tonnes of molybdenum. Cash costs before by-product credits are expected to remain in line with forecast at approximately 113 cents per pound, including on-site and shipping costs of approximately 95 cents per pound. By-product credits in the second half of 2008 will be affected by expected lower molybdenum production as compared with the first half of the year, although Los Pelambres should continue to benefit from continued strong molybdenum prices.

El Tesoro

Operating profit at El Tesoro rose by 17.6% from US\$188.4 million in the 2007 half year to US\$221.5 million, reflecting higher copper prices partly offset by increased cash costs.

Realised copper prices were 386.2 cents per pound compared with 321.8 cents per pound in the 2007 half year, reflecting the higher average LME prices, cathode premiums and pricing adjustments on provisionally invoiced cathode sales.

Production at El Tesoro was 46,600 tonnes, only marginally below the 2007 half year production of 46,800 tonnes. Higher ore throughput which averaged 28,800 tonnes per day (2007 half year – 27,100 tonnes per day) offset the effects of lower ore grades of 1.16% (2007 half year – 1.23%) and marginally lower metallurgical recoveries of 76.1% (2007 half year – 77.4%). Cash costs during the first half of the year were 138.5 cents per pound, which was below year-to-date budget but 41.6 cents per pound higher than the same period last year. The increase was mainly due to higher energy and sulphuric acid prices.

Labour relations remained positive and El Tesoro was able to reach a new 46 month labour agreement with both its unions in June, well in advance of the expiry of the previous agreement in May 2009.

As previously explained, El Tesoro entered into a commodity hedging programme in 2007 using min-max instruments for part of its production until the end of 2009. This did not have any material impact on its operating results in either 2007 or the first half of 2008. Further details of the effects of commodity hedging instruments in place at 30 June

2008 are given in the financial commentary under “Derivative Financial Instruments” and in Note 4(b) to the condensed financial statements.

Outstanding borrowings at El Tesoro of US\$14.1 million at the beginning of 2008 were fully repaid in the first half of the year.

Capital expenditure in the period was US\$55.7 million, which included US\$32.6 million relating to pre-stripping at the Tesoro North-East satellite deposit located approximately one kilometre from the existing open pit and which following the completion of the Antomin transaction described under “Corporate transactions” below is now owned by El Tesoro. As previously explained, the Tesoro North-East deposit has been incorporated in El Tesoro’s mine plan; it mitigates the decline in grades that would otherwise occur from mining exclusively from the open pit and has extended the mine life to 2020. The incorporation of Tesoro North-East has a total capital cost of approximately US\$80 million and pre-stripping is expected to be completed by mid-2009. During the second half of 2008, El Tesoro will also incur the necessary expenditures at a capital cost of approximately US\$76 million to process the Esperanza low-grade oxide ores through a run-of-mine operation from 2009.

Full year production and cash costs are expected to remain in line with forecasts at approximately 90,000 tonnes and 142 cents per pound respectively.

Michilla

Operating profit in the 2008 half year was US\$75.3 million, a 17.5% decrease over the 2007 half year (US\$91.3 million), reflecting lower sales volume and higher cash costs which offset the higher copper prices.

Realised copper prices in the period were 372.9 cents per pound (2007 half year – 315.3 cents per pound), reflecting continued strong copper prices, cathode premiums and positive pricing adjustments partly offset by realised hedging losses.

Production in the period reached 23,100 tonnes of copper cathodes, a marginal decrease on the 23,400 tonnes produced in the 2007 half year. This reflected slightly lower ore grades, which averaged 1.01% (2007 half year – 1.04%). Shipments in the period however were 21,200 tonnes, 12.0% below the 24,100 tonnes achieved in the comparative period due to timing differences as a result of shipment and loading schedules. These timing differences unwound in July.

Cash costs were 195.1 cents per pound in the first half of 2008, a significant increase over the 132.3 cents per pound in the 2007 half year. The increase was mainly due to the increased costs of purchasing material from third parties because of the higher copper price, and increased sulphuric acid and energy prices. The effect of commodity hedging on operating results was a loss of US\$6.9 million (2007 half year – loss of US\$3.3 million), and further details of the effects of commodity hedging and of instruments in place at 30 June 2008 are given in the Financial Commentary under “Derivative Financial Instruments” and in Note 4(b) to the condensed financial statements.

Forecast cathode production for the year is expected to remain at approximately 43,000 tonnes with cash costs of approximately 190 cents per pound. Michilla’s current mine plan extends to the end of 2009 and the Group is continuing to examine options for an extension of mine life, including evaluation of existing resources for inclusion as additional reserves and further exploration including analysis of the Aurora sector which was drilled during 2007. A decision whether to extend the mine plan to at least 2012 could be taken in the second half of this year.

Railway and other transport services

Rail and road transport volumes in the first half of 2008 were 2.6 million tons (2007 half year – 2.6 million tons) and 0.6 million tons (2007 half year – 0.7 million tons) respectively, largely unchanged over the 2007 half year on a combined basis. Minor reductions in tonnages from existing customers were offset by initial shipments for Coldeco’s Gaby mine and increasing volumes from the San Cristobal mine in Bolivia following initial shipments in the second half of 2007.

Despite flat tonnages, turnover (net of sales to the mining division) increased by 32.4% to US\$72.4 million due to a number of factors. These included an increase in average haulage distances due to the location of new customers, tariff adjustments to contracts in line with costs including inflation and fuel and to a lesser extent guaranteed payments under some contracts where minimum tonnages were not met. As a result, operating profit was US\$24.3 million compared with US\$17.3 million in the 2007 half year.

Transport tonnages should increase in the second half of the year as both the San Cristobal and Gaby mines reach full production. The rail network also remains well placed to benefit from any further increases in mining activity in northern Chile.

Aguas de Antofagasta

Aguas de Antofagasta continued to perform well in the 2008 half year. Combined water sales increased by 6.0% from 19.8 million cu. m. in the 2007 first half to 21.0 million cu. m. this period. Turnover increased by 35.0% to US\$45.1 million; in addition to improved volumes, this was also due to the strengthening of the Chilean peso (the currency in which the majority of sales are billed) compared with the 2007 first half, tariff adjustments in line with inflation and sundry income from installation and construction services for water facilities provided by Aguas de Antofagasta to its customers. Operating profit accordingly increased from US\$16.1 million to US\$22.7 million.

Corporate transactions

On 24 April 2008 the Group announced that it had entered into an agreement with Marubeni Corporation (“Marubeni”) under which Marubeni would enter as an investment partner in the Sierra Gorda district by acquiring a 30% interest in both the Esperanza project (including the Telegrafo deposit) and the El Tesoro mine (including the Tesoro North-East deposit) and would fund its 30% share of the development costs of the Esperanza project. Closing of this transaction was achieved on 25 August 2008 following satisfaction of all conditions precedent including receipt of environmental approvals for the Esperanza project and the completion of the transfer of certain mining properties to Minera Esperanza and Minera El Tesoro. The final cash consideration received by the Group from Marubeni was US\$1,401 million, reflecting the base consideration of US\$1,310 million plus interest thereon from signing to completion and other adjustments specified in the agreements signed on 24 April 2008.

As also announced on 24 April 2008, the Group entered into an agreement to acquire Mineralinvest Establishment’s (“Mineralinvest”) approximately 49% interest in certain mining properties required for the Marubeni transaction as well as other properties including part of the Antucoya project. Mineralinvest’s approximately 49% interest was held through Antomin Limited, a company in which the Group held the remaining approximately 51%. Mineralinvest is an entity ultimately controlled by the Luksic family, which has a significant indirect interest in Antofagasta plc. The Antomin transaction was, therefore, approved by a committee of independent directors of Antofagasta. Conditions for closing of this transaction were also achieved on 25 August 2008 effectively concurrently with completion of the Marubeni transaction. The final consideration payable by the Group to Mineralinvest was US\$243 million, reflecting the base consideration of US\$240 million plus interest to completion.

During the first half of 2008, the Group also signed exploration agreements with TEAL Exploration & Mining Incorporated in Zambia and New Gold Inc. (formerly Metallica Resources Inc.) in Chile, as well as a memorandum of understanding with Empresa Nacional del Petroleo for the exploration and exploitation of potential sources of geothermal energy in Chile. Further details of these activities are given in “Projects, exploration and new opportunities” below.

Projects, exploration and new opportunities

Esperanza

The Esperanza project continues on schedule with first production expected by the end of 2010. The project received board approval for its development in June 2007 and an environmental impact assessment was submitted in August of that year. Pre-stripping and other early works began in early February 2008 following receipt of provisional environmental authorisation at the end of 2007. The full environmental impact assessment was received in June this year and the main construction works were initiated at the end of July. A number of key contracts have been assigned, including an engineering, procurement and construction management contract with Aker-Kvaerner for the plant which was signed in June.

Cumulative capital expenditure to the end of June 2008 was US\$161.7 million, with approximately 2,000 workers on site. Total capital costs (before working capital and any financing costs) are currently estimated at approximately US\$1.9 billion, with an update of project status expected in the fourth quarter of this year with the preparation of a definitive estimate when the detailed engineering is substantially complete. Following the inclusion of Marubeni Corporation as a 30% partner in the project as explained above, the Group intends to continue to examine further options for financing.

Esperanza is a sulphide deposit located in Chile’s Antofagasta Region approximately four kilometres south of the Group’s El Tesoro mine. It will produce copper concentrate containing gold and silver by-product credits through a conventional milling and flotation process, with ore throughput expected to average approximately 97,000 tonnes per day. In its first ten years of operation, Esperanza is expected to produce approximately 700,000 tonnes of concentrate

containing 195,000 tonnes of payable copper, 229,000 ounces of payable gold and 1,556,000 ounces of silver, with molybdenum production expected to start in the fifth year of operation with approximately 2,100 tonnes per year over the following five years.

Esperanza has at present a 15 year mine life, although the adjacent Telegrafo deposit is ultimately expected to utilise the Esperanza plant and facilities well beyond this period. The Esperanza deposit includes an oxide resource of 119 million tonnes with an average copper grade of 0.35% mainly forming part of the overburden to be removed through pre-stripping and which as explained above is expected to be processed through the El Tesoro plant.

Reko Diq (Tethyan Copper Company Limited)

The Group holds a 50% interest in Tethyan Copper Company Limited (“Tethyan”), its joint venture with Barrick Gold Corporation established in 2006. Tethyan’s principal assets are a 75% interest in the exploration licence encompassing the Reko Diq prospects in the Chagai Hills region of South-West Pakistan (in which the Government of Balochistan holds the remaining 25%) including the Western Porphyries, and a 100% interest in certain other licences in the region. The current resource estimate for the Western Porphyries is 4.1 billion tonnes with a copper grade of 0.50% and a gold grade of 0.291 g/t. In addition, the previous resource estimates at other prospects in Reko Diq, which have not yet been updated, amount to a further 0.8 billion tonnes with a copper grade of 0.45% and a gold grade of 0.22 g/t.

A feasibility study was initiated in February this year for an initial project of 72,000 tonnes per day of ore throughput. The feasibility contract was assigned to SNC-Lavalin of Toronto as lead engineer and is expected to be completed in the first half of 2009. An additional 69,000 metres were drilled in the first six months of 2008, which mainly related to infill drilling of the existing resource. Costs by Tethyan incurred in the first six months of 2008 amounted to US\$44.7 million, including initial expenditure on the feasibility study and acquisition of additional surface rights.

Negotiations are in progress with the Federal Government of Pakistan and the Government of Balochistan for a mineral agreement to establish a framework for future investment. The Group continues to believe that the potential of this investment remains positive.

Antucoya

Antucoya is an oxide deposit located approximately 45 kilometres from Michilla with a resource estimate, following a drilling programme completed at the end of 2007, of 531.4 million tonnes of ore with an average copper grade of 0.39%. Following the acquisition of certain mining properties held through Antomin Limited as described above, the Antucoya deposit is now wholly owned by the Group.

A feasibility study for the Antucoya project was initiated in February this year, with additional drilling to provide samples for metallurgical testing now underway. Following a review of project parameters in the course of this study and given the increased prospects for an extension to the mine life of Michilla, Antucoya is now being evaluated under a number of scenarios including as a stand-alone SX-EW project with possible cathode production of approximately 30,000 tonnes per year. The feasibility study for Antucoya is expected to be completed in the first half of 2009.

Other exploration activities and opportunities

The Group spent US\$22.4 million on exploration activities in the first six months of 2008 (2007 half year – US\$16.1 million), including US\$13.6 million relating to its share of exploration costs at Reko Diq (2007 half year – US\$5.7 million). The balance of US\$8.8 million (2007 half year – US\$10.4 million) related mainly to the Group’s exploration and evaluation programmes in Chile and the rest of the world.

In Chile, the Group’s primary focus remains the Sierra Gorda district, where El Tesoro and Esperanza are located.

Drilling is being carried out at the Telegrafo deposit which is adjacent to Esperanza and which as explained above could extend the life of Esperanza beyond its current mine plan. During the first half of 2008, an infill drilling programme of 21,900 metres was carried out at Telegrafo Sur, with further drilling around both Telegrafo Norte and Telegrafo Sur planned for the second half of the year to examine the continuity of these deposits with Esperanza.

Drilling is also in progress at Caracoles, a porphyry copper-gold system approximately 10 kilometres southeast of Esperanza. The Caracoles deposit is held through a joint venture in which the Group holds 81.5% and Compañía Minera Milpo S.A.A. of Peru holds the remaining 18.5% through Minera Rayrock Limitada. A 24,500 metre oxide programme was completed in the first half of the year, with further drilling of sulphide targets in progress in the second half of the year.

With current estimated mineral resources (including El Tesoro, Esperanza and Telegrafo) of over 3 billion tonnes, the Sierra Gorda district has good potential for development as a single complex for oxide and sulphide deposits.

At Los Pelambres, a new resource estimate is under preparation to incorporate the results of the two-year drilling programme which was completed at the end of 2007. The results of this drilling programme, with the aim of identifying additional resources beyond the present 2.9 billion tonnes, were encouraging and the revised resource estimate is expected to be completed by the end of this year.

The Group also progressed with its exploration programme both in Chile and the rest of the world. As announced in June, the Group signed an agreement with Minera Metallica Resources Chile Limitada, a subsidiary of New Gold Inc., to acquire a 30% interest in Rio Figueroa, an exploration project located in Chile's Atacama Region, approximately 80 km east of Copiapo city, for a consideration of US\$2.6 million payable in instalments. Under the agreement the Group has the right to increase its interest up to 70% in successive stages over a number of years by first incurring exploration expenditures of US\$7 million and subsequently completing a feasibility study and making a further payment of US\$5 million to Minera Metallica Resources Chile Limitada.

As announced in April, the Group has entered into an agreement with TEAL Exploration & Mining Incorporated ("TEAL") to acquire an initial 30% interest in two of TEAL's exploration licences on the Zambian Copperbelt covering an area of approximately 2,067 sq. km. for a consideration of US\$5 million. The agreement gives the Group the right to earn an additional 20% interest by spending US\$4.5 million on exploration (of which US\$2 million is committed expenditure) over a period of 4 years. TEAL is a company listed on the Toronto Stock Exchange and the JSE Limited with exploration and project interests in Africa.

As also announced in April the Group signed a memorandum of understanding with Empresa Nacional del Petroleo ("ENAP") of Chile for the exploration and exploitation of potential sources of geothermal energy. The memorandum of understanding envisages that these activities will be carried out through a newly-created entity in which the Group will hold a 60% interest and ENAP will hold 40% interest, and a full agreement is expected to be signed in the second half of 2008. In addition to the Tinguiririca concessions granted in 2007, further concessions at Suride and Lirima have been applied for in 2008 and it is intended that these will be explored by the new entity to be created by the Group and ENAP. As previously announced, the Group is also examining opportunities for coal in southern Chile.

Dividends

The Board has declared an ordinary interim dividend of 3.4 cents per share (2007 half year – 3.2 cents per share). In view of the continued strong results this year, the Board also decided to declare a special dividend of 3.0 cents per share (2007 half year – 3.0 cents per share). Accordingly, a total interim dividend of 6.4 cents per share (2007 half year – 6.2 cents per share) will be paid on 9 October 2008 to ordinary shareholders on the register at the close of business on 19 September 2008. This represents an increase of 6.3% on the ordinary interim dividend and an increase of 3.2% on the total interim dividend.

Dividends are payable in either US dollars or sterling, and the exchange rate to be applied to dividends to be paid in sterling will be set on 23 September 2008.

The Board's policy is to establish an ordinary dividend which can be maintained or progressively increased at conservative long-term copper prices and through the economic cycle. It recommends or declares special dividends when it considers these appropriate after taking into account the level of profits earned in the period under review, the existing cash position of the Group and significant known or expected funding commitments. As in previous years, the Board intends to take these factors into account in determining an appropriate level of final dividend when the full year results are announced in March 2009.

Current trading prospects

The copper market remained volatile during the 2008 half year, driven by continued uncertainty in financial markets and economic concerns particularly in Europe and the United States. With tight supply conditions, however, LME copper prices performed strongly in the period increasing from 303 cents at the beginning of the year to 398 cents at the end of June.

More recently, prices in the first half of August have averaged just under 350 cents with seasonal weakness in the third quarter together with concerns of slowing consumption in Asia. Nevertheless, visible inventories still remain at historically low levels and continued supply limitations are expected to compensate for any temporary weakness in demand. Fundamentals for the copper market remain strong and recent consensus estimates are for prices to average over 360 cents per pound for 2008 and remain at a similar or higher level through 2009. Nevertheless, the increased role of investment funds in commodity markets in recent years has made base metal prices more sensitive to changes in market sentiment and, given continuing financial and economic concerns, prices are expected to remain volatile.

The concentrate market also remains in favour of producers, with the concentrates deficit which developed in 2006 supported by growth in smelting capacity and limitations in supply as a result of continued disruptions in mine production. Most mid-year negotiations have been agreed at around US\$42 per dry metric tonne for smelting and 4.2 cents per pound of copper for refining compared with US\$45 and 4.5 cents for the 2008 calendar year, with price participation remaining at nil. Most commentators now expect the concentrates deficit to remain at least until 2010, when the market could return to balance or a small surplus although this is dependent on additional mine production coming on stream without the delay or disruption that has characterised the industry in recent years.

The molybdenum market has also remained strong, with prices remaining steadily over US\$33 per pound to date in the second half. Demand from the steel and catalyst sectors remain strong, with supply constraints offsetting any seasonal weakness in demand. Inventory levels for molybdenum remain low and the market, which also continues to be vulnerable to supply disruptions, is expected to remain in deficit until at least 2010 when additional production from new primary mines could balance the market.

Group copper production for 2008 is expected to remain in line with original forecasts at around 463,000 tonnes, with molybdenum production at Los Pelambres of around 6,800 tonnes. Cash costs at the Group's three mines, while higher than in 2007 as a result of industry-wide cost pressures, are also expected to remain in line with forecasts with weighted average cash costs before by-product credits of around 125 cents per pound.

The Group expects to continue to advance with its capital projects and growth opportunities in the second half of the year and, while the remaining case in relation to the Mauro tailings dam requires resolution, the medium to longer-term prospects of the Group also remain good. These include the plant upgrade at Los Pelambres which is scheduled to start up at the beginning of 2010 and the Esperanza project which is expected to start up at the end of 2010. The Reko Diq and Antucoya projects could eventually contribute additional production in future years. The Group's exploration programme also remains promising, with good potential in the Sierra Gorda district and encouraging results at Los Pelambres. Further exploration agreements were signed in the first half of 2008 giving access to additional opportunities in Chile and abroad. With this mix of capital projects, exploration and agreements, the Group believes it has a number of prospects that could substantially enhance its current production profile in the medium to longer term and it intends to use its sound financial position to advance its existing assets and properties while continuing to seek opportunities globally to secure further world-class mining assets.

FINANCIAL COMMENTARY FOR THE HALF YEAR TO 30 JUNE 2008

Results

Turnover

Group turnover in the 2008 half year increased by 23.9% to US\$2,407.0 million, compared with US\$1,942.1 million in the first six months of 2007. The increase was mainly due to higher copper prices and volumes, higher molybdenum prices, lower tolling charges for copper concentrate and higher sales at the transport and water divisions. These factors were partly offset by reduced molybdenum sales volumes.

Turnover from copper concentrate and copper cathodes

Turnover from copper concentrate sales and copper cathode sales from the Group's three mines increased by 32.2% to US\$1,995.5 million compared with US\$1,509.1 million in the first half of 2007. The Group's average realised copper price increased by 20.8% to 409.4 cents per pound (2007 half year – 338.9 cents per pound), mainly reflecting the 19.8% increase in the average LME copper from 307.0 cents per pound in the first six months of 2007 to 367.8 cents per pound in this half year. Realised copper prices are determined by comparing turnover (gross of tolling charges) 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 with final pricing based on the average market price for future periods (normally about 30 days after delivery to the customer in the case of cathode sales and up to 180 days after delivery to the customer in the case of concentrate sales). The realised copper price was higher than the LME copper price in the first half of both 2008 and 2007, as the price was on average increasing during both periods, resulting in positive provisional pricing adjustments.

In the case of Los Pelambres, pricing adjustments added US\$191.9 million to initially invoiced sales before deducting tolling charges in the 2008 half year (when the LME copper price increased from 303 cents per pound at the beginning of the year to 398 cents at the end of June), compared with US\$142.4 million in the 2007 half year (when the LME copper price increased from 285 cents per pound at the beginning of that year to 347 cents at the end of June 2007). The 2008 first half adjustments comprised US\$131.1 million in respect of sales invoiced in 2007 (net of mark-to-market adjustments at the end of 2007) which were finally priced in 2008 and US\$60.8 million in respect of sales invoiced in 2008 (including mark-to-market adjustments for open sales at the end of the period of US\$32.5 million). Pricing adjustments for the first half of 2008 (which relate mainly to sales invoiced in 2008) added US\$22.0 million at El Tesoro (2007 half year – US\$5.2 million) and US\$6.4 million at Michilla (2007 half year – US\$2.2 million). Further details are given in Note 4(a) to the condensed financial statements. El Tesoro and Michilla also continued to benefit from strong cathode premiums.

In the first half of 2008, turnover also included a loss of US\$7.1 million on commodity derivatives at El Tesoro and Michilla which matured during the period under the hedge accounting provisions of IAS 39 "Financial Instruments: Recognition and Measurement".

Copper sales volumes increased by 6.7% from 214,100 tonnes in the first six months of 2007 half year to 228,500 tonnes this half year. This reflected the 10.1% increase in copper production to 233,600 tonnes (2007 half year – 212,100 tonnes), partly offset by timing differences in shipment and loading schedules.

Tolling charges for copper concentrates at Los Pelambres decreased by 26.2% from US\$90.7 million in the 2007 half year to US\$66.9 million, due to the continuing decrease in treatment and refining charges and the full effect of nil price participation under the two-year brick system. Tolling charges are deducted from concentrate sales in reporting turnover and hence the decrease in these charges has had a positive impact on turnover compared with the 2007 first half.

Turnover from by-products

Turnover from by-products at Los Pelambres decreased by 14.8% from US\$344.9 million in the 2007 half year to US\$294.0 million, due to lower molybdenum volumes partly offset by higher market prices. Molybdenum revenues (net of roasting charges) were US\$267.3 million (2007 half year – US\$320.5 million).

Molybdenum sales of 3,700 tonnes were 24.5% lower than sales of 4,900 tonnes in the first half of 2007, in line with the decreased production in the current period.

The realised molybdenum price increased by 8.7% to US\$33.6 per pound in the 2008 half year (2007 half year – US\$30.9 per pound). Molybdenum sales are also subject to provisional pricing; however as prices remained stable during the first half of 2008 the realised price was broadly in line with the average market price of US\$33.1 per pound. In the first six months of 2007 molybdenum prices increased, with the result that the realised price was higher than the market price of US\$28.4 per pound.

Credits received for gold and silver contained in copper concentrate sold increased to US\$26.7 million (2007 half year – US\$24.4 million).

Turnover from the transport and water divisions

Turnover from the transport division (FCAB) increased by US\$17.7 million or 32.4% to US\$72.4 million. Turnover at Aguas de Antofagasta, which operates the Group's water business, increased by US\$11.7 million or 35.0% to US\$45.1 million. The principal reasons for the turnover increases are discussed above in the Directors' Comments.

Operating profit from subsidiaries and joint ventures and EBITDA

Operating profit from subsidiaries and joint ventures was US\$1,639.9 million in the 2008 half year, 17.7% higher than the first six months of 2007 (US\$1,392.8 million).

Operating profit at the mining division was US\$1,592.9 million, compared to US\$1,359.4 million in the first half of 2007, reflecting the increased revenues discussed above, partly offset by higher operating costs at the Group's three mines.

Excluding by-product credits (which are reported as part of turnover) and tolling charges for concentrates (which are deducted from turnover), weighted average cash costs for the Group (comprising on site and shipping costs in the case of Los Pelambres and cash costs in the case of the other two operations) increased from 85.1 cents per pound in the first six months of 2007 to 116.9 cents per pound in the 2008 half year. This reflected the impact of higher input costs, including energy costs at all three mines, and increased sulphuric acid costs at El Tesoro and Michilla. At Los Pelambres on-site costs increased to 99.7 cents per pound (2007 half year – 73.4 cents per pound), with the majority of the increase due to higher energy costs following the expiry of a favourably priced long-term energy supply contract at the end of the 2007. Other significant factors at Los Pelambres were higher freight charges and increased oil and steel prices. El Tesoro's costs rose to 138.5 cents per pound (2007 half year – 96.9 cents per pound), with higher sulphuric acid prices and energy costs each responsible for around a third of the total increase. The increase in costs at Michilla from 132.3 cents per pound in the first six months of 2007 to 195.1 cents per pound was mainly due to the increased costs of purchasing material from third parties because of the higher copper price, as well as the impact of increased sulphuric acid and energy prices.

Operating profits (excluding income from associates) at the transport division increased to US\$24.3 million (2007 half year – US\$17.3 million) reflecting the increased revenues. Aguas de Antofagasta's operating profits increased to US\$22.7 million from US\$16.1 million in the first half of 2007 again reflecting improved revenues.

EBITDA (earnings before interest, tax, depreciation and amortisation) in the 2008 half year was US\$1,724.4 million, compared with US\$1,470.8 million in the first half of 2007, an increase of 17.2%. This is calculated by adding back to operating profit from subsidiaries and joint ventures the items of depreciation and amortisation of US\$82.6 million (2007 half year – US\$75.1 million) and loss on disposals of property, plant and equipment of US\$1.9 million (2007 half year – US\$2.9 million).

The Group's share of net profit from its 30% investment in Antofagasta Terminal Internacional S.A. ("ATI") was US\$1.0 million (2007 half year - US\$0.8 million).

Net finance income

Net finance income in the 2008 half year was US\$15.7 million, compared with US\$43.1 million in the six months ended 30 June 2007.

Interest receivable decreased from US\$53.8 million to US\$40.1 million, mainly due to the lower market interest rates partly offset by the higher average level of cash and deposit balances held during the period.

Interest expense decreased from US\$10.8 million in the first half of 2007 to US\$6.9 million, reflecting the reduced level of borrowings due to scheduled loan repayments since the previous period.

Other finance items include a foreign exchange loss of US\$7.1 million, compared with a gain of US\$0.6 million in the 2007 half year. Also included within this line is a US\$9.5 million loss in respect of the time value element of changes in the fair value of derivative options, which is excluded from the designated hedging relationship and is accordingly recognised directly in the income statement.

Profit before tax

The resulting profit before tax for the period increased by 15.3% to US\$1,656.6 million compared with US\$1,436.7 million in the first six months of 2007, reflecting the improved operating results partly offset by the lower finance income.

Income tax expense

The rate of first category (i.e. corporation) tax in Chile is 17% for both 2008 and 2007. Los Pelambres, El Tesoro and Michilla are also subject to a mining tax (royalty) which imposes an additional tax of 4% of tax-adjusted operating profit. Until 2007, 50% of the new mining tax could be offset against first category tax and the remaining 50% was tax deductible (i.e. an allowable expense in determining liability to first category tax). From 2008 the ability to offset is no longer available, but 100% of the new mining tax is tax deductible. The effect is to increase the effective tax rate of these three operations (before taking into account deductibility against corporation tax) by approximately 2% from 2008. In addition to first category tax and the new mining tax, the Group incurs withholding taxes on the remittance of profits from Chile.

Tax (including deferred tax) amounted to US\$431.2 million (2007 half year – US\$331.7 million), with the increase compared with 2007 mainly due to higher corporate tax reflecting the increase in profit before tax, and additional mining tax due to the rate increase explained above. Including both current and deferred taxes, this comprises corporate tax of US\$274.9 million (2007 half year – US\$238.3 million), the Chilean mining tax of US\$62.4 million (2007 half year – US\$25.6 million) and provision for withholding taxes of US\$72.1 million (2007 half year – US\$68.1 million). In addition, there were exchange losses on corporate tax balances of US\$21.8 million (2007 half year – gains of US\$0.3 million).

As a result of these factors, the effective tax rate for the Group for the six months ended 30 June 2008 was 26.0% (2007 half year – 23.1%), compared with the Chilean statutory tax rate of 17%. The increase in the effective tax rate in the 2008 half year, compared with the first half of 2007, is principally due to the 2% increase in the mining tax rate.

Minority interests

Profit attributable to minority interests increased to US\$432.6 million (2007 half year – US\$376.6 million), representing 35.3% of Group profit after tax (2007 half year – 34.1%).

Earnings per share

As a result of the factors set out above, profit attributable to equity shareholders of the Company was US\$792.8 million compared with US\$728.4 million in the first half of 2007.

Accordingly, basic earnings per share increased by 8.8% to 80.4 cents in the first half of 2008 compared with 73.9 cents for the comparative period in 2007.

Derivative financial instruments

The Group periodically uses derivative financial instruments to reduce exposure to commodity price movements. The Group does not use such derivative instruments for speculative trading purposes.

The 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 turnover. The time value element of changes in the fair value of derivative options is excluded from the designated hedging relationship, and is therefore recognised directly in the income statement within other finance items.

The impact of such instruments on the Group’s results for the period is set out above in the sections on turnover and net finance income, and in Notes 4(b) and 5 to the condensed financial statements.

At 30 June 2008 the Group had min/max instruments for 61,225 tonnes of copper production (of which 43,800 tonnes relate to El Tesoro and 17,425 tonnes relate to Michilla), covering a total period up to 31 December 2009. The weighted average remaining period covered by these hedges calculated with effect from 1 July 2008 is 7.8 months. The instruments have a weighted average floor of 255.0 cents per pound and a weighted average cap of 389.3 cents per pound. At 30 June 2008, the Group also had futures to both buy and sell copper production at El Tesoro, with the effect of swapping COMEX prices for LME prices without eliminating underlying market price exposure, covering a period to 31 January 2010. The remaining weighted average period covered by these instruments was 10 months.

These instruments represent approximately 80% of Michilla’s forecast production for the remainder of 2008 and 30% of El Tesoro’s forecast production to the end of 2009, and the Group’s exposure to the copper price will be limited to

the extent of these instruments. Details of the mark-to-market position of these instruments at 30 June 2008, together with details of any interest and exchange derivatives held by the Group, are given in Note 4(b) to the condensed financial statements.

Cash flows, cash and debt

Cash flows from operations were US\$1,512.9 million in the first six months of 2008, up 12.1% compared with US\$1,349.3 million in the same period last year, reflecting the improved operating results adjusted for depreciation, amortisation and working capital movements.

A dividend of US\$0.7 million (2007 half year – US\$1.3 million) was received from the Group's investment in ATI.

Cash tax payments in the first half of 2008 were US\$230.7 million (2007 half year – US\$363.0 million), mainly comprising corporation tax of US\$224.2 million (2007 half year – US\$299.4 million) and mining tax of US\$6.5 million (2007 half year – US\$64.8 million). These amounts differ from the current tax charge in the consolidated income statement of US\$453.7 million (2007 half year – US\$343.9 million) because cash tax payments partly comprise monthly payments on account in respect of current year profits and the settlement of the outstanding balance for the previous year. Additionally, deferred taxes which crystallised on the remittance of profits for the final dividend in June are reflected in the current tax charge but were not paid until July.

No acquisitions or disposals took place in the six months to 30 June 2008. During the 2007 half-year cash proceeds from disposals of interests in subsidiaries, joint ventures and available for sale investments amounted to US\$27.5 million.

Capital expenditure was US\$434.3 million in the period (2007 half year – US\$241.6 million). Expenditure in the first six months of 2008 included US\$41.9 million relating to the Mauro tailings dam project and US\$96.6 million relating to early works on the recently announced plant upgrade both at Los Pelambres, as well as US\$32.6 million in respect of the Tesoro North-East project and US\$112.5 million for development costs including the purchase of plant and equipment at Esperanza.

Dividends (including special dividends) paid to ordinary shareholders of the Company in the first six months of this year were US\$427.9 million (2007 half year – US\$423.8 million), which related to the final dividend declared and paid in respect of the previous year. Dividends paid by subsidiaries to minority shareholders were US\$254.6 million (2007 half year – US\$307.2 million), principally comprising the minority share of distributions by Los Pelambres.

Repayments of borrowings and finance leasing obligations in the first six months of 2008, mainly at Los Pelambres and El Tesoro, were US\$61.9 million (2007 half year – US\$49.3 million). New borrowings in the period amounted to US\$5.3 million (2007 half year – US\$2.3 million).

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

At 30 June 2008 the Group had cash and cash equivalents of US\$2,349.1 million (2007 half year – US\$1,847.5 million). Excluding the minority share in each partly-owned operation, the Group's attributable share of total cash and cash equivalents was US\$2,195.6 million (2007 half year – US\$1,707.4 million).

Total Group borrowings at 30 June 2008 were US\$213.6 million (2007 half year – US\$311.9 million). Of this, US\$132.9 million (2007 half year – US\$199.0 million) is proportionally attributable to the Group after excluding the minority shareholdings in partly-owned operations. The decrease in debt is mainly due to further principal repayments at Los Pelambres and El Tesoro as explained above.

Balance sheet

Net equity (i.e. equity attributable to ordinary shareholders of the Company) increased from US\$4,065.0 million at the beginning of the year to US\$4,398.6 million at 30 June 2008, relating mainly to profit after tax and minority interests for the period of US\$792.8 million less the ordinary dividend for 2007 of US\$427.9 million which was approved and paid in the first half of 2008. Other changes relate mainly to movements in the fair value of hedges and the currency translation adjustment; these are set out in the Consolidated Statement of Changes in Equity.

Minority interests increased from US\$841.5 million at the beginning of the year to US\$1,017.6 million, principally reflecting the minority's share of profit after tax less the minority's share of the dividends approved or paid by

subsidiaries in the period. Other movements affecting minority interest are also set out in the Consolidated Statement of Changes in Equity.

Risk factors

The Group is exposed to a range of risks and uncertainties which may affect it. The principal risks and uncertainties facing the Group at the 2007 year end were set out in detail in the Financial Review section of the 2007 Annual Report, and remain appropriate in 2008. The principal risks identified were: financial risks; economic environment; exploration; ore reserve and mineral resource estimation; mining operations and new projects; decommissioning and restoration; acquisitions; political environment; health, safety and environment; and critical accounting judgements and key sources of estimation uncertainty. Details of any risks and uncertainties specific to this year are covered in the Directors' Comments in this half yearly financial report.

Condensed Consolidated Income Statement

		Six months ended 30 June 2008	Six months ended 30 June 2007	Year ended 31 December 2007
	Notes	US\$m	US\$m	US\$m
Group turnover	2,3	2,407.0	1,942.1	3,826.7
Total operating costs		(767.1)	(549.3)	(1,173.3)
Operating profit from subsidiaries and joint ventures	2,3	1,639.9	1,392.8	2,653.4
Share of income from associate	12	1.0	0.8	1.4
Total profit from operations and associates	2	1,640.9	1,393.6	2,654.8
Investment income		40.1	53.8	113.4
Interest expense		(6.9)	(10.8)	(20.4)
Other finance items		(17.5)	0.1	2.4
Net finance income	5	15.7	43.1	95.4
Profit before tax		1,656.6	1,436.7	2,750.2
Income tax expense	6	(431.2)	(331.7)	(638.4)
Profit for the financial period		1,225.4	1,105.0	2,111.8
Attributable to:				
Minority interests		432.6	376.6	729.7
Equity holders of the Company (net earnings)		792.8	728.4	1,382.1
		US cents	US cents	US cents
Basic earnings per share	7	80.4	73.9	140.2
Dividends to ordinary shareholders of the Company				
Per share		US cents	US cents	US cents
Dividends per share proposed in relation to the period	8			
- ordinary dividend (interim)		3.4	3.2	3.2
- ordinary dividend (final)		-	-	5.4
- special dividend (interim)		3.0	3.0	3.0
- special dividend (final)		-	-	38.0
		6.4	6.2	49.6
Dividends per share paid in the period and deducted from net equity				
- ordinary dividend (interim)		-	-	3.2
- ordinary dividend (final)		5.4	5.0	5.0
- special dividend (interim)		-	-	3.0
- special dividend (final)		38.0	38.0	38.0
		43.4	43.0	49.2
In aggregate		US\$m	US\$m	US\$m
Dividends proposed in relation to the period	8	63.1	61.1	489.0
Dividends paid in the period and deducted from net equity		427.9	423.8	485.0

Turnover and operating profit are derived from continuing operations. There was no potential dilution of earnings per share in any period set out above.

Condensed Consolidated Balance Sheet

		At 30.06.08	At 30.06.07	At 31.12.07
	Notes	US\$m	US\$m	US\$m
			(restated*)	(restated*)
Non-current assets				
Intangible assets	9	261.6	259.8	263.6
Property, plant and equipment	10	2,946.7	2,452.6	2,623.9
Investment property	11	3.3	3.2	3.5
Investment in associate	12	2.8	3.0	2.5
Trade and other receivables		37.0	31.4	32.0
Derivative financial instruments	4	0.5	1.9	1.4
Available for sale investments	14	3.3	4.0	3.3
Deferred tax assets	19	18.5	7.6	14.7
		3,273.7	2,763.5	2,944.9
Current assets				
Inventories	15	176.9	109.4	130.3
Trade and other receivables		717.4	638.6	540.4
Current tax assets		9.7	4.7	26.9
Derivative financial instruments	4	0.1	0.9	0.5
Cash and cash equivalents	22	2,349.1	1,847.5	2,212.5
		3,253.2	2,601.1	2,910.6
Total assets		6,526.9	5,364.6	5,855.5
Current liabilities				
Short-term borrowings	16,22	(89.6)	(101.8)	(101.8)
Derivative financial instruments	4	(14.9)	(1.6)	(1.4)
Trade and other payables		(232.6)	(190.7)	(246.5)
Current tax liabilities		(222.0)	(182.8)	(16.9)
		(559.1)	(476.9)	(366.6)
Non-current liabilities				
Medium and long term borrowings	16,22	(124.0)	(210.1)	(164.2)
Derivative financial instruments	4	(21.0)	(12.0)	-
Trade and other payables		(14.2)	(2.9)	(2.6)
Post-employment benefit obligations	17	(30.2)	(24.3)	(29.1)
Long-term provisions	18	(12.0)	(10.3)	(10.9)
Deferred tax liabilities	19	(350.2)	(312.9)	(375.6)
		(551.6)	(572.5)	(582.4)
Total liabilities		(1,110.7)	(1,049.4)	(949.0)
Net assets		5,416.2	4,315.2	4,906.5
Equity				
Share capital	20	89.8	89.8	89.8
Share premium	20	199.2	199.2	199.2
Hedging, translation and fair value reserves		(6.2)	10.5	25.1
Retained earnings		4,115.8	3,156.0	3,750.9
Net equity attributable to equity holders of the Company		4,398.6	3,455.5	4,065.0
Minority interests		1,017.6	859.7	841.5
Total equity		5,416.2	4,315.2	4,906.5

The interim financial information was approved by the Board of Directors on 26 August 2008.

* The comparative information has been restated due to a change in accounting policy as set out in Note 1.

Condensed Consolidated Cash Flow Statement

		Six months ended 30 June 2008	Six months ended 30 June 2007	Year ended 31 December 2007
	Notes	US\$m	US\$m	US\$m
Cash flows from operations	21	1,512.9	1,349.3	2,817.7
Interest paid		(6.9)	(10.7)	(20.2)
Dividends from associate	12	0.7	1.3	2.4
Income tax paid		(230.7)	(363.0)	(806.0)
Net cash from operating activities		1,276.0	976.9	1,993.9
Investing activities				
Disposal and part-disposal of subsidiaries		-	4.9	4.9
Disposal of joint venture interest		-	6.0	6.0
Disposal of available for sale investments		-	16.6	16.6
Recovery of Chilean VAT paid on purchase of water concession		5.4	5.1	8.8
Purchases of property, plant and equipment		(434.3)	(241.6)	(481.7)
Purchases of intangible assets		(10.7)	-	-
Interest received		42.4	52.0	111.3
Net cash used in investing activities		(397.2)	(157.0)	(334.1)
Financing activities				
Dividends paid to equity holders of the Company		(427.9)	(423.8)	(485.0)
Dividends paid to preference shareholders of the Company		(0.1)	(0.1)	(0.2)
Dividends paid to minority interests		(254.6)	(307.2)	(681.2)
Net proceeds from issue of new borrowings		5.3	2.3	7.0
Repayments of borrowings		(61.7)	(48.9)	(99.3)
Repayments of obligations under finance leases		(0.2)	(0.4)	(0.9)
Net cash used in financing activities		(739.2)	(778.1)	(1,259.6)
Net increase in cash and cash equivalents		139.6	41.8	400.2
Cash and cash equivalents at beginning of the period		2,212.5	1,805.5	1,805.5
Net increase in cash and cash equivalents		139.6	41.8	400.2
Effect of foreign exchange rate changes		(3.0)	0.2	6.8
Cash and cash equivalents at end of the period	22	2,349.1	1,847.5	2,212.5

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2008

	Share capital	Share premium	Hedging reserve	Fair value reserve	Translation reserve	Retained earnings	Net equity	Minority interests	Total
	US\$m	US\$m	US\$m	US\$m	US\$m	US\$m	US\$m	US\$m	US\$m
Balance at 1 January 2008	89.8	199.2	(0.2)	(0.5)	25.8	3,750.9	4,065.0	841.5	4,906.5
Profit for the financial period	-	-	-	-	-	792.8	792.8	432.6	1,225.4
Currency translation adjustment	-	-	-	-	(9.4)	-	(9.4)	-	(9.4)
Losses in fair value of cash flow hedges deferred in reserves	-	-	(26.3)	-	-	-	(26.3)	(1.9)	(28.2)
Deferred tax effects arising from hedge accounting	-	-	4.4	-	-	-	4.4	-	4.4
Dividends	-	-	-	-	-	(427.9)	(427.9)	(254.6)	(682.5)
Balance at 30 June 2008	89.8	199.2	(22.1)	(0.5)	16.4	4,115.8	4,398.6	1,017.6	5,416.2

For the six months ended 30 June 2007

	Share capital	Share premium	Hedging reserve	Fair value reserve	Translation reserve	Retained earnings	Net equity	Minority interests	Total
	US\$m	US\$m	US\$m	US\$m	US\$m	US\$m	US\$m	US\$m	US\$m
Balance at 1 January 2007	89.8	199.2	-	-	12.3	2,853.8	3,155.1	793.0	3,948.1
Profit for the financial period	-	-	-	-	-	728.4	728.4	376.6	1,105.0
Currency translation adjustment	-	-	-	-	4.8	-	4.8	-	4.8
Losses in fair value of cash flow hedges deferred in reserves	-	-	(8.4)	-	-	(2.9)	(11.3)	(3.3)	(14.6)
Gains in fair value of cash flow hedges transferred to the income statement	-	-	(0.1)	-	-	-	(0.1)	-	(0.1)
Gains in fair value of available for sale investments	-	-	-	10.7	-	-	10.7	-	10.7
Gains in fair value of available for sale investments transferred to the income statement	-	-	-	(10.5)	-	-	(10.5)	-	(10.5)
Deferred tax effects arising from hedge accounting	-	-	1.7	-	-	0.5	2.2	0.6	2.8
Dividends	-	-	-	-	-	(423.8)	(423.8)	(307.2)	(731.0)
Balance at 30 June 2007	89.8	199.2	(6.8)	0.2	17.1	3,156.0	3,455.5	859.7	4,315.2

Condensed Consolidated Statement of Changes in Equity (continued)**For the year ended 31 December 2007**

	Share capital	Share premium	Hedging reserve	Fair value reserve	Translation reserve	Retained earnings	Net equity	Minority interests	Total
	US\$m	US\$m	US\$m	US\$m	US\$m	US\$m	US\$m	US\$m	US\$m
Balance at 1 January 2007	89.8	199.2	-	-	12.3	2,853.8	3,155.1	793.0	3,948.1
Profit for the financial period	-	-	-	-	-	1,382.1	1,382.1	729.7	2,111.8
Currency translation adjustment	-	-	-	-	13.5	-	13.5	-	13.5
Losses in fair value of cash flow hedges deferred in reserves	-	-	(6.9)	-	-	-	(6.9)	-	(6.9)
Losses in fair value of cash flow hedges transferred to the income statement	-	-	6.7	-	-	-	6.7	-	6.7
Gains in fair value of available for sale investments	-	-	-	10.0	-	-	10.0	-	10.0
Gains in fair value of available for sale investments transferred to the income statement	-	-	-	(10.5)	-	-	(10.5)	-	(10.5)
Deferred tax effects arising from hedge accounting	-	-	-	-	-	-	-	-	-
Dividends	-	-	-	-	-	(485.0)	(485.0)	(681.2)	(1,166.2)
Balance at 31 December 2007	89.8	199.2	(0.2)	(0.5)	25.8	3,750.9	4,065.0	841.5	4,906.5

Notes

1. General information and accounting policies

a) General information

These June 2008 interim consolidated financial statements (“the condensed financial statements”) are for the six months ended 30 June 2008. The interim financial statements are unaudited.

The information for the year ended 31 December 2007 does not constitute statutory accounts as defined in section 240 of the Companies Act 1985. A copy of the statutory accounts for that year has been delivered to the Registrar of Companies. The auditors’ report on these accounts was unqualified and did not contain a statement under section 237(2) (regarding adequacy of accounting records and returns) or section 237(3) (regarding provision of necessary information and explanations) of the Companies Act 1985.

b) Accounting policies

The annual financial statements of Antofagasta plc for the year ended 31 December 2007 were prepared in accordance with International Financial Reporting Standards (IFRS) adopted for use by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard (IAS) 34 *Interim Financial Reporting* and the requirements of the UK Disclosure and Transparency Rules (DTR) of the Financial Services Authority (FSA) in the United Kingdom as applicable to interim financial reporting.

The condensed financial statements represent a “condensed set of financial statements” as referred to in the DTR issued by the FSA. Accordingly, they do not include all of the information required for a full annual financial report and are to be read in conjunction with the Group’s financial statements for the year ended 31 December 2007.

The interim financial information has also been prepared on the basis of accounting policies consistent with those applied in the financial statements for the year ended 31 December 2007, except as set out below.

Change in accounting policies

In the current financial year the Group has adopted IFRIC 12 *Service Concession Arrangements*, which has resulted in a restatement of the comparative figures. This Interpretation requires all infrastructure assets relating to the Water concession to be recorded within intangible assets; previously, certain infrastructure assets were recorded within property, plant and equipment. Accordingly, the comparative figures have been restated to reclassify these infrastructure assets into the Concession right and assets category within intangible assets. This reclassification has no effect on net earnings or net equity in either period. Further details are set out in Note 9.

There are no other Standards or Interpretations which apply or are expected to apply for the first time for the year ending 31 December 2008 which are expected to have any material impact on the Group.

2. Total profit from operations and associates

	Six months ended 30 June 2008 US\$'m	Six months ended 30 June 2007 US\$'m	Year ended 31 December 2007 US\$'m
Turnover	2,407.0	1,942.1	3,826.7
Cost of sales	(609.5)	(470.3)	(966.5)
Gross profit	1,797.5	1,471.8	2,860.2
Administrative and distribution expenses	(133.4)	(82.8)	(183.1)
Closure provision	(0.2)	(0.3)	(0.5)
Severance charges	(4.7)	(1.3)	(5.3)
Exploration costs	(22.4)	(16.1)	(38.1)
Other operating income	7.9	24.6	31.2
Other operating expenses	(4.8)	(3.1)	(11.0)
Operating profit from subsidiaries and joint ventures	1,639.9	1,392.8	2,653.4
Share of income from associate	1.0	0.8	1.4
Total profit from operations and associates	1,640.9	1,393.6	2,654.8

Notes to total profit from operations and associates

- (i) In the comparative periods, cost of sales included an inventory write-off of US\$18.8 million relating to high carbonate ore inventories at El Tesoro.
- (ii) In the comparative periods, other operating income included a gain of US\$10.5 million relating to the disposal of shares held in Mercator Minerals Ltd, a gain of US\$9.7 million relating to the disposal of the Cordillera de las Minas joint venture to Panoro Minerals Ltd, and a gain of US\$1.6 million from a settlement in respect of the remaining consideration receivable for the disposal of Minera Tamaya S.A. in 2002. These items totalled US\$21.8 million.

3. Segmental analysis

Based on risks and returns, the Directors consider the primary reporting format is by business segment and the secondary reporting format is by geographical segment. The Group considers its business segments to be Los Pelambres, El Tesoro, Michilla, Esperanza, Exploration, Railway and other transport services and the Water concession.

Corporate and other items principally relate to the costs incurred by the Company and Antofagasta Minerals S.A., the Group's mining corporate centre, which are not allocated to any individual business segment. The classification reflects the Group's management structure. The amounts presented for each business segment exclude any amounts relating to the investment in Antofagasta Terminal Internacional S.A., an associate which is held through the Railway and other transport services segment.

a) Turnover, EBITDA and operating profit/(loss) from subsidiaries analysed by business segment

	<u>Turnover</u>			<u>EBITDA</u>			<u>Operating profit/(loss) from subsidiaries and joint ventures</u>		
	Six months ended 30 June 2008	Six months ended 30 June 2007	Year ended December 2007	Six months ended 30 June 2008	Six months ended 30 June 2007	Year ended December 2007	Six months ended 30 June 2008	Six months ended 30 June 2007	Year ended December 2007
	US\$m	US\$m	US\$m	US\$m	US\$m	US\$m	US\$m	US\$m	US\$m
Los Pelambres	1,729.5	1,354.5	2,651.9	1,377.6	1,122.1	2,178.0	1,340.3	1,087.0	2,098.6
El Tesoro	385.7	332.0	673.9	247.3	213.3	430.9	221.5	188.4	380.3
Michilla	174.3	167.5	316.8	83.1	97.1	169.2	75.3	91.3	154.0
Exploration	-	-	-	(22.4)	(16.1)	(38.1)	(22.4)	(16.1)	(38.1)
Corporate and other items	-	-	-	(20.9)	9.1	(5.6)	(21.8)	8.8	(6.8)
Mining	2,289.5	1,854.0	3,642.6	1,664.7	1,425.5	2,734.4	1,592.9	1,359.4	2,588.0
Railway and other transport services	72.4	54.7	117.0	31.0	24.4	48.9	24.3	17.3	35.0
Water concession	45.1	33.4	67.1	28.7	20.9	40.7	22.7	16.1	30.4
Group turnover (segment revenue), EBITDA and operating profit from subsidiaries and joint ventures (segment result)	2,407.0	1,942.1	3,826.7	1,724.4	1,470.8	2,824.0	1,639.9	1,392.8	2,653.4

Notes to turnover by business segment (segment revenue)

- (i) Turnover by business segment equates to segment revenue as defined by IAS 14.
- Turnover from Railway and other transport services is stated after eliminating inter-segmental sales to the mining division of US\$7.0 million (2007 half year – US\$5.0 million; 2007 full year – US\$10.5 million). Turnover from the Water concession is stated after eliminating inter-segmental sales to the mining division of US\$1.1 million (2007 half-year – US\$nil; 2007 full year – US\$0.4 million) respectively; and after eliminating sales to the Railway and other transport services of US\$0.2 million (2007 half year – US\$0.2 million; 2007 full year – US\$0.2 million).
- (ii) Turnover 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 4(a).
- (iii) In the current period turnover includes realised losses on commodity derivatives of US\$7.1 million, comprising a loss of US\$0.2 million at El Tesoro and a loss of US\$6.9 million at Michilla (2007 half-year – loss of US\$3.3 million at Michilla; 2007 full year – loss of US\$14.0 million, comprising a gain of US\$0.2 million at El Tesoro and a loss of US\$14.2 million at Michilla). Further details of such gains or losses are given in Note 3(a)(vii) and Note 4(b).
- (iv) Los Pelambres produces and sells copper and molybdenum concentrates. It is also credited for the gold and silver content in the copper concentrate it sells. Turnover by type of metal is analysed below to show separately, the amounts prior to deduction of tolling charges, the tolling charges involved and the net amounts included in turnover. El Tesoro and Michilla do not generate by-products from their copper cathode operations.

Notes to EBITDA and operating profit from subsidiaries by business segment (segment result)

- (v) Operating profit for the separate businesses equates to segment result as defined by IAS 14. This excludes the share of income from associate of US\$1.0 million (2007 half year – US\$0.8 million; 2007 full year – US\$1.4 million).
- (vi) EBITDA is calculated by adding back depreciation, amortisation and disposals of property, plant and equipment and impairment charges (see Note 3(b)) to operating profit from subsidiaries.
- (vii) As explained in Note 3(a)(iii) above, in the current period EBITDA and operating profit include realised losses on commodity derivatives of US\$7.1 million (2007 half-year – loss of US\$3.3 million; 2007 full year – loss of US\$14.0 million). Further details are given in Note 4(b).
- (viii) Income and expenditure (other than exploration costs) relating to Tethyan Copper Company Limited (See Note 13) have been included within Corporate and other items.
- (ix) As explained in Note 2(i), in the comparative periods EBITDA and operating profit at El Tesoro included an inventory write-off of US\$18.8 million.
- (x) As explained in Note 2(ii), in the comparative periods EBITDA and operating profit in the corporate and other items category included gains of US\$21.8 million relating to various items.

Turnover at Los Pelambres by mineral

	<u>Before deducting tolling charges</u>			<u>Tolling charges</u>			<u>Net of tolling charges</u>		
	Six months ended 30 June 2008	Six months ended 30 June 2007	Year ended 31 December 2007	Six months ended 30 June 2008	Six months ended 30 June 2007	Year ended 31 December 2007	Six months ended 30 June 2008	Six months ended 30 June 2007	Year ended 31 December 2007
	US\$m	US\$m	US\$m	US\$m	US\$m	US\$m	US\$m	US\$m	US\$m
Copper	1,502.4	1,100.3	2,094.6	(66.9)	(90.7)	(169.4)	1,435.5	1,009.6	1,925.2
Molybdenum	273.8	331.6	699.8	(6.5)	(11.1)	(23.4)	267.3	320.5	676.4
Gold and silver	27.0	24.8	51.0	(0.3)	(0.4)	(0.7)	26.7	24.4	50.3
Los Pelambres	1,803.2	1,456.7	2,845.4	(73.7)	(102.2)	(193.5)	1,729.5	1,354.5	2,651.9

b) Capital expenditure, depreciation and amortisation, and loss on disposal of property, plant and equipment by business segment

	<u>Capital expenditure</u>			<u>Depreciation and amortisation</u>			<u>Loss on disposals</u>		
	Six months ended 30 June 2008	Six months ended 30 June 2007	Year ended 31 December 2007	Six months ended 30 June 2008	Six months ended 30 June 2007	Year ended 31 December 2007	Six months ended 30 June 2008	Six months ended 30 June 2007	Year ended 31 December 2007
	US\$m	US\$m	US\$m	US\$m	US\$m	US\$m	US\$m	US\$m	US\$m
Los Pelambres	189.4	156.1	323.4	(37.3)	(35.0)	(79.3)	-	(0.1)	(0.1)
El Tesoro	55.7	5.2	28.0	(24.5)	(23.7)	(49.3)	(1.3)	(1.2)	(1.3)
Michilla	11.9	3.9	11.4	(7.6)	(5.8)	(11.2)	(0.2)	-	(4.0)
Esperanza	112.5	-	43.7	-	-	-	-	-	-
Corporate and other items	25.3	23.6	15.2	(0.9)	(0.3)	(0.9)	-	-	(0.3)
Mining	394.8	188.8	421.7	(70.3)	(64.8)	(140.7)	(1.5)	(1.3)	(5.7)
Railway and other transport services	14.1	18.6	38.9	(6.3)	(5.6)	(11.3)	(0.4)	(1.5)	(2.6)
Water concession	5.9	2.0	5.4	(6.0)	(4.7)	(10.2)	-	(0.1)	(0.1)
	414.8	209.4	466.0	(82.6)	(75.1)	(162.2)	(1.9)	(2.9)	(8.4)

Other non-cash expenses relate to severance and closure costs and are disclosed for the Group in Note 2.

Capital expenditure represents purchases of property, plant and equipment and intangible assets stated on an accruals basis (see Notes 9 and 10) and may therefore differ from the amount included in the cash flow statement.

US\$1.1 million of depreciation in respect of assets relating to the Esperanza project has been capitalised within the development expenditure of that project, and accordingly has been excluded from the depreciation charge shown above.

c) Assets and liabilities by business segment

	<u>Segment assets</u>			<u>Segment liabilities</u>			<u>Segment net assets</u>		
	Six months ended 30 June 2008	Six months ended 30 June 2007	Year ended 31 December 2007	Six months ended 30 June 2008	Six months ended 30 June 2007	Year ended 31 December 2007	Six months ended 30 June 2008	Six months ended 30 June 2007	Year ended 31 December 2007
	US\$m	US\$m	US\$m	US\$m	US\$m	US\$m	US\$m	US\$m	US\$m
Los Pelambres	2,639.6	2,308.8	2,338.4	(106.3)	(96.3)	(137.9)	2,533.3	2,212.5	2,200.5
El Tesoro	620.7	564.1	563.5	(107.4)	(56.1)	(61.1)	513.3	508.0	502.4
Michilla	86.3	78.4	77.2	(43.9)	(35.9)	(28.8)	42.4	42.5	48.4
Esperanza	242.9	-	92.8	(6.3)	-	(2.2)	236.6	-	90.6
Corporate and other items	181.3	199.2	155.1	(21.3)	(21.3)	(21.4)	160.0	177.9	133.7
Mining	3,770.8	3,150.5	3,227.0	(285.2)	(209.6)	(251.4)	3,485.6	2,940.9	2,975.6
Railway and other transport services	201.4	168.1	184.0	(29.2)	(24.0)	(27.7)	172.2	144.1	156.3
Water concession	168.0	176.0	181.1	(10.5)	(8.2)	(11.4)	157.5	167.8	169.7
	4,140.2	3,494.6	3,592.1	(324.9)	(241.8)	(290.5)	3,815.3	3,252.8	3,301.6

Assets and liabilities of Tethyan Copper Company Limited (See Note 13) have been included within Corporate and other items.

Segment assets and liabilities are reconciled to entity assets and liabilities through unallocated items as follows:

	<u>Segment assets</u>			<u>Segment liabilities</u>			<u>Segment net assets</u>		
	Six months ended 30 June 2008	Six months ended 30 June 2007	Year ended 31 December 2007	Six months ended 30 June 2008	Six months ended 30 June 2007	Year ended 31 December 2007	Six months ended 30 June 2008	Six months ended 30 June 2007	Year ended 31 December 2007
	US\$m	US\$m	US\$m	US\$m	US\$m	US\$m	US\$m	US\$m	US\$m
Segment assets/(liabilities)	4,140.2	3,494.6	3,592.1	(324.9)	(241.8)	(290.5)	3,815.3	3,252.8	3,301.6
Investment property	3.3	3.2	3.5	-	-	-	3.3	3.2	3.5
Investment in associate	2.8	3.0	2.5	-	-	-	2.8	3.0	2.5
Available for sale investments	3.3	4.0	3.3	-	-	-	3.3	4.0	3.3
Deferred tax assets/(liabilities)	18.5	7.6	14.7	(350.2)	(312.9)	(375.6)	(331.7)	(305.3)	(360.9)
Current tax assets/(liabilities)	9.7	4.7	26.9	(222.0)	(182.8)	(16.9)	(212.3)	(178.1)	10.0
Cash and cash equivalents/(borrowings)	2,349.1	1,847.5	2,212.5	(213.6)	(311.9)	(266.0)	2,135.5	1,535.6	1,946.5
Entity assets/(liabilities)	6,526.9	5,364.6	5,855.5	(1,110.7)	(1,049.4)	(949.0)	5,416.2	4,315.2	4,906.5

d) Geographical analysis of turnover by location of customer (geographical segment)

	<u>Sales</u>		
	Six months ended 30 June 2008	Six months ended 30 June 2007	Year ended 31 December 2007
	US\$m	US\$m	US\$m
Europe			
- United Kingdom	-	0.1	0.1
- Switzerland	300.5	247.8	321.9
- Rest of Europe	405.8	240.1	742.1
Latin America			
- Chile	222.2	107.2	377.8
- Rest of Latin America	147.4	160.9	190.3
North America	266.4	227.3	511.4
Asia			
- Japan	622.1	558.1	1,000.6
- China	275.1	247.8	416.8
- Rest of Asia	167.5	152.8	265.7
	2,407.0	1,942.1	3,826.7

4. Derivatives and embedded derivatives

a) Embedded derivatives – provisionally priced sales

Copper and molybdenum concentrate sale agreements and copper cathode sale agreements generally provide for provisional pricing of sales at the time of shipment, with final pricing being based on the monthly average London Metal Exchange copper price or monthly average molybdenum price for specified future periods. This normally ranges from 30 to 180 days after delivery to the customer.

Under IFRS, both gains and losses from the marking-to-market of open sales are recognised through adjustments to turnover 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 for that commodity. The mark-to-market adjustments to the balance sheet at the end of each period are as follows:

	Balance sheet - net mark to market effect on debtors		
	At 30.06.08 US\$'m	At 30.06.07 US\$'m	At 31.12.07 US\$'m
Los Pelambres - copper concentrate	32.5	56.7	(72.8)
Los Pelambres - tolling charges for copper concentrate	(0.6)	(3.8)	2.6
Los Pelambres - molybdenum concentrate	1.4	13.1	0.1
El Tesoro - copper cathodes	1.5	(0.4)	(1.0)
Michilla - copper cathodes	0.5	0.4	0.1
	35.3	66.0	(71.0)

(i) Copper sales

	Six months ended 30 June 2008			Six months ended 30 June 2007			Year ended 31 December 2007		
	US\$'m	US\$'m	US\$'m	US\$'m	US\$'m	US\$'m	US\$'m	US\$'m	US\$'m
	Los Pelambres Copper concentrate	El Tesoro Copper cathodes	Michilla Copper cathodes	Los Pelambres Copper concentrate	El Tesoro Copper cathodes	Michilla Copper cathodes	Los Pelambres Copper concentrate	El Tesoro Copper cathodes	Michilla Copper cathodes
Provisionally invoiced gross sales	1,310.5	363.9	174.8	957.9	326.8	168.6	2,041.8	678.8	332.2
Effects of pricing adjustments to previous period invoices									
Reversal of mark-to-market adjustments at the end of the previous period	72.8	1.0	(0.1)	110.1	(1.3)	0.6	110.1	(1.3)	0.6
Settlement of copper sales invoiced in the previous period	58.3	1.9	1.1	(88.1)	(6.6)	(3.2)	(88.1)	(6.5)	(3.3)
Total effect of adjustments to previous period invoices in the current period	131.1	2.9	1.0	22.0	(7.9)	(2.6)	22.0	(7.8)	(2.7)
Effects of pricing adjustments to current period invoices									
Settlement of copper sales invoiced in the current period	28.3	17.6	4.9	63.7	13.5	4.4	103.6	3.7	1.4
Mark-to-market adjustments at the end of the current period	32.5	1.5	0.5	56.7	(0.4)	0.4	(72.8)	(1.0)	0.1
Total effect of adjustments to current period invoices	60.8	19.1	5.4	120.4	13.1	4.8	30.8	2.7	1.5
Realised (losses)/gains on commodity derivatives	-	(0.2)	(6.9)	-	-	(3.3)	-	0.2	(14.2)
Turnover before deducting tolling charges	1,502.4	385.7	174.3	1,100.3	332.0	167.5	2,094.6	673.9	316.8
Tolling charges	(66.9)	-	-	(90.7)	-	-	(169.4)	-	-
Turnover net of tolling charges	1,435.5	385.7	174.3	1,009.6	332.0	167.5	1,925.2	673.9	316.8

Copper concentrate

Copper concentrate sales at Los Pelambres have an average settlement period of approximately four months from shipment date. At 30 June 2008, sales totalling 124,600 tonnes remained open as to price, with an average mark-to-market price of 387.5 cents per pound compared with an average provisional invoice price of 375.7 cents per pound. At 30 June 2007, sales totalling 103,800 tonnes remained open as to price, with an average mark-to-market price of 344.2 cents per pound compared with an average provisional invoice price of 319.4 cents per pound. At 31 December 2007, sales totalling 99,400 tonnes remained open as to price, with an average mark-to-market price of 302.4 cents per pound compared with an average provisional invoice price of 335.7 cents per pound.

Tolling charges recorded within the income statement include a mark-to-market loss for copper concentrate sales open as to price at 30 June 2008 of US\$3.2 million (30 June 2007 – loss of US\$11.4 million, 31 December 2007 – loss of US\$5.1 million).

Copper cathodes

Copper cathode sales at El Tesoro and Michilla have an average settlement period of approximately one month from shipment date. At 30 June 2008, sales totalling 7,800 tonnes remained open as to price, with an average mark-to-market price of 391.8 cents per pound compared with an average provisional invoice price of 380.2 cents per pound. At 30 June 2007, sales totalling 10,700 tonnes remained open as to price, with an average mark-to-market price of 346.7 cents per pound compared with an average provisional invoice price of 347.0 cents per pound. At 31 December 2007, sales totalling 11,000 tonnes remained open as to price, with an average mark-to-market price of 301.7 cents per pound compared with an average provisional invoice price of 305.4 cents per pound.

(ii) Molybdenum sales

	Six months ended 30 June 2008	Six months ended 30 June 2007	Year ended 31 December 2007
	US\$m	US\$m	US\$m
	Los Pelambres	Los Pelambres	Los Pelambres
	Molybdenum concentrate	Molybdenum concentrate	Molybdenum concentrate
Provisionally invoiced gross sales	270.0	295.5	670.9
Effects of pricing adjustments to previous period invoices			
Reversal of mark-to-market adjustments at the end of the previous period	(0.1)	2.4	2.4
Settlement of molybdenum sales invoiced in the previous period	2.7	(1.0)	(1.0)
Total effect of adjustments to previous period invoices in the current period	2.6	1.4	1.4
Effects of pricing adjustments to current period invoices			
Settlement of molybdenum sales invoiced in the current period	(0.2)	21.6	27.4
Mark-to-market adjustments at the end of the current period	1.4	13.1	0.1
Total effect of adjustments to current period invoices	1.2	34.7	27.5
Turnover before deducting tolling charges	273.8	331.6	699.8
Tolling charges	(6.5)	(11.1)	(23.4)
Turnover net of tolling charges	267.3	320.5	676.4

Molybdenum sales at Los Pelambres have an average settlement period of approximately three months after shipment date. At 30 June 2008, sales totalling 1,800 tonnes remained open as to price, with an average mark-to-market price of US\$33.3 per pound compared with an average provisional invoice price of US\$33.0 per pound. At 30 June 2007, sales totalling 2,100 tonnes remained open as to price, with an average mark-to-market price of US\$33.1 per pound compared with an average provisional invoice price of US\$30.3 per pound. At 31 December 2007, sales totalling 2,100 tonnes remained open as to price, with an average mark-to-market price of US\$32.5 per pound compared with an average provisional invoice price of US\$32.4 per pound.

b) Derivative financial instruments

The Group periodically uses derivative financial instruments to reduce its exposure to commodity price, foreign exchange and interest rate movements. The Group does not use such derivative instruments for speculative trading purposes.

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

Commodity derivatives

The balance sheet mark-to-market adjustments in respect of commodity derivatives at the end of each period, and the effect on turnover and other finance items in the income statement for each period, are as follows:

	<u>Balance sheet</u>			<u>Income statement effect</u>		
	<u>Net financial (liability)/asset</u>			<u>Six months ended</u>	<u>Six months ended</u>	<u>Year ended</u>
	<u>At 30.06.08</u>	<u>At 30.06.07</u>	<u>At 31.12.07</u>	<u>30 June 2008</u>	<u>30 June 2007</u>	<u>31 December 2007</u>
	<u>US\$m</u>	<u>US\$m</u>	<u>US\$m</u>	<u>US\$m</u>	<u>US\$m</u>	<u>US\$m</u>
El Tesoro	(26.3)	(2.0)	-	(9.5)	-	0.4
Michilla	(9.0)	(8.8)	0.5	(7.1)	(3.3)	(13.7)
	<u>(35.3)</u>	<u>(10.8)</u>	<u>0.5</u>	<u>(16.6)</u>	<u>(3.3)</u>	<u>(13.3)</u>

Analysed between:

Non-current assets	0.5	1.9	1.4
Current assets	0.1	0.9	0.5
Current liabilities	(14.9)	(1.6)	(1.4)
Non-current liabilities	(21.0)	(12.0)	-
	<u>(35.3)</u>	<u>(10.8)</u>	<u>0.5</u>

During the six months ended 30 June 2008 a loss of US\$7.1 million was recognised within turnover, comprising a loss of US\$0.2 million at El Tesoro and a loss of US\$6.9 million at Michilla, in respect of derivative instruments which matured in the period. A loss of US\$9.5 million was recognised within other finance items in respect of the time value element of the mark-to-market adjustments, which is excluded from the designated hedging relationship. A loss of US\$28.2 million (on a pre-tax basis) was recognised directly within reserves and minority interests, in respect of the intrinsic value element of the mark-to-market adjustments, which forms part of the designated effective hedging relationship.

During the six months ended 30 June 2007 a loss of US\$3.3 million was recognised within turnover at Michilla, relating to amounts realised on derivatives which matured in the period. During the period net mark-to-market losses of US\$14.7 million were recognised within reserves, comprising US\$2.0 million at El Tesoro and US\$12.7 million at Michilla.

The Group had min/max instruments at 30 June 2008 for 61,225 tonnes of copper production (of which 43,800 tonnes relate to El Tesoro and 17,425 tonnes relate to Michilla), covering a total period up to 31 December 2009. The weighted average remaining period covered by these hedges calculated with effect from 1 July 2008 is 7.8 months. The instruments have a weighted average floor of 255.0 cents per pound and a weighted average cap of 389.3 cents per pound.

At 30 June 2008, the Group also had futures to both buy and sell copper production at El Tesoro, with the effect of swapping COMEX prices for LME prices without eliminating underlying market price exposure, covering a period to 31 January 2010. The remaining weighted average period covered by these instruments was 10 months.

5. Net finance income

	Six months ended 30 June 2008 US\$m	Six months ended 30 June 2007 US\$m	Year ended 31 December 2007 US\$m
Investment income			
Interest receivable	40.1	53.8	113.4
Interest expense			
Interest payable	(6.6)	(10.5)	(19.8)
Amortisation of deferred finance costs	(0.2)	(0.2)	(0.4)
Preference dividends	(0.1)	(0.1)	(0.2)
	<u>(6.9)</u>	<u>(10.8)</u>	<u>(20.4)</u>
Other finance items			
Time value effect of derivatives	(9.5)	-	0.7
Discount charge relating to provisions	(0.9)	(0.5)	(1.2)
Foreign exchange	(7.1)	0.6	2.9
	<u>(17.5)</u>	<u>0.1</u>	<u>2.4</u>
Net finance income	<u>15.7</u>	<u>43.1</u>	<u>95.4</u>

6. Taxation

The tax charge for the period comprised the following:

	Six months ended 30 June 2008 US\$m	Six months ended 30 June 2007 US\$m	Year ended 31 December 2007 US\$m
Current tax charge			
Corporate tax (principally first category tax in Chile)	(251.8)	(203.7)	(441.3)
Mining tax (Royalty)	(59.8)	(22.9)	(50.6)
Withholding tax provision	(120.3)	(117.6)	(135.3)
Exchange (loss)/gain on corporate tax balances	(21.8)	0.3	28.5
	<u>(453.7)</u>	<u>(343.9)</u>	<u>(598.7)</u>
Deferred tax charge			
Corporate tax (principally first category tax in Chile)	(23.1)	(34.6)	(8.1)
Mining tax (Royalty)	(2.6)	(2.7)	(0.8)
Withholding tax provision	48.2	49.5	(30.8)
	<u>22.5</u>	<u>12.2</u>	<u>(39.7)</u>
Total tax charge (Income tax expense)	<u>(431.2)</u>	<u>(331.7)</u>	<u>(638.4)</u>

Current tax is based on taxable profit for the period. Deferred tax is the tax expected to be payable or recoverable on temporary differences (i.e. 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. The Group incurs withholding taxes on the remittance of profits from Chile and the other countries in which it operates and deferred tax is provided on undistributed earnings to the extent that remittance is probable in the foreseeable future.

The rate of first category (i.e. corporation) tax in Chile is 17% for both 2008 and 2007. Los Pelambres, El Tesoro and Michilla are also subject to a mining tax (royalty) which imposes an additional tax of 4% of tax-adjusted operating profit. Until 2007, 50% of the new mining tax could be offset against first category tax and the remaining 50% was tax deductible (i.e. an allowable expense in determining liability to first category tax). From 2008, the ability to offset is no longer available, but 100% of the mining tax is

tax deductible. The effect is to increase the effective tax rate of these three operations (before taking into account deductibility against corporation tax) by approximately 2% in 2007 and 4% from 2008 and thereafter.

The effective tax rate for the six months ended 30 June 2008 was 26.0%, compared with the Chilean statutory tax rate of 17%. The increase in the effective tax rate above the statutory tax rate was principally due to the provision of withholding tax of US\$72.1 million and the effect of the mining tax, which resulted in a charge of US\$62.4 million. The effective tax rate for the six months ended 30 June 2007 was 23.1%, principally due to the provision of withholding tax of US\$68.1 million and a charge of US\$25.6 million in respect of the mining tax.

7. Basic earnings per share

Basic earnings per share is calculated on profit after tax and minority interest giving net earnings of US\$792.8 million (2007 half year – US\$728.4 million) and based on 985,856,695 ordinary shares. There was no potential dilution of ordinary shares in any period.

8. Dividends

The Board has declared an interim dividend of 6.4 cents per ordinary share (2007 half year – 6.2 cents) for payment on 9 October 2008 to shareholders on the register at the close of business on 19 September 2008. The 2008 interim dividend comprises an ordinary dividend of 3.2 cents per share and a special dividend of 3.0 cents per share (2007 half year – ordinary dividend of 3.2 cents and special dividend of 3.0 cents). Dividends are declared and paid gross.

Dividends per share actually paid in the period and recognised as a deduction from net equity under IFRS were 43.4 cents (2007 half year – 43.0 cents), representing the final dividend (including the special dividend) declared in respect of the previous year.

Dividends are declared in US dollars but may be paid in either dollars or sterling. Shareholders on the register of members with an address in the United Kingdom receive dividend payments in sterling, unless they elect to be paid in dollars. All other shareholders are paid by cheque in dollars, unless they have previously instructed the Company's registrar to pay dividends by bank transfer to a sterling bank account, or they elect for payment by cheque in sterling. The Company's registrar must receive any such election before the record date of 19 September 2008. The exchange rate to be applied to dividends to be paid in sterling will be set on 23 September 2008.

9. Intangible assets

	Concession right and assets US\$m	Exploration licenses US\$m	Six months ended 30 June 2008 US\$m	Six months ended 30 June 2007 US\$m (restated)	Year ended 31 December 2007 US\$m (restated)
Balance at the beginning of the period	148.6	115.0	263.6	262.7	262.7
Addition	-	10.7	10.7	-	-
Amortisation	(5.2)	-	(5.2)	(4.2)	(9.1)
Foreign currency exchange difference	(7.5)	-	(7.5)	1.3	10.0
Balance at the end of the period	135.9	125.7	261.6	259.8	263.6

The concession right and assets relate 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. 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.

IFRIC 12 *Service Concession Arrangements* has been adopted during 2008. This Interpretation requires all infrastructure assets relating to the Water concession to be recorded within intangible assets. Previously, certain infrastructure assets were recorded within property, plant and equipment. Accordingly, the comparative figures have been restated to reclassify these infrastructure assets into the Concession right and assets category within intangible assets. This has resulted in a reclassification from property, plant and equipment into intangible assets of US\$55.5 million at 30 June 2007 and US\$55.9 million at 31 December 2007.

The exploration licences relate to the value attributed to the rights acquired in the Reko Diq area of south-west Pakistan on the purchase of Tethyan Copper Company Limited in 2006 (see Note 13), and related rights acquired subsequently.

10. Property, plant and equipment

	Mining	Railway and other transport services	Water Concession	Six months ended 30 June 2008	Six months ended 30 June 2007	Year ended 31 December 2007
	US\$m	US\$m	US\$m	US\$m	US\$m (restated)	US\$m (restated)
Balance at the beginning of the period	2,455.5	152.0	16.4	2,623.9	2,316.3	2,316.3
Additions	384.1	14.1	5.9	404.1	209.4	466.0
Depreciation	(71.4)	(6.3)	(0.8)	(78.5)	(70.9)	(153.1)
Asset disposals	(1.5)	(0.4)	-	(1.9)	(2.9)	(8.4)
Foreign currency exchange difference	-	0.6	(1.5)	(0.9)	0.7	3.1
Balance at the end of the period	2,766.7	160.0	20.0	2,946.7	2,452.6	2,623.9

The comparative figures have been restated due to the adoption of IFRIC 12 *Service Concession Arrangements* during 2008 (see Note 9).

US\$1.1 million of depreciation in respect of assets relating to the Esperanza project has been capitalised within the development expenditure of that project, and accordingly is excluded from the depreciation charge recorded in the income statement as shown in Note 3(b).

11. Investment property

	Six months ended 30 June 2008	Six months ended 30 June 2007	Year ended 31 December 2007
	US\$m	US\$m	US\$m
Balance at the beginning of the period	3.5	3.2	3.2
Foreign currency exchange difference	(0.2)	-	0.3
Balance at the end of the period	3.3	3.2	3.5

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

12. Investment in associate

	Six months ended 30 June 2008	Six months ended 30 June 2007	Year ended 31 December 2007
	US\$m	US\$m	US\$m
Balance at the beginning of the period	2.5	3.5	3.5
Share of profit before tax	1.2	0.9	1.7
Share of tax	(0.2)	(0.1)	(0.3)
Dividends received	(0.7)	(1.3)	(2.4)
Balance at the end of the period	2.8	3.0	2.5

The investment in associate refers to the Group's 30% interest in Antofagasta Terminal Internacional S.A. ("ATI"), which operates a concession to manage installations in the port of Antofagasta.

13. Joint venture agreements

Tethyan Copper Company Limited

In September 2006 the Group entered into a joint venture agreement with Barrick Gold Corporation (“Barrick Gold”), to establish a 50:50 joint venture in relation to Tethyan Copper Company Limited’s (“Tethyan”) mineral interests in Pakistan. The Group’s 50% share of the assets and liabilities and results of the jointly controlled entity are included in the consolidated balance sheet and in the consolidated income statement of the Group under the proportionate consolidation method.

14. Available for sale investments

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

The movement in available for sale investments during the period was as follows:

	Six months ended 30 June 2008	Six months ended 30 June 2007	Year ended 31 December 2007
	US\$m	US\$m	US\$m
Balance at the beginning of the period	3.3	6.2	6.2
Acquisition	-	3.7	3.7
Movements in fair value	-	10.7	10.0
Disposal	-	(16.6)	(16.6)
Balance at the end of the period	3.3	4.0	3.3

15. Inventories

	Six months ended 30 June 2008	Six months ended 30 June 2007	Year ended 31 December 2007
	US\$m	US\$m	US\$m
Raw materials and consumables	56.5	34.7	41.1
Work in progress	82.8	59.2	71.1
Finished goods	37.6	15.5	18.1
	176.9	109.4	130.3

Work in progress includes US\$5.7 million related to high carbonate ore inventories at El Tesoro which are expected to be processed more than twelve months after the balance sheet date (30 June 2007 – US\$5.3 million; 31 December 2007 – US\$5.3 million).

16. Borrowings

	At 30.06.08	At 30.06.07	At 31.12.07
	US\$m	US\$m	US\$m
Los Pelambres			
Corporate loans	(190.8)	(267.2)	(229.0)
Other loans	-	(7.1)	(4.7)
El Tesoro			
Corporate loans	-	(20.9)	(14.0)
Finance leases	-	(0.2)	(0.1)
Michilla			
Finance leases	-	(0.5)	(0.1)
Esperanza			
Finance leases	(4.1)	-	-
Railway and other transport services			
Loans	(14.7)	(12.0)	(14.1)
Other			
Preference shares	(4.0)	(4.0)	(4.0)
Total (see Note 22)	(213.6)	(311.9)	(266.0)

Loans at 30 June 2008 are shown net of deferred financing costs of US\$0.9 million (30 June 2007 – US\$1.3 million; 31 December 2007 – US\$1.0 million) in relation to Los Pelambres.

Maturity of borrowings

	At 30.06.08	At 30.06.07	At 31.12.07
	US\$m	US\$m	US\$m
Short-term borrowings	(89.6)	(101.8)	(101.8)
Medium and long-term borrowings	(124.0)	(210.1)	(164.2)
Total (see Note 22)	(213.6)	(311.9)	(266.0)

Loans are predominantly floating rate. However the Group periodically enters into interest rate derivative contracts to manage its exposure to interest rates. Details of any derivative instruments held by the Group are given in Note 4.

17. Post-employment benefit obligation

	Six months ended 30 June 2008	Six months ended 30 June 2007	Year ended 31 December 2007
	US\$m	US\$m	US\$m
Balance at the beginning of the period	(29.1)	(24.1)	(24.1)
Charge to operating profit in the period	(4.7)	(1.3)	(5.3)
Release of discount to net interest in period	(0.6)	(0.4)	(0.7)
Utilised in period	1.7	1.7	3.1
Foreign currency exchange difference	2.5	(0.2)	(2.1)
Balance at the end of the period	(30.2)	(24.3)	(29.1)

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

18. Long-term provisions

	Six months ended 30 June 2008	Six months ended 30 June 2007	Year ended 31 December 2007
	US\$m	US\$m	US\$m
Balance at the beginning of the period	(10.9)	(9.8)	(9.8)
Charge to operating profit in the period	(0.2)	(0.3)	(0.5)
Release of discount to net interest in the period	(0.3)	(0.2)	(0.5)
Reclassification	(0.6)	-	-
Utilised in period	-	-	-
Foreign currency exchange difference	-	-	(0.1)
Balance at the end of the period	(12.0)	(10.3)	(10.9)

Analysed as follows:

Decommissioning and restoration	(11.5)	(9.8)	(10.4)
Termination of water concession	(0.5)	(0.5)	(0.5)
Balance at the end of the period	(12.0)	(10.3)	(10.9)

Decommissioning and restoration costs relate to the Group's mining operations. Costs are estimated on the basis of a formal closure plan and are subject to regular formal review.

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

19. Deferred tax assets and liabilities

	Six months ended 30 June 2008	Six months ended 30 June 2007	Year ended 31 December 2007
	US\$m	US\$m	US\$m
Net position at the beginning of the period	(360.9)	(320.1)	(320.1)
Credit/(charge) to tax on profit in the period	22.5	12.2	(39.7)
Deferred tax recognised directly in reserves and minority interest	4.4	2.8	-
Deferred tax capitalised	0.9	-	-
Foreign currency exchange difference	1.4	(0.2)	(1.1)
Net position at the end of the period	(331.7)	(305.3)	(360.9)
Analysed between:			
Deferred tax assets	18.5	7.6	14.7
Deferred tax liabilities	(350.2)	(312.9)	(375.6)
Net position	(331.7)	(305.3)	(360.9)

20. Share capital and share premium

There was no change in share capital or share premium in the six months ended 30 June 2008 or the comparative periods.

21. Reconciliation of profit before tax to cash flows from operations

	Six months ended 30 June 2008	Six months ended 30 June 2007	Year ended 31 December 2007
	US\$m	US\$m	US\$m
Profit before tax	1,656.6	1,436.7	2,750.2
Depreciation and amortisation	82.6	75.1	162.2
Loss on disposal of property, plant and equipment	1.9	2.9	8.4
Profit on disposal of joint venture interest	-	(9.6)	(9.6)
Profit on disposal of available for sale investments	-	(10.5)	(10.5)
Net finance income	(15.7)	(43.1)	(95.4)
Share of profit of associate	(1.0)	(0.8)	(1.4)
(Increase)/decrease in inventories	(46.6)	10.9	(9.9)
Increase in debtors	(144.5)	(95.0)	(11.7)
(Decrease)/increase in creditors and provisions	(20.4)	(17.3)	35.4
Cash flows from operations	1,512.9	1,349.3	2,817.7

22. Analysis of changes in net cash

	At 1.1.08	Cash flows	Other	Exchange	At 30.06.08
	US\$m	US\$m	US\$m	US\$m	US\$m
Cash and cash equivalents	2,212.5	139.6	-	(3.0)	2,349.1
Bank borrowings due within one year	(101.6)	56.4	(43.9)	0.1	(89.0)
Bank borrowings due after one year	(160.2)	-	43.7	-	(116.5)
Finance leases due within one year	(0.2)	0.2	(0.5)	-	(0.5)
Finance leases due after one year	-	-	(3.6)	-	(3.6)
Preference shares	(4.0)	-	-	-	(4.0)
Total borrowings	(266.0)	56.6	(4.3)	0.1	(213.6)
Net cash	1,946.5	196.2	(4.3)	(2.9)	2,135.5

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

	At 30.06.08	At 30.06.07	At 31.12.07
	US\$m	US\$m	US\$m
Cash and cash equivalents	2,349.1	1,847.5	2,212.5
Total borrowings	(213.6)	(311.9)	(266.0)
	2,135.5	1,535.6	1,946.5

23. Events after the balance sheet date

On 25 August 2008 the agreed transaction between the Group and Marubeni Corporation (“Marubeni”) closed, with the result that, in line with the announcement of 24 April 2008, Marubeni has acquired a 30% interest in each of Minera Esperanza and Minera El Tesoro, both of which were until then wholly owned by the Group. The total consideration received by the Group was US\$1,401 million.

At the same time, the agreed transaction between the Group and Mineralinvest Establishment (“Mineralinvest”) whereby the Group agreed to acquire Mineralinvest’s interest in mining properties required for the Marubeni transaction together with certain other properties, as disclosed in the announcement of 24 April 2008, has achieved conditions for closing. The consideration payable by the Group to Mineralinvest under the terms of this agreement was US\$243 million. Further details of the agreement with Mineralinvest are set out in Note 24.

24. Other disclosures

Contingent assets and liabilities

There are a number of legal claims currently outstanding to which the Group is a party, for which no provision has been made in the financial statements and are currently not expected to result in any material loss to the Group. Details of changes in the status of the principal claims since the date of the 2007 Annual Report are set out below.

a) Los Pelambres - Mauro tailings dam

On 7 May 2008, Minera Los Pelambres and the claimants to the litigation concerning the validity of a sectoral permit by the Chilean Water Authority (Dirección General de Aguas) for the construction of the Mauro tailings dam reached a binding settlement concerning that and other related cases relating to water rights. Under the terms of this settlement, which were endorsed by the Chilean Supreme Court, the claimants agreed to withdraw their claims in this and other related cases concerning water rights which have been brought against various governmental authorities and (in one case) directly against Minera Los Pelambres. The claimants also acknowledged that the Chilean Water Authority is the competent authority to issue the relevant sectoral permit. As part of the settlement, Minera Los Pelambres paid an amount of US\$23 million to the claimants in order to acquire an area of land of approximately 8,000 hectares and related water rights adjacent to the Mauro tailings dam belonging to one of the claimants and for the settlement of the various cases. The cost of this land has been capitalised as part of the cost of the Mauro tailings dam project within property, plant and equipment. The settlement of these claims, which also included the lifting of the injunction of 24 August 2007 in which Minera Los Pelambres was ordered to suspend certain works which would directly affect the Pupio stream at El Mauro, enables Minera Los Pelambres to complete construction of the Mauro tailings dam.

On 19 April 2007 a first instance court in Santiago upheld a claim relating to a purchase agreement entered into in 1992 between two former owners of land in the area of the Mauro tailings dam, in which the validity of that purchase agreement was challenged by the plaintiff seller, Minera Los Pelambres, which acquired the land in 2001, participated in this trial to protect its interest and has appealed against this decision to the Court of Appeals of Santiago. The appeal has the effect of suspending the effect of the first instance resolution. On 18 May 2007 the Court rejected a second petition by the plaintiff in that case that works on the Mauro tailings dam should cease immediately, confirming Los Pelambres' right to complete its construction. The court nevertheless held that operation of the dam by depositing tailings cannot commence.

As announced on 12 August 2008, the plaintiff has objected to the Chilean Constitutional Court on the basis that the relevant provision of the Chilean Civil Procedure Code on which one of the grounds of appeal is based should be declared inapplicable. The Group has been notified that the Constitutional Court has agreed to hear this objection and has accordingly ordered the Court of Appeals hearing, which is expected to take place later this year, to be temporarily suspended. Minera Los Pelambres is taking action in front of the Chilean Constitutional Court with the aim thereby of having the suspension of the Court of Appeals hearing lifted. The Group is confident of its position in front of the Chilean Constitutional Court and it is expected that its application will be heard shortly. The Group also remains confident that Minera Los Pelambres' legal title to the land in question will be upheld on appeal.

Construction of the Mauro tailings dam is nearly complete and the existing Quillayes tailings dam has capacity until early 2009.

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

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

The petitioners have filed a Civil Petition for Leave to Appeal ("CPLA") against the judgment and this will be heard by the Supreme Court to decide whether the appeal should be heard on its merits. The date of the hearing of the CPLA has not yet been fixed by the Supreme Court.

c) Equatorial Mining Limited – Errigal

In July 2006, Equatorial Mining Limited ("Equatorial") received notice of a claim by Errigal Limited in the New South Wales Supreme Court. Errigal claims that it is a former minority shareholder in one of Equatorial's subsidiaries whose interest was acquired by Equatorial in 1993. The claim is for amounts payable under the 1993 acquisition agreement. The Group does not agree with the interpretation of the 1993 agreement advanced by Errigal and the action will continue to be defended vigorously.

Capital commitments

Future capital commitments at 30 June 2008 were US\$574.6 million.

Related party transactions

The ultimate parent company of the Group is Metalinvest Establishment, which is controlled by the E. Abaroa Foundation, in which members of the Luksic family are interested. The Company's subsidiaries, in the ordinary course of business, enter into various sale and purchase transactions with companies also controlled by members of the Luksic family, including Banco de Chile S.A., Madeco S.A. and Compañía Cervecerías Unidas S.A., which are subsidiaries of Quiñenco S.A., a Chilean industrial and financial conglomerate the shares of which are traded on the Santiago Stock Exchange. These transactions, all of which were on normal commercial terms, are in total not considered to be material.

As set out in Note 23, on 25 August 2008 the agreed transaction between the Group and Mineralinvest, whereby the Group agreed to acquire Mineralinvest's interest in mining properties required for the Marubeni transaction together with certain other properties, achieved conditions for closing. Prior to the completion of this transaction these properties were held in Antomin Limited ("Antomin"), in which the Group held an approximately 51% interest and Mineralinvest held an approximately 49% interest. The consideration payable by the Group to Mineralinvest under the terms of this agreement was US\$243 million. Mineralinvest is an entity ultimately controlled by the Luksic family, and is a related party of Antofagasta for the purposes of the Listing Rules. Due to the size of the transaction it fell within the modified requirements for smaller related party transactions set out in Listing Rule 11.1.10. This transaction was approved by a committee of independent directors of Antofagasta.

The remaining properties owned by Antomin which were not to be 100% acquired by the Group under the terms of this agreement were separated into newly created indirect subsidiaries of Antofagasta, which will continue to be owned approximately 51% by Antofagasta and approximately 49% by Mineralinvest. With respect to the newly created indirect subsidiaries into which these remaining properties will be transferred, Antofagasta will have the exclusive right to acquire at fair value under certain conditions, the shareholding of Mineralinvest in those entities, or the underlying properties, for a period of five years from 25 August 2008. The Group has also committed to meet in full any exploration costs relating to the properties held by these entities.

The Group acquired its original interest in Antomin pursuant to an agreement in 2001 for a nominal consideration from Mineralinvest. Under the terms of the acquisition agreement, the Group committed to meet in full the exploration costs relating to those properties held by Antomin. During the half year period under review the Group did not incur any exploration costs (2007 half year – US\$0.5 million) in respect of these properties (some of which, as explained above, were wholly acquired by the Group after 30 June 2008). The cumulative amount incurred to 30 June 2008 (including expenditure relating to those properties wholly acquired by the Group after 30 June 2008) was US\$11.8 million.

In September 2006 the Group entered into a joint venture agreement with Barrick Gold Corporation (“Barrick Gold”) to establish a 50:50 joint venture over Tethyan’s mineral interests in Pakistan. During the period the Group contributed US\$22.0 million to Tethyan to provide funds for Tethyan’s on-going exploration programme.

The Group has a 30% interest in Antofagasta Terminal Internacional S.A. (“ATI”), which is accounted for as an associate. The Group received dividends during the period of US\$0.7 million (2007 half year – US\$1.3 million), as disclosed in the Consolidated Cash Flow Statement on page 18.

25. Currency translation

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

	<u>Period end rates</u>	<u>Average rates</u>
Six months ended 30 June 2008	US\$1.9912 = £1; US\$1 = Ch\$526	US\$1.9743 = £1; US\$1 = Ch\$467
Six months ended 30 June 2007	US\$2.0076 = £1; US\$1 = Ch\$527	US\$1.9697 = £1; US\$1 = Ch\$534
Year ended 31 December 2007	US\$1.9912 = £1; US\$1 = Ch\$497	US\$2.0004 = £1; US\$1 = Ch\$523

RESPONSIBILITY STATEMENT

We confirm to the best of our knowledge:

- a) the condensed set of financial statements has been prepared in accordance with IAS 34 *Interim Financial Reporting*;
- b) the half yearly financial report includes a fair review of the information required by DTR 4.2.7R (being an indication of important events that have occurred during the first six months of the financial year, and their impact on the half yearly financial report and a description of the principal risks and uncertainties for the remaining six months of the financial year); and
- c) the half yearly financial report includes a fair review of the information required by DTR 4.2.8R (being disclosure of related party transactions that have taken place in the first six months of the financial year and that have materially affected the financial position or the performance of the Group during that period and any changes in the related party transactions described in the last annual report that could have a material effect on the financial position or performance of the Group in the first six months of the current financial year).

By order of the Board

J-P Luksic
Chairman

CH Bailey
Director

INDEPENDENT REVIEW REPORT TO ANTOFAGASTA PLC

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2008 which comprises the condensed consolidated income statement, the condensed consolidated balance sheet, the condensed consolidated statement of changes in equity, the condensed consolidated cash flow statement and related Notes 1 to 25. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

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

Directors' responsibilities

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

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

Our responsibility

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

Scope of review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2008 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

Deloitte & Touche LLP
Chartered Accountants
26 August 2008
London, UK

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

a) Production and sales volumes for copper and molybdenum

	<u>Production</u>			<u>Sales</u>		
	Six months ended 30 June 2008 '000 tonnes	Six months ended 30 June 2007 '000 tonnes	Year ended 31 December 2007 '000 tonnes	Six months ended 30 June 2008 '000 tonnes	Six months ended 30 June 2007 '000 tonnes	Year ended 31 December 2007 '000 tonnes
Copper						
Los Pelambres	163.8	141.8	289.9	162.0	143.2	289.4
El Tesoro	46.6	46.8	93.0	45.3	46.8	93.3
Michilla	23.1	23.4	45.1	21.2	24.1	45.8
Group total	233.6	212.1	428.1	228.5	214.1	428.5
Molybdenum						
Los Pelambres	3.8	4.9	10.2	3.7	4.9	10.0

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

	<u>Cash cost</u>			<u>Realised prices</u>		
	Six months ended 30 June 2008 US cents	Six months ended 30 June 2007 US cents	Year ended 31 December 2007 US cents	Six months ended 30 June 2008 US cents	Six months ended 30 June 2007 US cents	Year ended 31 December 2007 US cents
Copper						
Los Pelambres	36.0	(8.6)	(10.8)	420.7	348.6	328.3
El Tesoro	138.5	96.9	109.8	386.2	321.8	327.6
Michilla	195.1	132.3	143.5	372.9	315.3	313.8
Group weighted average (net of by-products)	72.2	30.3	31.6	409.4	338.9	326.6
Group weighted average (before deducting by-products)	130.6	104.4	110.7			
Cash costs at Los Pelambres comprise:						
On-site and shipping cost	99.7	73.4	76.3			
Tolling charges for concentrates	19.7	28.8	29.6			
Cash costs before deducting by-product credits	119.4	102.2	105.9			
By-product credits (principally molybdenum)	(83.5)	(110.8)	(116.7)			
Cash costs (net of by-product credits)	36.0	(8.6)	(10.8)			
LME average				367.8	307.0	323.3
				US\$	US\$	US\$
Molybdenum						
Los Pelambres	33.6	30.9	31.7			
Market average price	33.1	28.4	30.2			

Notes to the production and sales statistics

- (i) The production and sales figures represent the actual amounts produced and sold, not the Group's share of each mine. During each relevant period, the Group owned 60% of Los Pelambres, 100% of El Tesoro and 74.2% of Michilla.
- (ii) Los Pelambres produces copper and molybdenum concentrates, and the figures for Los Pelambres are expressed in terms of payable metal contained in concentrate. Los Pelambres is also credited for the gold and silver contained in the copper concentrate sold. El Tesoro and Michilla produce cathodes with no by-products.
- (iii) Cash costs are a measure of the cost of operational production expressed in terms of cents per pound of payable copper produced. Cash costs are stated net of by-product credits and include tolling charges for concentrates at Los Pelambres. Cash costs exclude depreciation, financial income and expenses, hedging gains and losses, exchange gains and losses and corporation tax for all three operations. By-product calculations do not take into account mark-to-market gains for molybdenum at the beginning or end of each period.
- (iv) Excluding by-product credits (which are reported as part of turnover) and tolling charges for concentrates (which are deducted from turnover), weighted average cash costs for the Group (comprising on-site and shipping costs in the case of Los Pelambres and cash costs in the case of the other two operations) increased from 85.1 cents per pound in the first half of 2007 to 116.9 cents per pound in the first six months of 2008.
- (v) Realised copper prices are determined by comparing turnover from copper sales (grossing up for tolling charges for concentrates) with sales volumes for each mine in the period. Realised molybdenum prices at Los Pelambres are calculated on a similar basis. Realised prices reflect gains and losses on commodity derivatives, which are included within turnover.
- (vi) The totals in the tables above may include some small apparent differences as the specific individual figures have not been rounded.
- (vii) The production information in Note 26(a) and the cash cost information in Note 26(b) is derived from the Group's production report for the second quarter of 2008 published on 31 July 2008.

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

The Group's three mining companies, Los Pelambres, El Tesoro and Michilla, will today file financial statements under Chilean GAAP for the six-month period ended 30 June 2008 with the Chilean securities regulator, the Superintendencia de Valores y Seguros de Chile ("SVS"). These filings are in accordance with the Chilean mining tax legislation which requires companies that have elected to enter a tax stability regime to publish financial information on a quarterly basis from the 2006 financial year.

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

(a) Balance sheets

	Los Pelambres At 30.06.08 US\$m	Los Pelambres At 30.06.07 US\$m	El Tesoro At 30.06.08 US\$m	El Tesoro At 30.06.07 US\$m	Michilla At 30.06.08 US\$m	Michilla At 30.06.07 US\$m
Cash and cash equivalents	359.3	329.7	583.0	365.8	35.5	31.2
Trade and other receivables	463.3	390.8	152.7	67.9	22.4	30.8
Inventories	89.0	48.9	52.3	41.7	28.4	17.1
Current and deferred tax assets	17.3	19.1	6.2	3.7	5.5	2.8
Current assets	928.9	788.5	794.2	479.1	91.8	81.9
Fixed assets	1,909.1	1,625.3	302.7	250.0	42.0	49.0
Other non-current assets	143.2	149.3	45.6	45.8	2.3	1.0
TOTAL ASSETS	2,981.2	2,563.1	1,142.5	774.9	136.1	131.9
Short term borrowings	(76.9)	(84.7)	-	(14.1)	-	-
Trade and other payables	(178.0)	(134.3)	(57.1)	(45.6)	(31.0)	(25.6)
Current and deferred tax liabilities	(30.3)	-	(11.8)	(11.2)	(0.6)	(9.0)
Current liabilities	(285.2)	(219.0)	(68.9)	(70.9)	(31.6)	(34.6)
Medium and long term borrowings	(115.0)	(191.7)	(11.9)	(7.0)	-	-
Trade and other payables	(15.9)	(16.3)	(8.7)	(7.0)	(8.8)	(7.8)
Deferred tax liabilities	(161.1)	(144.6)	(35.1)	(32.2)	-	-
Non-current liabilities	(292.0)	(352.6)	(55.7)	(46.2)	(8.8)	(7.8)
Total liabilities	(577.2)	(571.6)	(124.6)	(117.1)	(40.4)	(42.4)
Share capital	(373.8)	(373.8)	(91.0)	(91.0)	(78.4)	(78.4)
Reserves	(2,030.2)	(1,617.7)	(926.9)	(566.8)	(17.3)	(11.1)
Total shareholders' equity	(2,404.0)	(1,991.5)	(1,017.9)	(657.8)	(95.7)	(89.5)
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	(2,981.2)	(2,563.1)	(1,142.5)	(774.9)	(136.1)	(131.9)

(b) Income statements

	Los Pelambres	Los Pelambres	El Tesoro	El Tesoro	Michilla	Michilla
	Six months ended 30 June 2008	Six months ended 30 June 2007	Six months ended 30 June 2008	Six months ended 30 June 2007	Six months ended 30 June 2008	Six months ended 30 June 2007
	US\$m	US\$m	US\$m	US\$m	US\$m	US\$m
Turnover	1,698.9	1,296.1	384.3	332.0	173.8	170.5
Operating costs	(319.9)	(231.6)	(137.9)	(121.4)	(98.0)	(74.1)
Operating margin	1,379.0	1,064.5	246.4	210.6	75.8	96.4
Administrative and distribution expenses	(71.6)	(37.0)	(17.7)	(13.9)	(8.9)	(7.5)
Operating profit	1,307.4	1,027.5	228.7	196.7	66.9	88.9
Other income	5.0	-	1.6	-	0.9	1.9
Financial income	5.8	17.9	9.9	7.9	1.0	2.2
Financial expenses	(6.5)	(9.5)	(0.7)	(1.1)	-	(0.1)
Other expenses	(1.6)	(0.9)	(3.6)	(1.6)	-	-
Exchange difference	(27.3)	1.2	1.7	(0.1)	(3.8)	0.6
Net non-operating income/(expenses)	(24.6)	8.7	8.9	5.1	(1.9)	4.6
Profit before tax	1,282.8	1,036.2	237.6	201.8	65.0	93.5
Income tax expense	(264.1)	(195.0)	(51.0)	(36.3)	(12.9)	(17.6)
Profit for the financial period	1,018.7	841.2	186.6	165.5	52.1	75.9

(c) Cash flow statements

	Los Pelambres	Los Pelambres	El Tesoro	El Tesoro	Michilla	Michilla
	Six months ended 30 June 2008	Six months ended 30 June 2007	Six months ended 30 June 2008	Six months ended 30 June 2007	Six months ended 30 June 2008	Six months ended 30 June 2007
	US\$m	US\$m	US\$m	US\$m	US\$m	US\$m
Net cash flow from operating activities	1,023.7	731.1	115.5	157.3	57.0	71.3
Investing activities						
Additions to fixed assets	(185.5)	(146.0)	(53.0)	(3.5)	(11.9)	(4.2)
Other items	-	-	-	-	0.1	-
Net cash used in investing activities	(185.5)	(146.0)	(53.0)	(3.5)	(11.8)	(4.2)
Financing activities						
Dividends paid	(600.0)	(700.0)	-	-	(52.8)	(105.4)
Loans repaid	(43.1)	(40.7)	(14.0)	(7.0)	-	-
Net cash used in financing activities	(643.1)	(740.7)	(14.0)	(7.0)	(52.8)	(105.4)
Net increase/(decrease) in cash and cash equivalents	195.1	(155.6)	48.5	146.8	(7.6)	(38.3)
Cash and cash equivalents at the beginning of the period	164.2	485.3	534.5	219.0	43.1	69.5
Cash and cash equivalents at the end of the period	359.3	329.7	583.0	365.8	35.5	31.2

Notes to Chilean GAAP financial statements

- (i) The above balance sheets, income statements and cash flow statements have been derived from the financial statements of Los Pelambres, El Tesoro and Michilla for the six months ended 30 June 2008 to be filed with the SVS in Chile. Certain detailed lines in the individual statements have been combined for convenience.
- (ii) The balance sheets, income statements and cash flow statements above have been prepared under Chilean GAAP and therefore do not necessarily equate to the amounts that would be included in the Group's consolidated financial statements for a corresponding period either as to measurement or classification.
- (iii) The amounts disclosed above represent the full amount for each company and not the Group's attributable share. During each relevant period, the Group owns 60% of Los Pelambres, 100% of El Tesoro and 74.2% of Michilla.
- (iv) A translation into English of the full quarterly financial statements for each company shown in summary form above will be available on the Group's website www.antofagasta.co.uk.

28. Reconciliation of Chilean GAAP results to Turnover and EBITDA under IFRS for individual business segments (not subject to audit or review)

(a) Turnover

	Notes	Los Pelambres Six months ended 30 June 2008 US\$m	Los Pelambres Six months ended 30 June 2007 US\$m	El Tesoro Six months ended 30 June 2008 US\$m	El Tesoro Six months ended 30 June 2007 US\$m	Michilla Six months ended 30 June 2008 US\$m	Michilla Six months ended 30 June 2007 US\$m
Chilean GAAP - Turnover		1,698.9	1,296.1	384.3	332.0	173.8	170.5
Mark-to-market of provisionally priced sales	28(i)	30.6	58.4	1.4	-	0.5	0.4
Reclassification of realised (gains)/losses on commodity derivatives to reserves	28(ii)	-	-	-	-	-	(3.4)
IFRS - Turnover		1,729.5	1,354.5	385.7	332.0	174.3	167.5

(b) EBITDA

	Notes	Los Pelambres Six months ended 30 June 2008 US\$m	Los Pelambres Six months ended 30 June 2007 US\$m	El Tesoro Six months ended 30 June 2008 US\$m	El Tesoro Six months ended 30 June 2007 US\$m	Michilla Six months ended 30 June 2008 US\$m	Michilla Six months ended 30 June 2007 US\$m
Chilean GAAP - Operating profit		1,307.4	1,027.5	228.7	196.7	66.9	88.9
Depreciation & amortisation		36.8	34.7	21.3	18.4	13.0	9.5
Chilean GAAP - EBITDA		1,344.2	1,062.2	250.0	215.1	79.9	98.4
Mark-to-market of provisionally priced sales	28(i)	30.6	58.4	1.5	-	0.4	0.4
Mark-to-market of financial derivatives	28(ii)	-	-	-	-	-	(3.4)
Other IFRS and consolidation adjustments	28(iii)	2.8	1.5	(4.2)	(1.8)	2.8	1.7
IFRS - EBITDA		1,377.6	1,122.1	247.3	213.3	83.1	97.1

Notes to reconciliation of turnover and EBITDA

- (i) Copper and molybdenum concentrate sale agreements and copper cathode sale agreements generally provide for provisional pricing of sales at the time of shipment, with final pricing being based on the monthly average London Metal Exchange copper price or monthly average molybdenum price for specified future periods. This normally ranges from 30 to 180 days after delivery to the customer.

Under Chilean GAAP, the Group's accounting treatment is to value sales, which remain open as to final pricing at the period end, in aggregate at the lower of provisional invoice prices and mark-to-market prices at the balance sheet date. The Group determines mark-to-market prices using forward prices at each period end for copper concentrate and cathode sales, and period-end month average prices for molybdenum concentrate sales due to the absence of a futures market for that commodity.

Under IFRS, both gains and losses from the marking-to-market of open sales are recognised through adjustments to turnover in the income statement and to trade debtors in the balance sheet. Under IFRS, the Group determines mark-to-market prices in the same way as under Chilean GAAP.

This results in a GAAP adjustment in cases where the mark-to-market prices are higher than the provisional invoice prices. For Los Pelambres this results in a credit of US\$29.3 million in respect of copper concentrate sales, and a credit of US\$1.3 million in respect of molybdenum concentrate sales. The adjustment in respect of El Tesoro is a credit of US\$1.5 million, and the adjustment in respect of Michilla is a credit of US\$0.4 million.

- (ii) The Group uses derivative financial instruments to reduce exposure to commodity price movements. The Group does not use such derivative instruments for trading purposes.

Under Chilean GAAP, such derivatives are held off the balance sheet. Gains or losses on derivative instruments are matched in the income statement against the item intended to be hedged. Such gains or losses are reflected by way of adjustment to turnover.

Under IFRS, 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 turnover. The time value element of changes in the fair value of derivative options is excluded from the designated hedging relationship, and is therefore recognised directly in the income statement within other finance items.

- (iii) Other IFRS and consolidation adjustments are not material either individually or in aggregate.