

# ANTOFAGASTA

## Interim Report 2007



## Directors

### Directors

J-P Luksic	Chairman
C H Bailey	Non-Executive
G S Menendez	Non-Executive
R F Jara	Non-Executive
D E Yarur	Non-Executive
G A Luksic	Non-Executive
J W Ambrus	Non-Executive
J G Claro	Non-Executive
W M Hayes	Non-Executive

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## Advisors

### Company Secretary

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### Auditors

Deloitte & Touche LLP

### Solicitors

Clifford Chance LLP

### Financial Advisors

N M Rothschild & Sons  
HSBC Investment Bank

### Stockbrokers

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JPMorgan Cazenove Ltd

### Banker

The Royal Bank of Scotland plc

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### Registered Number

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### Website

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## Highlights of the 2007 Half Year

	US Dollars		Sterling <sup>1</sup>	
	Half year to 30 June		Half year to 30 June	
	2007 US\$m	2006 US\$m	2007 £m	2006 £m
Turnover	<b>1,942.1</b>	1,846.9	<b>986.0</b>	1,032.9
EBITDA <sup>2</sup>	<b>1,470.8</b>	1,374.7	<b>746.7</b>	768.8
Profit before tax	<b>1,436.7</b>	1,325.3	<b>729.4</b>	741.2
Net earnings <sup>3</sup>	<b>728.4</b>	652.6	<b>369.8</b>	365.0
Net assets	<b>4,315.2</b>	3,437.7	<b>2,149.4</b>	1,859.8
Earnings per share	<b>73.9¢</b>	66.2¢	<b>37.5p</b>	37.0p
Dividend per share <sup>4</sup>	<b>6.2¢</b>	5.2¢		

<sup>1</sup> The sterling numbers are for illustrative purposes only, using an average rate in the current period of £1 = US\$1.9697 (2006 half year – £1 = US\$1.7880) for the condensed consolidated income statement and a period end rate of £1 = US\$2.0076 (2006 half year – £1 = US\$1.8484) for the condensed consolidated balance sheet.

<sup>2</sup> Earnings before interest, tax, depreciation and amortisation (defined in Note 3a) to the interim financial statements.

<sup>3</sup> Profit for the financial year after tax and minority interests (i.e. attributable to equity holders of the Company).

<sup>4</sup> The 2007 interim dividend comprises an interim ordinary dividend of 3.2 cents together with a special dividend of 3.0 cents. The 2006 interim dividend comprised an interim ordinary dividend of 3.2 cents together with a special dividend of 2.0 cents.

This interim dividend is paid in either US dollars or sterling. For 2007 the exchange rate to be applied to dividends to be paid in sterling will be set on 25 September 2007.

## Highlights of the 2007 Half Year

- Profit before tax up 8.4% to US\$1,436.7 million

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- Cash flow from operations up 29.1% to US\$1,349.3 million

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- Total interim dividend (including special) up 19.2% to 6.2 cents per ordinary share

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- Average LME copper price up 11.5% up to 307.0 cents per lb

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- Average market molybdenum price up 19.8% to US\$28.4 per lb

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- Group weighted average cash costs\* of 30.3 cents per lb compared with 46.9 cents per lb in 2006 H1, mainly due to higher by-product credits and lower tolling charges

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- Group copper production of 212,100 tonnes, 2.0% higher than 2006 H1; attributable copper production of 149,200 tonnes, 16.0% higher than 2006 H1

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- Molybdenum production of 4,900 tonnes, 19.5% higher than 2006 H1

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- Solid results from the transport and water businesses

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- Los Pelambres 140,000 tpd expansion completed

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- Esperanza copper-gold project received board approval in June 2007 and environmental applications were submitted in August 2007

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- Resource estimate and scoping study at Reko Diq copper-gold deposit in Pakistan expected to be completed by the end of the year

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\* 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 concentrate for Los Pelambres. Cash costs exclude depreciation, financial income and expenses, hedging gains and losses, exchange gains and losses and corporation tax for all three mines. By-product calculations do not take into account unrealised mark-to-market gains for molybdenum at the beginning or end of each period.

## Directors' Comments

For the half year to 30 June 2007

### Overview

The Group has achieved strong results for the 2007 half-year, with net earnings up 11.6% to US\$728.4 million and cash flow from operations up 29.1% to US\$1,349.3 million compared with the first six months of 2006. These results reflect strong operational performances across the Group, in an environment of continued high metal prices.

LME copper prices averaged 307.0 cents per pound this period (2006 half year – 275.3 cents), despite some weakness in the first quarter when prices fell to approximately 240 cents. The Group believes market fundamentals remain sound with strong demand in Asia and Europe. However with uncertainty over whether the problems in financial markets in the United States will result in slower growth in the real economy, the volatility that has characterised the copper market in recent months may continue. The Group has benefited from these higher market prices, although pricing adjustments on provisionally invoiced sales were lower than the comparable period in 2006 resulting in an average realised copper price of 338.9 cents per pound (2006 half year – 353.4 cents per pound). The copper concentrate market is expected to remain in continued deficit with further increases in smelting capacity coming on stream, and this should keep tolling charges favourable to producers. Molybdenum prices strengthened in the period with market

prices averaging US\$28.4 per pound (2006 half year – US\$23.7 per pound), and strong demand should support the market into 2008.

The Group's operations continued to perform well in the first half of 2007. Group copper production was 212,100 tonnes, a 2.0% increase compared with 207,900 tonnes in the 2006 half year; however attributable copper production increased by 16.0% to 149,200 tonnes (2006 half year – 128,600 tonnes) following the acquisition of Equatorial Mining Limited in the second half of last year which increased the Group's interest in El Tesoro to 100%. Molybdenum production at Los Pelambres was 4,900 tonnes, compared with 4,100 tonnes in the first six months of 2006. The transport and water divisions both achieved increased volumes with new contracts coming on stream in the second half of last year.

Weighted average cash costs were 30.3 cents per pound compared with 46.9 cents per pound in the first half of 2006 as a result of improved molybdenum by-product credits and lower tolling charges. Excluding these, weighted average on-site and shipping costs at the Group's mines increased in line with forecast to 85.1 cents per pound (2006 half year – 68.1 cents per pound), due to higher input costs such as energy, fuel and sulphuric acid prices, one-off costs of new labour agreements and the impact of lower ore

grades at Los Pelambres and higher waste-to-ore ratios at Los Pelambres and El Tesoro.

Los Pelambres has advanced with its capital projects. The plant expansion to 140,000 tonnes of ore throughput per day was fully completed in the 2007 half year. The Mauro tailings dam is on schedule for completion by the end of the year, and the Group continues to believe that all permits granted have been properly applied for and issued and is confident that this view will be upheld by the courts. A feasibility study for a further repowering at Los Pelambres has been carried out, and Los Pelambres expects to continue with preliminary expenditures for this project, which is within the scope of existing environmental approvals.

The Group has recently approved the development of the Esperanza copper-gold project, located near its El Tesoro mine, at an estimated cost of US\$1.5 billion. Production is scheduled to commence at the end of 2010 and in its first ten years of operation Esperanza is expected to produce an annual average of 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 payable silver.

Tethyan Copper Company Limited ("Tethyan"), the Group's joint venture with Barrick Gold Corporation, is continuing its 18 month

exploration programme at Reko Diq in South-west Pakistan with encouraging results to date, and an updated resource estimate and a scoping study are expected to be completed by the end of this year. A draft mineral agreement has also been submitted to the federal and provincial governments for discussion to establish a framework for future investment.

During July, the Group decided not to continue with the exploration agreements with Ascendent Copper Corporation in respect of the Chaucha deposit in Ecuador and with AngloGold Ashanti in the area of interest in southern Colombia, following a review of drilling results achieved to date. The Group nevertheless remains committed to its disciplined strategy of growth and will continue to seek opportunities in mining both in Latin America and worldwide.

The Board has declared an interim ordinary dividend of 3.2 cents per share. In view of the continued strong results this half year, the Board has also decided to pay a special dividend of 3.0 cents per share, giving a total interim dividend of 6.2 cents per share. This represents an increase of 19.2% over the total interim dividend for 2006.

## Review of operations

### Los Pelambres

Los Pelambres achieved another strong set of results, with operating profit of US\$1,087.0

## Directors' Comments continued

million (2006 half year – US\$1,097.6 million) as higher molybdenum volumes and prices and lower tolling charges offset the effects of lower realised copper prices and higher on-site and shipping costs.

Realised copper prices at Los Pelambres were 348.6 cents per pound (2006 half year – 376.8 cents per pound) despite the higher average LME price in the 2007 half year, as a result of lower provisional pricing credits compared with the first six months of 2006 when the LME copper price had increased very significantly within that period. Realised molybdenum prices increased to US\$30.9 per pound (2006 – US\$22.7 per pound), mainly reflecting higher market prices and tight market conditions in the 2007 half year 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 17 and in Note 4(a) to the interim financial statements.

Los Pelambres produced 141,800 tonnes of payable copper in the first six months of 2007, marginally above the first six months of last year when 141,600 tonnes were produced, as the benefits of the plant expansion which was largely completed by the end of 2006 compensated for lower ore grades and a higher proportion of harder primary ore. Ore throughput averaged 125,500 tonnes per day (2006 half year – 120,000 tonnes per day)

while recoveries also improved to 92.2% (2006 half year – 88.1%). The average ore grade in the first half of 2007 decreased as expected under the mine plan to 0.71% (2006 half year – 0.82%). Production in the 2006 half year had also been affected by a build-up of unfiltered copper concentrate at the plant due to repairs carried out to the slurry pipeline in the second quarter of that year.

Molybdenum production was 4,900 tonnes, 19.5% above the 4,100 tonnes produced in the first half of 2006. This increase was mainly due to better molybdenum ore grades together with the higher plant throughput, partly offset by lower recoveries in the first quarter of this year which have since improved. Production in the 2006 half year had also been affected by changes in work-in-progress levels.

Cash costs, which are stated net of by-product credits and include tolling charges, were negative 8.6 cents per pound in the first six months of 2007 compared with 24.4 cents in the first half of 2006. The decrease of 33.0 cents was due to higher by-product credits (which increased by 39.8 cents to 110.8 cents) and lower tolling charges for concentrates (which decreased by 11.0 cents to 28.8 cents), partly offset by an increase in on-site and shipping costs, which increased in line with forecast to 73.4 cents (2006 half year – 55.6 cents). Higher by-product credits resulted

mainly from the increase in both molybdenum production and realised prices. Tolling charges decreased principally due to the more favourable terms achieved in the negotiations with smelters for the 2007 calendar year, including both lower treatment and refining charges and nil price participation, although the impact was partly mitigated by the "brick system" under which the terms agreed are often averaged over two years. The increase in on-site and shipping costs was partly due to lower ore grades and increased energy, fuel, lubricant and machinery hire costs. In addition, costs were also higher due to a significant level of programmed plant maintenance in the second quarter and the costs of the one-off bonus payment on the early conclusion of the labour negotiation with the mine-port union in May 2007 as explained below.

Labour relations remained excellent and Los Pelambres was able to reach a new 45 month labour agreement with its mine-port union in May 2007, in advance of the due date for negotiations of September 2007. This included a one-off signing bonus at a total cost of US\$4.5 million. The next scheduled labour negotiation is due to take place in mid-2008 when the current agreement with the plant union expires.

During the 2007 half year, Los Pelambres continued to reduce its borrowings with repayments totalling US\$40.7 million. Total

borrowings (net of deferred financing costs) were US\$274.3 million at 30 June 2007.

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 2007 half year was US\$156.1 million.

Expansion of plant throughput to a life-of-mine average of 140,000 tpd through re-powering the grinding lines and installing a fifth ball mill and additional flotation cells, which commenced in mid-2005, was fully completed with final expenditures of US\$40.4 million incurred in the first half of this year. The total cost of the project was US\$185 million, broadly in line with the original budget of US\$182 million.

Los Pelambres also advanced with the Mauro tailings dam, which is currently approximately 95% complete. Cumulative expenditure on this project to 30 June 2007 was US\$418 million, which included US\$90.7 million incurred in the first half of 2007. The project is expected to be completed at the end of this year, and together with the existing Quillayes tailings dam, will provide Los Pelambres with sufficient storage capacity for its 2.1 billion tonnes of existing ore reserves, thereby supporting its current mine plan to 2047. As previously explained, there are a number of claims currently in the Chilean courts against

## Directors' Comments continued

third parties (governmental authorities or former land owners in the El Mauro area) either at first instance or on appeal, including the case against the Chilean Water Authority which is under appeal to the Supreme Court. While these cases are not directly against Los Pelambres, the company has intervened in some cases where an existing or eventual judgement affects or could affect the project. There has also been one recent claim in August 2007 against Los Pelambres. The Group continues to believe that Los Pelambres has received all the necessary technical and legal permits and land ownership for the Mauro tailings dam and that these have been properly applied for and granted in accordance with applicable regulations and the law. It is confident that this view will eventually be upheld by the courts in the relevant cases, which have so far rejected all applications for injunctions seeking that work on the Mauro tailings dam should cease, except in the most recent claim where a first instance court in Los Vilos ordered Los Pelambres to suspend only those works which directly affect the Pupio stream in the vicinity of the tailings dam. As the works affected by this order only form a part of the overall project, Los Pelambres does not believe this action will affect the schedule for the completion of the project by the end of this year. Los Pelambres' existing operations also remain unaffected as the Quillayes dam is still in use.

During the first half of 2007, Los Pelambres spent a further US\$10.5 million to progress with the feasibility study initiated in July 2006 for a further upgrade of the concentrator plant capacity, through additional infrastructure including a third SAG mill and a sixth ball mill. The feasibility study is now substantially complete, and Los Pelambres expects to continue with further expenditure on preliminary works in the second half of this year. If fully approved, which is not yet the case, this repowering would be within present environmental permits and would enable the production of an additional 75,000 tonnes of payable copper per year on average over the first 10 years, and cost approximately US\$0.8 billion in total. Los Pelambres is also continuing with its exploration programme, which commenced during 2006, to identify further reserves. Further details are given under "Projects, exploration and new opportunities" below.

With improved ore grades and a lower proportion of primary ore resulting in higher ore throughput expected in the second half of the year as compared with the first six months, copper production at Los Pelambres for the full year is expected to be approximately 312,000 tonnes. This is slightly below the original forecast of 321,000 tonnes as grades in the final quarter of the year are not expected to increase to the degree originally anticipated. Molybdenum production

for the full year is nevertheless expected to increase slightly from the original forecast of 11,000 tonnes, due to higher recoveries and a higher molybdenum ore grade expected in the second half of the year. Cash costs before by-product credits are expected to remain in line with forecast at approximately 100 cents per pound, including on-site and shipping costs of approximately 70 cents. With molybdenum prices expected to remain strong, Los Pelambres should continue to benefit from substantial by-product credits.

#### El Tesoro

Operating profit at El Tesoro rose by 25.9% from US\$149.6 million in the 2006 half year to US\$188.4 million, reflecting higher copper prices, improved production volumes and no hedging effect on results this period, partly offset by increased cash costs.

Realised copper prices were 321.8 cents per pound compared with 301.2 cents in the 2006 half year, reflecting the higher average LME prices, cathode premiums and to a lesser extent pricing adjustments on provisionally invoiced cathode sales.

Production at El Tesoro was 46,800 tonnes, a 10.1% increase on the 2006 half year production of 42,500 tonnes. The higher production was due to better ore grades of 1.23% (2006 half year – 1.08%) and marginally higher metallurgical recoveries of 77.4% (2006

half year – 75.7%). This was partly offset by lower ore throughput which averaged 27,100 tonnes per day (2006 half year – 28,700 tonnes per day). Cash costs rose to 96.9 cents per pound in line with forecast compared with 79.7 cents per pound in the 2006 half year, mainly due to a higher waste-to-ore ratio, as well as higher acid consumption and prices and increased energy costs. This included the effects of re-negotiating the power supply contract (including one-off back settlements) in the second quarter of the year. Negotiations with El Tesoro's union for a new labour agreement are not due until the beginning of 2009.

El Tesoro's results were not affected by commodity hedging in the 2007 half year; the 2006 half year included a charge against operating profit of US\$43.5 million. Further details of the effects of commodity hedging and of instruments in place at 30 June 2007 are given in the financial commentary under "Derivative Financial Instruments" and in Note 4(b) to the interim financial statements.

El Tesoro carried out a review of its mine plan and consequently no longer expects to process some of the inventory of high carbonate ore accumulated in the previous year, resulting in the recognition of a provision of US\$18.8 million. This has resulted partly from higher sulphuric acid prices which increase the cost of processing this ore but

## Directors' Comments continued

also partly because El Tesoro expects eventually to start incorporating some of the surrounding higher grade oxide deposits which it now controls in place of this inventory.

Borrowings were reduced by regular repayments of US\$7.0 million, and amounted to US\$21.1 million at 30 June 2007.

Full-year production and cash costs are both expected to remain in line with original forecast, at approximately 92,000 tonnes and 100 cents per pound respectively.

### Michilla

Operating profit in the 2007 half year increased to US\$91.3 million (2006 half year – US\$44.3 million), reflecting continued strong copper prices and the significantly lower impact of commodity hedging, partly offset by higher expected cash costs.

Realised copper prices in the period were 315.3 cents per pound (2006 half year – 306.6 cents per pound), reflecting strong LME prices, cathode premiums and to a lesser extent positive pricing adjustments.

Production in the period reached 23,400 tonnes of copper cathodes, a marginal decrease on the 23,800 tonnes produced in the 2006 half year. This reflected lower ore grades, which averaged 1.04% (2006 half year – 1.10%), offset by marginally higher ore

throughput of 15,300 tonnes per day (2006 half year – 15,000 tonnes per day) and improved recoveries of 79.7% (2006 – 76.3%).

Cash costs of 132.3 cents per pound were below budget, but have increased compared with the 122.0 cents per pound in the first half of 2006, reflecting the one-off costs of the labour negotiation agreed in May 2007 as discussed below, and higher energy, fuel and third-party service costs. The effect of commodity hedging on results was significantly lower at US\$3.3 million compared with US\$46.2 million in the first six months of 2006, and further details of the effects of commodity hedging and of instruments in place at 30 June 2007 are given in the financial commentary under "Derivative Financial Instruments" and in Note 4(b) to the interim financial statements.

Labour relations at Michilla also remain positive and a new 48 month agreement was reached with its union in May 2007, in advance of the due date for negotiations of November 2007. The one-off bonus on conclusion of the new labour agreement amounted to US\$2.4 million.

Cathode production for the full year is expected to be approximately 45,600 tonnes, in line with the original estimate for the year at a similar cash cost estimate of 136 cents per pound. Michilla's existing mine plan extends to

2009 and it has begun to examine options for a possible extension of mine life, though any eventual decision will depend on the results of further development expenditure and future copper prices.

#### Railway and other transport services

Rail and road transport volumes in the first half of 2007 were 2.6 million tons (2006 half year – 2.1 million tons) and 0.7 million tons (2006 half year – 0.8 million tons) respectively, a combined increase of 11.6%. The increase in rail tonnages was mainly due to the start-up of BHP Billiton's Spence mine, which commenced shipments in the second half of 2006, along with increased volumes from other customers including additional tonnages from Escondida's sulphide leach operation. Turnover (net of sales to the mining division) increased by 12.1% to US\$54.7 million in line with increased tonnages.

Operating profit (excluding income from associates) increased by 22.7% to US\$17.3 million (2006 half year – US\$14.1 million), mainly as a result of increased volumes. The 2006 half year was also affected by a number of factors including costs resulting from adverse weather conditions and labour costs following a new union agreement; 2007 did not have these exceptional factors.

Transport tonnages should continue to increase in the second half of the year with

shipments of concentrates from the San Cristobal mine in Bolivia, which has now started production. The FCAB's medium to longer term prospects also continue to be positive, with Codelco's Gaby project due to start production in early 2008. 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 2007 half year. Combined industrial and domestic water sales increased by 7.0% from 18.5 million cu. m. in the 2006 first half to 19.8 million cu. m. this period, mainly due to an increase in sales to industrial customers with the Spence mine starting operations in the second half of last year.

Turnover increased by 3.7% to US\$33.4 million as increased volumes were partly offset by lower domestic tariffs following the completion of the five-yearly regulatory review in mid-2006. Operating profit was US\$16.1 million, compared with US\$16.4 million in the first half of 2006, as increased operating costs (including the costs of increasing production from the desalination plant at Antofagasta to meet increased demand) offset the growth in volumes.

## Directors' Comments continued

### Projects, exploration and new opportunities

#### Esperanza

The Esperanza copper-gold project received board approval for its development at the end of June 2007 following completion of the feasibility study initiated in August 2006. Esperanza is a sulphide deposit located in Chile's II 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 97,000 tonnes per day.

Esperanza has a 15 year mine life based on proven, probable and possible ore reserves of 535 million tonnes with an average copper grade of 0.55% and an average gold grade of 0.23 g/tonne, based on a cut-off grade of 0.2% equivalent copper. The total measured, indicated and inferred sulphide resource (including reserves) based on a cut-off grade of 0.2% copper is 1,130 million tonnes with an average copper grade of 0.45%, an average gold grade of 0.16 g/tonne and an average molybdenum grade of 0.011%. In addition, there is an oxide ore resource of 119 million tonnes with an average copper grade of 0.35%, which mainly forms part of the 170 million tonnes of overburden to be removed through pre-stripping. The Esperanza project is adjacent to the Group's Telegrafo sulphide

deposit which ultimately is expected to utilise the Esperanza plant and facilities and extend the mine life well beyond the initial 15 year mine plan.

An environmental impact assessment was submitted in August 2007, with a view to obtaining permission for starting early site works from the first quarter of 2008 and obtaining full approval for the project later that year. The project envisages using seawater to supply all its water needs.

Capital costs are estimated at US\$1.5 billion and first production is expected at the end of 2010. In its first ten years of operation Esperanza is expected to produce an annual average of 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 payable silver.

#### Reko Diq (Tethyan Copper Company Limited)

The Group holds a 50% interest in the 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 prospect in the Chagai Hills region of South-West Pakistan (in which the Government of Balochistan holds the remaining 25%) including the Tanjeel Mineral Resource and the Western Porphyries, and a 100% interest in certain other licences in the

region. Tethyan has reported total indicated and inferred mineral resources at these properties of 2.4 billion tonnes with a copper grade of 0.51% and a gold grade of 0.27g/t.

An initial 18-month budget of US\$30.5 million (of which 50% is attributable to the Group) principally for exploration (including a drilling programme of approximately 94,000 metres) was established in June 2006; this was increased to US\$46.3 million in the first half of this year to include the costs of a scoping study to analyse possible project scenarios and initial pre-feasibility work. By the end of June 2007, cumulative expenditure amounted to US\$22.5 million and approximately 56,000 metres of drilling had been completed (including 31,000 metres in the 2007 half year). Preliminary exploration results remain encouraging and a new resource estimate and the scoping study are expected to be completed by the end of the year, with a view to conducting pre-feasibility work during 2008.

A draft mineral agreement to establish the framework for future investment was submitted in July to the Federal Government of Pakistan and the Government of Balochistan for consideration and discussions are expected to take place in the second half of this year. Support from both federal and regional governments remains strong and the Group continues to believe that the long-term potential of this investment remains positive.

### Antucoya

The Group has continued its drilling programme at the Antucoya-Buey Muerto properties, together with pre-feasibility work including initial engineering and technical studies. The total budget is US\$4.4 million and the studies will examine the viability of on-site leaching of the deposits to provide enriched solution to utilise any excess capacity at Michilla's plant. It is anticipated that these studies, including analysis of the drill results, will be completed by the end of 2007.

The Antucoya-Buey Muerto properties are sited approximately 40 kilometres from Michilla. The existing estimate for the combined resource is 460 million tonnes of oxide ore with an average grade of 0.41%.

### Other exploration activities

The Group spent US\$16.1 million on exploration activities in the first six months of 2007 (2006 half year – US\$8.1 million), including US\$0.7 million at Esperanza (2006 half year – US\$4.4 million, which related mainly to costs of the pre-feasibility study which was then in progress) and US\$5.7 million (2006 half year – US\$1.1 million) relating to its share of exploration costs at Reko Diq.

Los Pelambres has continued the second year of its exploration programme to identify additional deposits beyond the existing 2.9 billion tonne resource, both by drilling the

## Directors' Comments continued

areas surrounding the current mine plan as well as drilling the existing open pit in greater depth. Expenditure of US\$2.5 million was incurred in the first half of 2007 (2006 half year – US\$1.3 million) with a further 8,000 metres of drilling. It is anticipated that the programme will be completed by early 2008.

The Group also continued with expenditure on its other properties including those in the Sierra Gorda district and its target generation programme in Chile. Total costs incurred in the 2007 half year were US\$4.2 million (2006 half year – US\$1.1 million).

Excluding Reko Diq, total expenditure outside Chile amounted to US\$3.0 million (2006 half year – US\$0.2 million). In July, the Group decided not to continue with the exploration agreements with Ascendent Copper Corporation in respect of the Chaucha deposit in Ecuador and with AngloGold Ashanti in the area of interest in southern Colombia, following a review of drilling results achieved to date. In June, the Group also completed the disposal of its 50% interest in Cordillera de Las Minas S.A., through which its joint-venture interests in Peru with Companhia Vale Rio Doce were held, to Panoro Minerals Limited ("Panoro"), a company listed on the TSX Venture Exchange. The Group's share of the consideration comprised US\$6 million plus 6 million shares in Panoro, valued at US\$3.7 million at the date of disposal, resulting in total

consideration of US\$9.7 million. The Group nevertheless remains committed to its disciplined strategy of growth and continues to seek opportunities in mining both in Latin America and worldwide.

### Dividends

The Board has declared an interim ordinary dividend of 3.2 cents per share (2006 half year – 3.2 cents per share). In view of the continued strong results this half year, the Board has also decided to pay a special dividend of 3.0 cents per share (2006 half year – 2.0 cents). Accordingly, a total interim dividend of 6.2 cents per share will be paid on 11 October 2007 to ordinary shareholders on the register at the close of business on 21 September 2007. This represents an increase of 19.2% over the total interim dividend for 2006.

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 25 September 2007.

### Current trading prospects

The copper market remained volatile during the 2007 half year, with LME prices increasing from 281 cents per pound at the beginning of the year to 347 cents at the end of June, but falling to around 240 cents in February and peaking at over 370 cents in May. More recently, the market has weakened again as

concerns in the United States have affected sentiment in commodity markets, with the LME price falling to a current level of around 332 cents.

Fundamentals for the copper market nevertheless remain strong, with inventories remaining at historically low levels. Despite uncertainties over the United States, demand remains strong in both Europe and Asia, with Chinese imports of refined copper in the 2007 half year exceeding imports in the 2006 calendar year. Supply continues to be affected by disruptions, including labour disputes during the first half in Chile, Mexico, Peru and Canada. Growth also remains constrained by previous under-investment, equipment availability, labour shortages and longer lead times for environmental permitting. The market is expected to remain in balance in 2007 with a small surplus possible the following year, although this will continue to be subject to supply-side risks. The outlook for prices remains positive and this should continue well into 2008. Nevertheless, the increased role of investment funds in commodity markets has made base metal prices more sensitive to changes in market sentiment, and accordingly short-term copper prices are expected to remain volatile.

The concentrate market remains in favour of producers, with the deficit which developed in 2006 continuing to intensify as further

smelting capacity continues to come on stream without corresponding increases in mine production. Most mid-year negotiations have been agreed at around US\$50 per dry metric tonne of concentrate for smelting and 5.0 cents per pound of copper for refining with nil price participation, compared with US\$60 and 6.0 cents and nil price participation for the 2007 calendar year. Most commentators expect the concentrate deficit to remain to at least 2009, with the market balancing through reduced utilisation rates by smelters.

The molybdenum market has also remained strong, improving from around US\$25 per pound at the beginning of the year and remaining at over US\$30 per pound since May. The market is expected to remain strong, with continued demand from the steel and catalyst sectors combined with limited supply increases. 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 2008.

Group copper production for 2007 is expected to be around 449,000 tonnes, compared with the original forecast of 457,000 tonnes. Nevertheless, full year molybdenum production is expected to increase slightly from the original forecast of 11,000 tonnes, and if prices remain at the current level this could largely offset the expected lower copper

## Directors' Comments continued

output. On-site and shipping costs for the Group's three mines, while higher than in 2006, are expected to remain in line with forecasts for the year, although industry-wide cost pressures from labour, fuel and energy persist. Treatment and refining charges should remain at levels favouring producers, with price participation having less of an impact than in previous years following the 2007 calendar year negotiations.

The Group also expects to advance with its capital projects in the second half of the year,

including completion of the Mauro tailings dam; continued progress on the recently approved Esperanza project; and completion of the drilling programme and scoping study at Reko Diq. The Group, supported by its sound financial position, believes that it has a number of prospects that will continue to enhance its production profile in the medium to longer term. In addition, it will continue to seek opportunities globally to secure further world-class mining assets.

28 August 2007

# Financial Commentary

For the half year to 30 June 2007

## Results

### Turnover

Group turnover in the 2007 half year increased by 5.2% to US\$1,942.1 million, compared with US\$1,846.9 million in the first six months of 2006. The increase was mainly due to higher molybdenum prices and volumes, lower tolling charges for copper concentrate and higher sales at the transport and water divisions. These factors were partly offset by lower copper revenues due mainly to a decrease in realised prices while copper sales volumes remained substantially unchanged.

### *Turnover from copper concentrate and copper cathodes*

Turnover from copper concentrate sales and copper cathode sales from the Group's three mines decreased by 1.8% to US\$1,509.1 million compared with US\$1,537.4 million in the 2006 half year.

The Group's average realised copper price decreased by 4.1% to 338.9 cents per pound (2006 half year – 353.4 cents per pound), despite an increase in the average LME copper price in the 2007 half year to 307.0 cents per pound compared with 275.3 cents per pound in the 2006 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 decrease in realised copper prices was due to lower positive provisional pricing adjustments in the 2007 half year as the level of increase in the LME copper price in that period was less than in the comparable period in 2006.

In the case of Los Pelambres, pricing adjustments added US\$142.4 million to initially invoiced sales before deducting tolling charges in the 2007 half year (when the LME copper price increased from 285 cents per pound at the beginning of the year to 347 cents at the end of June), compared with US\$348.8 million in the 2006 half year (when the LME copper price increased from 208 cents per pound at the beginning of that year to 340 cents at the end of June 2006). The 2007 first half adjustments comprised US\$22.0 million in respect of sales invoiced in 2006 (net of mark-to-market adjustments at the end of 2006) which were finally priced in 2007 and US\$120.4 million in respect of sales invoiced in 2007 (including mark-to-market adjustments for open sales at the end of the period of US\$56.7 million). Pricing adjustments for the first half of 2007 (which relate mainly to sales

## Financial Commentary *continued*

invoiced in 2007) added US\$5.2 million at El Tesoro (2006 half year – US\$18.6 million) and US\$2.2 million at Michilla (2006 half year – US\$12.7 million). Further details are given in Note 4(a) to the interim results announcement. El Tesoro and Michilla also continued to benefit from strong cathode premiums.

In the first half of 2007, turnover also included a loss of US\$3.3 million on commodity derivatives at Michilla which matured during the period under the hedge accounting provisions of IAS 39 “Financial Instruments: Recognition and Measurement” which were applied with effect from 1 January 2007. As explained below, during 2006 losses on the commodity derivatives were recognised within other operating expenses.

Copper sales volumes increased marginally by 0.4% from 213,200 tonnes in the 2006 half year to 214,100 tonnes this half year, as timing differences in shipment and loading schedules partly offset an increase in Group copper production of 2.0% to 212,100 tonnes (2006 half year – 207,900 tonnes).

Tolling charges for copper concentrates at Los Pelambres decreased by 26.6% from US\$123.6 million in the 2006 half year to US\$90.7 million, mainly as a result of reduced price participation following annual negotiations for the 2007 calendar year. 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 2006 first half.

### *Turnover from by-products*

Turnover from by-products at Los Pelambres increased by 50.9% to US\$344.9 million in the 2007 half year compared with US\$228.5 million in the 2006 half year, mainly due to both higher molybdenum market prices and increased sales volumes. Molybdenum revenues (net of roasting charges) were US\$320.5 million (2006 half year – US\$210.0 million).

The realised molybdenum price increased by 36.1% to US\$30.9 per pound in the 2007 half year (2006 half year – US\$22.7 per pound), mainly due to the increase in the market price which averaged US\$28.4 per pound compared with US\$23.7 per pound in the first half of 2006. Molybdenum sales are also subject to provisional pricing and as prices strengthened during the first half of this year, realised prices were marginally higher than the average market price. In contrast, during the first half of 2006 weakening prices caused the realised price to be lower than the market price.

Molybdenum sales of 4,900 tonnes were 11.4% higher than sales of 4,400 tonnes in the first half of 2006, reflecting the increased production in the current period and inventory movements in the first half of 2006.

Credits received for gold and silver contained in copper concentrate sold increased to US\$24.4 million (2006 half year – US\$18.5 million).

#### *Turnover from the transport and water divisions*

Turnover from the transport division (FCAB) increased by US\$5.9 million or 12.1% to US\$54.7 million, reflecting increased volumes due to the impact of the Spence project (which commenced shipments in the second half of 2006), as well as increased volumes from other clients.

Turnover at Aguas de Antofagasta, which operates the Group's water business, increased by US\$1.2 million or 3.7% to US\$33.4 million, mainly due to improved sales to industrial customers including Spence, partly offset by lower tariffs to domestic customers following the tariff review in mid-2006.

#### *Operating profit from subsidiaries and joint ventures and EBITDA*

Operating profit from subsidiaries and joint ventures was US\$1,392.8 million in the 2007 half year, 6.7% higher than the first six months of 2006 (US\$1,304.9 million).

Operating profit at the mining division was US\$1,359.4 million, compared to US\$1,274.4 million in the first half of 2006, mainly reflecting the increased revenues discussed

above and lower costs from commodity hedging, 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 68.1 cents per pound in the 2006 half year to 85.1 cents in the 2007 half year. This reflected the impact of higher input costs (including the costs of the one-off bonus payments on the conclusion of labour negotiations at Los Pelambres and Michilla and the re-negotiation of the power supply contract at El Tesoro), lower ore grades at Los Pelambres and a higher waste-to-ore ratio at El Tesoro.

During the 2006 half year a loss of US\$89.7 million (of which US\$43.5 million related to El Tesoro and US\$46.2 million related to Michilla) was recognised within other operating expense in respect of commodity derivatives, relating both to amounts realised on instruments maturing during the period and net mark-to-market adjustments prior to the adoption of the hedge accounting provisions of IAS 39. As noted above, during the 2007 half year a loss of US\$3.3 million relating to commodity derivatives at Michilla which

## Financial Commentary continued

matured in the period has been recorded within turnover, along with a net mark-to-market loss of US\$14.7 million deferred in equity.

Operating profits (excluding income from associates) at the transport division increased to US\$17.3 million (2006 half year – US\$14.1 million) reflecting the increased volumes. Aguas de Antofagasta contributed US\$16.1 million compared with US\$16.4 million in the 2006 half year, with revenues from increased volumes being offset by lower domestic tariffs and higher operating costs.

EBITDA (earnings before interest, tax, depreciation and amortisation) in the 2007 half year was US\$1,470.8 million, compared with US\$1,374.7 million in the first half of 2006, up 7.0%. This is calculated by adding back to operating profit from subsidiaries and joint ventures the items of depreciation and amortisation of US\$75.1 million (2006 half year – US\$65.3 million) and loss on disposals of property, plant and equipment of US\$2.9 million (2006 half year – US\$4.5 million). Higher depreciation and amortisation charges resulted mainly from the amortisation of fair value adjustments following the acquisition of Equatorial Mining Limited in the second half of 2006.

The Group's share of net profit from its 30% investment in Antofagasta Terminal Internacional S.A. ("ATI") was US\$0.8 million (2006 half year – US\$0.5 million).

### Net finance income

Net finance income in the 2007 half year was US\$43.1 million, compared with US\$19.9 million in the six months ended 30 June 2006.

Interest receivable increased from US\$34.5 million to US\$53.8 million, mainly due to the higher level of cash and deposit balances but also higher market interest rates compared with the 2006 half year.

Interest expense (excluding the mark-to-market effect of interest rate derivatives) decreased from US\$13.2 million in the first half of 2006 to US\$11.3 million, reflecting the reduced level of borrowings due to scheduled loan repayments since the previous period.

Foreign exchange gains included in finance items were US\$0.6 million, compared with a loss of US\$1.7 million in the 2006 half year. No interest derivatives were held during the current period and so no mark-to-market gains or losses arose, compared to a mark-to-market gain of US\$0.3 million in the first half of 2006.

### Profit before tax

The resulting profit before tax for the period increased by 8.4% to US\$1,436.7 million compared with US\$1,325.3 million in the first half of 2006, reflecting the improved operating results and increased finance income.

### Income tax expense

The rate of first category (i.e. corporation) tax in Chile is 17% for both 2007 and 2006. 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. For 2006 and 2007, 50% of the new mining tax can be offset against first category tax and the remaining 50% is tax deductible (i.e. an allowable expense in determining liability to first category tax). From 2008, when the ability to offset will no longer be available, 100% of the new mining tax will be 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 2006 and 2007 and 4% thereafter. 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\$331.7 million (2006 half year – US\$255.0 million), with the increase compared with 2006 mainly due to the higher level of withholding tax recorded in the first half of this year, as explained below. Including both current and deferred taxes, this comprises corporate tax of US\$238.3 million (2006 half year – US\$221.6 million), the Chilean mining tax of US\$25.6 million (2006 half year – US\$24.4 million) and provision for withholding taxes of US\$68.1

million (2006 half year – US\$9.6 million).

This was partly offset by exchange gains on corporate tax balances of US\$0.3 million (2006 half year – US\$0.6 million).

As a result of these factors, the effective tax rate for the Group for the six months ended 30 June 2007 was 23.1% (2006 half year – 19.2%), compared with the Chilean statutory tax rate of 17%. The increase in the effective tax rate in the 2007 half year, compared with the first half of 2006, is principally due to a higher level of deferred withholding taxes as a result of the requirements of IFRS with respect to intercompany dividends recognised in the period. This has resulted in an effective tax rate similar to the 2006 full year of 23.3%. During 2006, a higher proportion of deferred withholding taxes was recognised in the second half of the year resulting in an effective tax rate of 26.7% compared with 19.2% in the first half of that year.

### Minority interests

Profit attributable to minority interests decreased to US\$376.6 million (2006 half year – US\$417.7 million), representing 34.1% of Group profit after tax (2006 half year – 39.0%). The decrease was mainly due to the acquisition of Equatorial Mining Limited in the second half of 2006 which had the effect of eliminating the 39% minority interest at El Tesoro, thereby reducing the minority interest charge in the period by US\$66.1 million.

## Financial Commentary continued

### Earnings per share

As a result of the factors set out above, profit attributable to equity shareholders of the Company was US\$728.4 million compared with US\$652.6 million in the first half of 2006.

Accordingly, basic earnings per share increased by 11.6% to 73.9 cents in the first half of 2007 compared with 66.2 cents for the 2006 half year.

### 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" with effect from 1 January 2007. From that date, 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 any ineffective portion recognised immediately in the income statement. Realised gains and losses on commodity derivatives recognised in the income statement have been recorded within turnover. Prior to 1 January 2007 derivatives were measured at fair value through the income statement, with both realised and unrealised gains or losses on

commodity derivatives being recorded within other operating income or expense.

The impact of such instruments on the Group's results for the period is set out above in the sections on turnover and operating profit from subsidiaries, and in Notes 4(b) and 5 to the interim financial statements.

At 30 June 2007, the Group had min/max instruments for 86,200 tonnes of copper production (of which 76,800 tonnes related to El Tesoro and 9,400 tonnes related to Michilla), covering a total period to 31 December 2009 and with a weighted average floor of 261.0 cents per pound and a weighted average cap of 389.4 cents per pound. The remaining weighted average period covered by the individual hedges calculated with effect from 1 July 2007 is 13.6 months. The Group also had futures at Michilla for 8,400 tonnes of copper production covering a total period to 31 December 2007 with an average price of 306.9 cents. The weighted average duration of these hedges from 1 July 2007 is 3.5 months. It 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. These hedges covered a total period to 31 January 2008 and have a weighted average price of US 312.0 cents. The weighted average duration of these instruments from 1 July 2007 is 4 months.

These instruments represent approximately 80% of Michilla's forecast production for the remainder of 2007 and 35% 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-mark position of these instruments at 30 June 2007, together with details of any interest and exchange derivatives held by the Group, are given in Note 4(b) to the interim financial statements.

### Cash flows, cash and debt

Cash flows from operations were US\$1,349.3 million in the first six months of 2007, up 29.1% compared with US\$1,045.4 million in the same period last year, reflecting the improved operating results adjusted for depreciation, amortisation and working capital movements. The movement in working capital was particularly material in the 2006 half year due to the effect of the significant increase in the copper price on the level of trade debtors during that period.

A dividend of US\$1.3 million (2006 half year – US\$0.3 million) was received from the Group's investment in ATI.

Cash tax payments in the first half of 2007 were US\$363.0 million (2006 half year – US\$265.4 million), comprising corporation tax of US\$299.4 million (2006 half year – US\$208.9 million) and mining tax of US\$64.8

million (2006 half year – US\$3.9 million), partly offset by a withholding tax rebate of US\$1.2 million (2006 half year – payment of US\$52.6 million). Withholding taxes of US\$118.8 million relating to remittance of cash to cover the June dividend payment were settled in July 2007. These amounts differ from the current tax charge in the consolidated income statement of US\$343.9 million (2006 half year – US\$278.5 million) because cash tax payments partly comprise monthly payments on account in respect of current year profits and partly comprise the settlement of the outstanding balance for the previous year.

Cash proceeds from disposals of interests in subsidiaries, joint ventures and available for sale investments amounted to US\$27.5 million in the 2007 half year; there were no comparable proceeds in the 2006 half year. This comprised US\$4.9 million received at the beginning of the period from the sale of Equatorial North America Inc. in December 2006; US\$6.0 million for the cash element of the sale of the Group's interest in Cordillera de Las Minas S.A. to Panoro Minerals Limited; and US\$16.6 million for the sale of shares in Mercator Minerals Limited. No acquisitions were made in the 2007 half year; in the 2006 half year the Group paid US\$166.3 million on the acquisition of Tethyan Copper Company Limited (with the part disposal to Barrick Gold Corporation and elimination of BHP Billiton's Claw-back Right as well as the acquisition of

## Financial Commentary continued

Equatorial Mining Limited taking place in the second half of that year).

Capital expenditure was US\$241.6 million in the period (2006 half year – US\$279.6 million). Expenditure in the first six months of 2007 included US\$95.7 million relating to the Mauro tailings dam project, US\$40.4 million relating to the completion of the 140,000 tpd plant expansion project, and US\$10.5 million relating to preliminary work on the possible further repowering, all at Los Pelambres. In addition, US\$10.8 million was spent in the first half of 2007 relating to the feasibility study on Esperanza.

Dividends (including special dividends) paid to ordinary shareholders of the Company in the first six months of this year were US\$423.8 million (2006 half year – US\$185.3 million), which related to the final dividend declared in respect of the previous year. Dividends paid by subsidiaries to minority shareholders were US\$307.2 million (2006 half year – US\$204.2 million), principally due to increased distributions by Los Pelambres.

Repayments of borrowings and finance leasing obligations in the first six months of 2007, mainly at Los Pelambres and El Tesoro, were US\$49.3 million (2006 half year – US\$48.7 million). New borrowings in the period amounted to US\$2.3 million (2006 half year – nil).

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

At 30 June 2007, the Group had cash and cash equivalents of US\$1,847.5 million (2006 half year – US\$1,238.8 million). Excluding the minority share in each partly-owned operation, the Group's attributable share of total cash and cash equivalents was US\$1,707.4 million (2006 half year – US\$1,009.3 million).

Total Group borrowings at 30 June 2007 were US\$311.9 million (2006 half year – US\$417.1 million). Of this, US\$199.0 million (2006 half year – US\$254.6 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\$3,155.1 million at the beginning of the year to US\$3,455.5 million at 30 June 2007, relating mainly to profit after tax and minority interests for the period of US\$728.4 million less the ordinary dividend for 2006 of US\$423.8 million which was approved and paid in the first half of 2007. Other changes relate mainly to movements in the fair value of hedges and available for sale investments and

the currency translation adjustment; these are set out in the Consolidated Statement of Changes in Equity.

Minority interests increased from US\$793.0 million at the beginning of the year to US\$859.8 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.

28 August 2007

# Condensed Consolidated Income Statement

	Notes	Six months ended 30 June 2007 US\$m	Six months ended 30 June 2006 US\$m	Year ended 31 December 2006 US\$m
<b>Group turnover</b>	2, 3	<b>1,942.1</b>	1,846.9	3,870.0
Total operating costs		(549.3)	(542.0)	(1,065.9)
<b>Operating profit from subsidiaries and joint ventures</b>	2, 3	<b>1,392.8</b>	1,304.9	2,804.1
Share of income from associate	12	0.8	0.5	1.1
<b>Total profit from operations and associates</b>	2	<b>1,393.6</b>	1,305.4	2,805.2
Investment income		53.8	34.5	78.3
Interest expense		(11.3)	(13.2)	(26.4)
Other finance items		0.6	(1.4)	1.9
<b>Net finance income</b>	5	<b>43.1</b>	19.9	53.8
<b>Profit before tax</b>		<b>1,436.7</b>	1,325.3	2,859.0
Income tax expense	6	(331.7)	(255.0)	(664.9)
<b>Profit for the financial period</b>		<b>1,105.0</b>	1,070.3	2,194.1
Attributable to:				
Minority interests		376.6	417.7	839.8
<b>Equity holders of the Company (net earnings)</b>		<b>728.4</b>	652.6	1,354.3
		US cents	US cents	US cents
<b>Basic earnings per share</b>	7	<b>73.9</b>	66.2	137.4
<b>Dividends to ordinary shareholders of the Company</b>				
<b>Per share</b>				
Dividends per share proposed in relation to the period	8			
– ordinary dividend (interim)		3.2	3.2	3.2
– ordinary dividend (final)		–	–	5.0
– special dividend (interim)		3.0	2.0	2.0
– special dividend (final)		–	–	38.0
		6.2	5.2	48.2
Dividends per share paid in the period and deducted from net equity				
– ordinary dividend (interim)		–	–	3.2
– ordinary dividend (final)		5.0	4.8	4.8
– special dividend (interim)		–	–	2.0
– special dividend (final)		38.0	14.0	14.0
		43.0	18.8	24.0
		US\$m	US\$m	US\$m
<b>In aggregate</b>				
Dividends proposed in relation to the period	8	61.1	51.3	475.2
Dividends paid in the period and deducted from net equity		423.8	185.3	236.6

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

	Notes	At 30 June 2007 US\$m	At 30 June 2006 US\$m	At 31 December 2006 US\$m
<b>Non-current assets</b>				
Intangible assets	9	204.3	321.2	205.3
Property, plant and equipment	10	2,508.1	2,025.4	2,373.7
Investment property	11	3.2	3.2	3.2
Investment in associate	12	3.0	3.0	3.5
Derivative financial instruments	4	1.9	–	–
Available for sale investments	14	4.0	0.2	6.2
Deferred tax assets	19	7.6	6.8	3.1
		2,732.1	2,359.8	2,595.0
<b>Current assets</b>				
Inventories	15	109.4	116.1	120.3
Trade and other receivables		670.0	756.4	549.4
Current tax assets		4.7	4.6	7.5
Derivative financial instruments	4	0.9	–	7.3
Cash and cash equivalents	22	1,847.5	1,238.8	1,805.5
		2,632.5	2,115.9	2,490.0
<b>Total assets</b>		<b>5,364.6</b>	<b>4,475.7</b>	<b>5,085.0</b>
<b>Current liabilities</b>				
Short-term borrowings	16, 22	(101.8)	(97.0)	(97.6)
Derivative financial instruments	4	(1.6)	(43.8)	–
Trade and other payables		(190.7)	(220.6)	(211.5)
Current tax liabilities		(182.8)	(121.1)	(204.8)
		(476.9)	(482.5)	(513.9)
<b>Non-current liabilities</b>				
Medium and long-term borrowings	16, 22	(210.1)	(320.1)	(261.1)
Derivative financial instruments	4	(12.0)	–	–
Trade and other payables		(2.9)	(3.2)	(4.8)
Post-employment benefit obligations	17	(24.3)	(20.6)	(24.1)
Long-term provisions	18	(10.3)	(10.0)	(9.8)
Deferred tax liabilities	19	(312.9)	(201.6)	(323.2)
		(572.5)	(555.5)	(623.0)
<b>Total liabilities</b>		<b>(1,049.4)</b>	<b>(1,038.0)</b>	<b>(1,136.9)</b>
<b>Net assets</b>		<b>4,315.2</b>	<b>3,437.7</b>	<b>3,948.1</b>
<b>Equity</b>				
Share capital	20	89.8	89.8	89.8
Share premium	20	199.2	199.2	199.2
Hedging, translation and fair value reserves		10.5	10.4	12.3
Retained earnings		3,156.0	2,203.4	2,853.8
<b>Net equity attributable to equity holders of the Company</b>		<b>3,455.5</b>	<b>2,502.8</b>	<b>3,155.1</b>
Minority interests		859.7	934.9	793.0
<b>Total equity</b>		<b>4,315.2</b>	<b>3,437.7</b>	<b>3,948.1</b>

The interim financial information was approved by the Board of Directors on 28 August 2007.

# Condensed Consolidated Cash Flow Statement

	Notes	Six months ended 30 June 2007 US\$m	Six months ended 30 June 2006 US\$m	Year ended 31 December 2006 US\$m
<b>Cash flows from operations</b>	21	<b>1,349.3</b>	1,045.4	2,810.1
Interest paid		(10.7)	(14.1)	(24.6)
Dividend from associate	12	1.3	0.3	0.4
Income tax paid		(363.0)	(265.4)	(498.2)
<b>Net cash from operating activities</b>		<b>976.9</b>	766.2	2,287.7
<b>Investing activities</b>				
Acquisition of subsidiaries	23	–	(166.3)	(487.5)
Disposal and part-disposal of subsidiaries	23	4.9	–	84.3
Disposal of joint venture interest		6.0	–	–
Disposal of available for sale investments		16.6	–	–
Recovery of Chilean VAT paid on purchase of water concession		5.1	5.4	8.7
Purchases of property, plant and equipment		(241.6)	(279.6)	(506.6)
Interest received		52.0	34.5	77.6
<b>Net cash used in investing activities</b>		<b>(157.0)</b>	(406.0)	(823.5)
<b>Financing activities</b>				
Dividends paid to equity holders of the Company		(423.8)	(185.3)	(236.6)
Dividends paid to preference shareholders of the Company		(0.1)	(0.1)	(0.2)
Dividends paid to minority interests		(307.2)	(204.2)	(630.6)
Net proceeds from issue of new borrowings		2.3	–	3.8
Repayments of borrowings		(48.9)	(48.0)	(109.6)
Repayments of obligations under finance leases		(0.4)	(0.7)	(1.8)
<b>Net cash used in financing activities</b>		<b>(778.1)</b>	(438.3)	(975.0)
Net increase/(decrease) in cash and cash equivalents		41.8	(78.1)	489.2
<b>Cash and cash equivalents at beginning of the period</b>		<b>1,805.5</b>	1,316.8	1,316.8
Net increase/(decrease) in cash and cash equivalents		41.8	(78.1)	489.2
Effect of foreign exchange rate changes		0.2	0.1	(0.5)
<b>Cash and cash equivalents at end of the period</b>	22	<b>1,847.5</b>	1,238.8	1,805.5

# Condensed Consolidated Statement of Changes in Equity

## For the six months ended 30 June 2006

	Share capital US\$m	Share premium US\$m	Hedging reserve US\$m	Fair value reserve US\$m	Translation reserve US\$m	Retained earnings US\$m	Net equity US\$m	Minority interests US\$m	Total US\$m
Balance at 1 January 2006	16.6	272.4	–	–	16.6	1,736.1	2,041.7	721.3	2,763.0
Profit for the financial period	–	–	–	–	–	652.6	652.6	417.7	1,070.3
Currency translation adjustment	–	–	–	–	(6.2)	–	(6.2)	0.1	(6.1)
Capitalisation of share premium on bonus issue of ordinary shares	73.2	(73.2)	–	–	–	–	–	–	–
Dividends	–	–	–	–	–	(185.3)	(185.3)	(204.2)	(389.5)
<b>Balance at 30 June 2006</b>	<b>89.8</b>	<b>199.2</b>	<b>–</b>	<b>–</b>	<b>10.4</b>	<b>2,203.4</b>	<b>2,502.8</b>	<b>934.9</b>	<b>3,437.7</b>

## For the year ended 31 December 2006

	Share capital US\$m	Share premium US\$m	Hedging reserve US\$m	Fair value reserve US\$m	Translation reserve US\$m	Retained earnings US\$m	Net equity US\$m	Minority interests US\$m	Total US\$m
Balance at 1 January 2006	16.6	272.4	–	–	16.6	1,736.1	2,041.7	721.3	2,763.0
Profit for the financial year	–	–	–	–	–	1,354.3	1,354.3	839.8	2,194.1
Currency translation adjustment	–	–	–	–	(4.3)	–	(4.3)	–	(4.3)
Capitalisation of share premium on bonus issue of ordinary shares	73.2	(73.2)	–	–	–	–	–	–	–
Acquisition of minority interest	–	–	–	–	–	–	–	(137.5)	(137.5)
Dividends	–	–	–	–	–	(236.6)	(236.6)	(630.6)	(867.2)
<b>Balance at 31 December 2006</b>	<b>89.8</b>	<b>199.2</b>	<b>–</b>	<b>–</b>	<b>12.3</b>	<b>2,853.8</b>	<b>3,155.1</b>	<b>793.0</b>	<b>3,948.1</b>

## For the six months ended 30 June 2007

	Share capital US\$m	Share premium US\$m	Hedging reserve US\$m	Fair value reserve US\$m	Translation reserve US\$m	Retained earnings US\$m	Net equity US\$m	Minority interests US\$m	Total 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)
<b>Balance at 30 June 2007</b>	<b>89.8</b>	<b>199.2</b>	<b>(6.8)</b>	<b>0.2</b>	<b>17.1</b>	<b>3,156.0</b>	<b>3,455.5</b>	<b>859.7</b>	<b>4,315.2</b>

# Notes to the Interim Financial Statements

## 1 General information and accounting policies

### a) General information

These June 2007 interim consolidated financial statements (“the interim financial statements”) are for the six months ended 30 June 2007. The interim financial statements are unaudited.

The information for the year ended 31 December 2006 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 interim financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRSs”) including IAS 34 “Interim Financial Reporting”. For these purposes, IFRSs comprise the Standards issued by the International Accounting Standards Board (“IASB”) and Interpretations issued by the International Financial Reporting Interpretations Committee (“IFRIC”) that have been endorsed by the European Union.

The 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 2006 (except in relation to the application by the Group of the hedge accounting provisions of IAS 39 “Financial Instruments: Recognition and Measurement” with effect from 1 January 2007 as set out in Note 4(b)). This change does not have any effect on prior year comparatives.

### Change in accounting policies

In the current financial year, the Group will adopt IFRS 7 “Financial Instruments: Disclosures” for the first time. As IFRS 7 is a disclosure standard, there is no impact of that change in accounting policy on the half-yearly financial report. Full details of the change will be disclosed in the annual report for the year ending 31 December 2007.

There are no other Standards or Interpretations which apply or are expected to apply for the first time for the year ending 31 December 2007 which are expected to have any material impact on the Group.

## 2 Total profit from operations and associates

	Six months ended		Year ended
	30 June 2007 US\$m	30 June 2006 US\$m	31 December 2006 US\$m
<b>Turnover</b>	<b>1,942.1</b>	1,846.9	3,870.0
Cost of sales	(470.3)	(367.3)	(805.1)
<b>Gross profit</b>	<b>1,471.8</b>	1,479.6	3,064.9
Administrative expenses	(82.8)	(70.6)	(152.6)
Closure provision	(0.3)	(0.2)	(0.6)
Severance charges	(1.3)	(4.6)	(7.7)
Exploration costs	(16.1)	(8.1)	(21.5)
Other operating income	24.6	0.8	10.3
Other operating expenses	(3.1)	(92.0)	(88.7)
<b>Operating profit from subsidiaries and joint ventures</b>	<b>1,392.8</b>	1,304.9	2,804.1
<b>Share of income from associate</b>	<b>0.8</b>	0.5	1.1
<b>Total profit from operations and associates</b>	<b>1,393.6</b>	1,305.4	2,805.2

### Notes to total profit from operations and associates

- (i) In the current period, cost of sales includes an inventory write-off of US\$18.8 million relating to high carbonate ore inventories at El Tesoro (see Note 15).
- (ii) In the current period, other operating income includes a gain of US\$10.5 million relating to the disposal of shares held in Mercator Minerals Ltd (see Note 14), a gain of US\$9.7 million relating to the disposal of the Cordillera de las Minas joint venture to Panoro Minerals Ltd (see Note 13), 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.
- (iii) In 2006, other operating expenses included losses on commodity derivatives prior to the application of the hedge accounting provisions of IAS 39 "Financial Instruments: Recognition and Measurement" with effect from 1 January 2007 (see Note 3(a)(vii) and Note 4(b)).

## 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, 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.

# Notes to the Interim Financial Statements continued

## 3 Segmental analysis continued

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

	Turnover			EBITDA			Operating profit/(loss) from subsidiaries and joint ventures		
	30 June 2007	30 June 2006	Year ended 31 Dec 2006	30 June 2007	30 June 2006	Year ended 31 Dec 2006	30 June 2007	30 June 2006	Year ended 31 Dec 2006
	US\$m	US\$m	US\$m	US\$m	US\$m	US\$m	US\$m	US\$m	US\$m
Los Pelambres	1,354.5	1,312.8	2,701.3	1,122.1	1,130.5	2,297.0	1,087.0	1,097.6	2,223.7
El Tesoro	332.0	287.5	664.8	213.3	168.2	456.0	188.4	149.6	409.9
Michilla	167.5	165.6	334.9	97.1	51.5	158.4	91.3	44.3	145.5
Exploration	-	-	-	(16.1)	(8.1)	(21.5)	(16.1)	(8.1)	(21.5)
Corporate and other items	-	-	-	9.1	(8.4)	(16.9)	8.8	(9.0)	(17.6)
<b>Mining</b>	<b>1,854.0</b>	<b>1,765.9</b>	<b>3,701.0</b>	<b>1,425.5</b>	<b>1,333.7</b>	<b>2,873.0</b>	<b>1,359.4</b>	<b>1,274.4</b>	<b>2,740.0</b>
<b>Railway and other transport services</b>	<b>54.7</b>	<b>48.8</b>	<b>105.3</b>	<b>24.4</b>	<b>19.3</b>	<b>42.9</b>	<b>17.3</b>	<b>14.1</b>	<b>32.6</b>
<b>Water concession</b>	<b>33.4</b>	<b>32.2</b>	<b>63.7</b>	<b>20.9</b>	<b>21.7</b>	<b>41.4</b>	<b>16.1</b>	<b>16.4</b>	<b>31.5</b>
<b>Group turnover (segment revenue), EBITDA and operating profit from subsidiaries and joint ventures (segment result)</b>	<b>1,942.1</b>	<b>1,846.9</b>	<b>3,870.0</b>	<b>1,470.8</b>	<b>1,374.7</b>	<b>2,957.3</b>	<b>1,392.8</b>	<b>1,304.9</b>	<b>2,804.1</b>

### 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\$5.0 million (2006 half year – US\$4.5 million; 2006 full year – US\$9.6 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 at Michilla of US\$3.3 million. The classification of these amounts within turnover is due to the application of the hedge accounting provisions of IAS 39 “Financial Instruments: Recognition and Measurement” with effect from 1 January 2007. Prior to this point gains and losses on commodity derivatives (including both gains and losses realised in the period and period-end mark-to-market adjustments) were included in other operating income or expense. 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.

### 3 Segmental analysis continued

Notes to EBITDA and operating profit from subsidiaries and joint ventures 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\$0.8 million (2006 half year – US\$0.5 million; 2006 full year – US\$1.1 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 at Michilla of US\$3.3 million (recorded within turnover). In the six months ended 30 June 2006 EBITDA and operating profit included losses on commodity derivatives (including both losses realised in the period and period-end mark-to-market adjustments) at El Tesoro of US\$43.5 million, and at Michilla of US\$46.2 million (recorded within other operating expense). In the year ended 31 December 2006 EBITDA and operating profit included losses at El Tesoro of US\$44.8 million, and losses at Michilla of US\$39.7 million (recorded within other operating expense).
- (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) and Note 15, in the current period EBITDA and operating profit at El Tesoro include an inventory write-off of US\$18.8 million.
- (x) As explained in Note 2(ii), EBITDA and operating profit in the corporate and other items category includes gains of US\$21.8 million relating to various items.

#### Turnover at Los Pelambres by mineral

	Before deducting tolling charges			Tolling charges			Net of tolling charges		
	Six months ended 30 June 2007 US\$m	30 June 2006 US\$m	Year ended 31 Dec 2006 US\$m	Six months ended 30 June 2007 US\$m	30 June 2006 US\$m	Year ended 31 Dec 2006 US\$m	Six months ended 30 June 2007 US\$m	30 June 2006 US\$m	Year ended 31 Dec 2006 US\$m
Copper	1,100.3	1,207.9	2,399.0	(90.7)	(123.6)	(254.0)	1,009.6	1,084.3	2,145.0
Molybdenum	331.6	220.4	536.4	(11.1)	(10.4)	(22.6)	320.5	210.0	513.8
Gold and silver	24.8	18.8	43.1	(0.4)	(0.3)	(0.6)	24.4	18.5	42.5
<b>Los Pelambres</b>	<b>1,456.7</b>	<b>1,447.1</b>	<b>2,978.5</b>	<b>(102.2)</b>	<b>(134.3)</b>	<b>(277.2)</b>	<b>1,354.5</b>	<b>1,312.8</b>	<b>2,701.3</b>

# Notes to the Interim Financial Statements continued

## 3 Segmental analysis continued

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

	Depreciation and amortisation			Loss on disposals			Capital expenditure		
	Six months ended		Year ended	Six months ended		Year ended	Six months ended		Year ended
	30 June 2007	30 June 2006	31 Dec 2006	30 June 2007	30 June 2006	31 Dec 2006	30 June 2007	30 June 2006	31 Dec 2006
	US\$m	US\$m	US\$m	US\$m	US\$m	US\$m	US\$m	US\$m	US\$m
Los Pelambres	(35.0)	(32.5)	(72.8)	(0.1)	(0.4)	(0.5)	156.1	243.2	463.5
El Tesoro	(23.7)	(17.8)	(43.4)	(1.2)	(0.8)	(2.7)	5.2	4.7	16.3
Michilla	(5.8)	(4.9)	(10.4)	-	(2.3)	(2.5)	3.9	6.5	7.7
Corporate and other items	(0.3)	(0.2)	(0.3)	-	(0.4)	(0.4)	23.6	8.9	20.5
<b>Mining</b>	<b>(64.8)</b>	<b>(55.4)</b>	<b>(126.9)</b>	<b>(1.3)</b>	<b>(3.9)</b>	<b>(6.1)</b>	<b>188.8</b>	<b>263.3</b>	<b>508.0</b>
<b>Railway and other transport services</b>	<b>(5.6)</b>	<b>(4.7)</b>	<b>(8.4)</b>	<b>(1.5)</b>	<b>(0.5)</b>	<b>(1.9)</b>	<b>18.6</b>	<b>11.6</b>	<b>25.2</b>
<b>Water concession</b>	<b>(4.7)</b>	<b>(5.2)</b>	<b>(9.7)</b>	<b>(0.1)</b>	<b>(0.1)</b>	<b>(0.2)</b>	<b>2.0</b>	<b>2.0</b>	<b>5.8</b>
	<b>(75.1)</b>	<b>(65.3)</b>	<b>(145.0)</b>	<b>(2.9)</b>	<b>(4.5)</b>	<b>(8.2)</b>	<b>209.4</b>	<b>276.9</b>	<b>539.0</b>

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 stated on an accruals basis (see Note 10) and may therefore differ from the amount included in the cash flow statement.

c) Assets and liabilities by business segment

	Segment assets			Segment liabilities			Segment net assets		
	Six months ended		Year ended	Six months ended		Year ended	Six months ended		Year ended
	30 June 2007	30 June 2006	31 Dec 2006	30 June 2007	30 June 2006	31 Dec 2006	30 June 2007	30 June 2006	31 Dec 2006
	US\$m	US\$m	US\$m	US\$m	US\$m	US\$m	US\$m	US\$m	US\$m
Los Pelambres	2,308.8	2,149.2	2,103.4	(96.3)	(79.2)	(125.5)	2,212.5	2,070.0	1,977.9
El Tesoro	564.1	416.3	591.8	(56.1)	(73.9)	(53.3)	508.0	342.4	538.5
Michilla	78.4	76.9	74.5	(35.9)	(48.3)	(24.8)	42.5	28.6	49.7
Corporate and other items	199.2	251.0	145.8	(21.3)	(72.3)	(12.3)	177.9	178.7	133.5
<b>Mining</b>	<b>3,150.5</b>	<b>2,893.4</b>	<b>2,915.5</b>	<b>(209.6)</b>	<b>(273.7)</b>	<b>(215.9)</b>	<b>2,940.9</b>	<b>2,619.7</b>	<b>2,699.6</b>
<b>Railway and other transport services</b>	<b>168.1</b>	<b>142.7</b>	<b>158.8</b>	<b>(24.0)</b>	<b>(17.0)</b>	<b>(25.2)</b>	<b>144.1</b>	<b>125.7</b>	<b>133.6</b>
<b>Water concession</b>	<b>176.0</b>	<b>183.0</b>	<b>181.7</b>	<b>(8.2)</b>	<b>(7.5)</b>	<b>(9.1)</b>	<b>167.8</b>	<b>175.5</b>	<b>172.6</b>
	<b>3,494.6</b>	<b>3,219.1</b>	<b>3,256.0</b>	<b>(241.8)</b>	<b>(298.2)</b>	<b>(250.2)</b>	<b>3,252.8</b>	<b>2,920.9</b>	<b>3,005.8</b>

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

### 3 Segmental analysis continued

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

	Segment assets			Segment liabilities			Segment net assets		
	Six months ended		Year ended	Six months ended		Year ended	Six months ended		Year ended
	30 June 2007	30 June 2006	31 Dec 2006	30 June 2007	30 June 2006	31 Dec 2006	30 June 2007	30 June 2006	31 Dec 2006
	US\$m	US\$m	US\$m	US\$m	US\$m	US\$m	US\$m	US\$m	US\$m
<b>Segment assets/(liabilities)</b>	<b>3,494.6</b>	3,219.1	3,256.0	<b>(241.8)</b>	(298.2)	(250.2)	<b>3,252.8</b>	2,920.9	3,005.8
Investment property	3.2	3.2	3.2	-	-	-	3.2	3.2	3.2
Investment in associate	3.0	3.0	3.5	-	-	-	3.0	3.0	3.5
Available for sale investments	4.0	0.2	6.2	-	-	-	4.0	0.2	6.2
Deferred tax assets/(liabilities)	7.6	6.8	3.1	(312.9)	(201.6)	(323.2)	(305.3)	(194.8)	(320.1)
Current tax assets/(liabilities)	4.7	4.6	7.5	(182.8)	(121.1)	(204.8)	(178.1)	(116.5)	(197.3)
Cash and cash equivalents/(borrowings)	1,847.5	1,238.8	1,805.5	(311.9)	(417.1)	(358.7)	1,535.6	821.7	1,446.8
<b>Entity assets/(liabilities)</b>	<b>5,364.6</b>	4,475.7	5,085.0	<b>(1,049.4)</b>	(1,038.0)	(1,136.9)	<b>4,315.2</b>	3,437.7	3,948.1

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

	Sales		
	Six months ended		Year ended
	30 June 2007	30 June 2006	31 Dec 2006
	US\$m	US\$m	US\$m
<b>Europe</b>			
- United Kingdom	0.1	-	8.1
- Switzerland	247.8	166.4	396.5
- Rest of Europe	240.1	414.0	877.1
<b>Latin America</b>			
- Chile	107.2	161.4	407.5
- Rest of Latin America	160.9	80.0	165.2
<b>North America</b>	227.3	246.9	472.7
<b>Asia</b>			
- Japan	558.1	514.2	1,008.2
- China	247.8	108.0	317.5
- Rest of Asia	152.8	152.3	213.5
<b>Australia</b>	-	3.7	3.7
	<b>1,942.1</b>	1,846.9	3,870.0

# Notes to the Interim Financial Statements continued

## 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 June 2007 US\$m	At 30 June 2006 US\$m	At 31 December 2006 US\$m
Los Pelambres – copper concentrate	56.7	103.9	(110.1)
Los Pelambres – tolling charges for copper concentrate	(11.4)	(6.1)	7.6
Los Pelambres – molybdenum concentrate	13.1	4.4	(3.9)
El Tesoro – copper cathodes	(0.4)	1.0	1.3
Michilla – copper cathodes	0.4	0.7	(0.6)
	58.4	103.9	(105.7)

## 4 Derivatives and embedded derivatives continued

### (i) Copper sales

	Six months ended 30 June 2007			Six months ended 30 June 2006			Year ended 31 December 2006		
	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	957.9	326.8	168.6	859.1	268.9	152.9	2,175.5	653.1	326.0
<b>Effects of pricing adjustments to previous period invoices</b>									
Reversal of mark-to-market adjustments at the end of the previous period	110.1	(1.3)	0.6	(33.2)	(0.2)	0.1	(33.2)	(0.2)	0.1
Settlement of copper sales invoiced in the previous period	(88.1)	(6.6)	(3.2)	157.2	19.8	0.6	169.2	2.0	0.6
<b>Total effect of adjustments to previous period invoices in the current period</b>	22.0	(7.9)	(2.6)	124.0	19.6	0.7	136.0	1.8	0.7
<b>Effects of pricing adjustments to current period invoices</b>									
Settlement of copper sales invoiced in the current period	63.7	13.5	4.4	120.9	(2.0)	11.3	197.6	8.6	8.8
Mark-to-market adjustments at the end of the current period	56.7	(0.4)	0.4	103.9	1.0	0.7	(110.1)	1.3	(0.6)
<b>Total effect of adjustments to current period invoices</b>	120.4	13.1	4.8	224.8	(1.0)	12.0	87.5	9.9	8.2
<b>Realised gains/ (losses) on commodity derivatives</b>	-	-	(3.3)	-	-	-	-	-	-
Turnover before deducting tolling charges	1,100.3	332.0	167.5	1,207.9	287.5	165.6	2,399.0	664.8	334.9
Tolling charges	(90.7)	-	-	(123.6)	-	-	(254.0)	-	-
<b>Turnover net of tolling charges</b>	<b>1,009.6</b>	<b>332.0</b>	<b>167.5</b>	<b>1,084.3</b>	<b>287.5</b>	<b>165.6</b>	<b>2,145.0</b>	<b>664.8</b>	<b>334.9</b>

# Notes to the Interim Financial Statements *continued*

## 4 Derivatives and embedded derivatives *continued*

### a) Embedded derivatives – provisionally priced sales *continued*

#### Copper concentrate

Copper concentrate sales at Los Pelambres have an average settlement period of approximately four months from shipment date. 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 30 June 2006, sales totalling 104,400 tonnes remained open as to price, with an average mark-to-market price of 333.3 cents per pound compared with an average provisional invoice price of 288.2 cents per pound. At 31 December 2006, sales totalling 127,100 tonnes remained open as to price, with an average mark-to-market price of 287.0 cents per pound compared with an average provisional invoice price of 326.3 cents per pound.

Tolling charges include a mark-to-market loss for copper concentrate sales open as to price at 30 June 2007 of US\$11.4 million (30 June 2006 – loss of US\$6.1 million, 31 December 2006 – gain of US\$7.6 million).

#### Copper cathode

Copper cathode sales at El Tesoro and Michilla have an average settlement period of approximately one month from shipment date. 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 30 June 2006, sales totalling 11,600 tonnes remained open as to price, with an average mark-to-market price of 336.5 cents per pound compared with an average provisional invoice price of 329.7 cents per pound. At 31 December 2006, sales totalling 11,600 tonnes remained open as to price, with an average mark-to-market price of 286.6 cents per pound compared with an average provisional invoice price of 294.0 cents per pound.

## 4 Derivatives and embedded derivatives continued

### (ii) Molybdenum sales

	Los Pelambres Molybdenum concentrate		
	Six months ended	Year ended	
	30 June 2007 US\$m	30 June 2006 US\$m	31 December 2006 US\$m
<b>Provisionally invoiced gross sales</b>	<b>295.5</b>	229.7	547.8
<b>Effects of pricing adjustments to previous period invoices</b>			
Reversal of mark-to-market adjustments at the end of the previous period	2.4	12.6	12.6
Settlement of molybdenum sales invoiced in the previous period	(1.0)	(27.5)	(27.5)
<b>Total effect of adjustments to previous period invoices in the current period</b>	<b>1.4</b>	(14.9)	(14.9)
<b>Effects of pricing adjustments to current period invoices</b>			
Settlement of molybdenum sales invoiced in the current period	21.6	1.2	5.9
Mark-to-market adjustments at the end of the current period	13.1	4.4	(2.4)
<b>Total effect of adjustments to current period invoices</b>	<b>34.7</b>	5.6	3.5
<b>Turnover before deducting tolling charges</b>	<b>331.6</b>	220.4	536.4
<b>Tolling charges</b>	<b>(11.1)</b>	(10.4)	(22.6)
<b>Turnover net of tolling charges</b>	<b>320.5</b>	210.0	513.8

Molybdenum sales at Los Pelambres have an average settlement period of approximately three months after shipment date. 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 30 June 2006, sales totalling 1,500 tonnes remained open as to price, with an average mark-to-market price of US\$25.2 per pound compared with an average provisional invoice price of US\$24.1 per pound. At 31 December 2006, sales totalling 2,100 tonnes remained open as to price, with an average mark-to-market price of US\$25.0 per pound compared with an average provisional invoice price of US\$25.5 per pound.

# Notes to the Interim Financial Statements continued

## 4 Derivatives and embedded derivatives continued

### b) Derivative financial instruments

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

The Group has applied the hedge accounting provisions of IAS 39 "Financial Instruments: Recognition and Measurement" with effect from 1 January 2007. From that date, 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 any ineffective portion recognised immediately in the income statement. Realised gains and losses on commodity derivatives recognised in the income statement have been recorded within turnover. Prior to 1 January 2007 derivatives were measured at fair value through the income statement, with gains or losses on commodity derivatives being recorded within other operating income or expense.

### (i) Commodity derivatives

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

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

	Balance sheet			Income statement		
	Net financial asset/(liability)			Total effect		
	At 30 June 2007 US\$m	At 30 June 2006 US\$m	At 31 Dec 2006 US\$m	Six months ended 30 June 2007 US\$m	Year ended 30 June 2006 US\$m	Year ended 31 Dec 2006 US\$m
El Tesoro	(2.0)	(27.3)	–	–	(43.5)	(44.8)
Michilla	(8.8)	(16.5)	7.3	(3.3)	(46.2)	(39.7)
	(10.8)	(43.8)	7.3	(3.3)	(89.7)	(84.5)
<b>Analysed between:</b>						
Non-current assets	1.9	–	–			
Current assets	0.9	–	7.3			
Current liabilities	(1.6)	(43.8)	–			
Non-current liabilities	(12.0)	–	–			
	(10.8)	(43.8)	7.3			

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.

#### 4 Derivatives and embedded derivatives continued

During the six months ended 30 June 2006 a loss of US\$89.7 million was recognised within other operating expense, comprising US\$43.5 million at El Tesoro and US\$46.2 million at Michilla. This comprised losses on derivatives which matured in the first six months of 2006 of US\$81.3 million and mark-to-market losses of US\$52.9 million in respect of derivatives maturing after the period end, less reversal of opening mark to market provisions of US\$44.5 million.

The balance sheet impact at 30 June 2006 of US\$43.8 million is shown net of margin calls of US\$9.1 million. There were no margin calls at 30 June 2007 or 31 December 2006.

The Group had min/max instruments at 30 June 2007 for 86,200 tonnes of copper production (of which 76,800 tonnes relate to El Tesoro and 9,400 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 2007 is 13.6 months. The instruments have a weighted average floor of 261.0 cents per pound and a weighted average cap of 389.4 cents per pound.

At 30 June 2007, the Group also had futures at Michilla for 8,400 tonnes of copper production, covering a total period to 31 December 2007. The weighted average remaining period covered by these hedges was 3.5 months and the weighted average price was 306.9 cents. It 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 2008. The remaining weighted average period covered by these instruments was 4 months and the weighted average price was 312.0 cents.

##### (ii) Interest and exchange derivatives

There were no outstanding interest derivative instruments at 30 June 2007 or 31 December 2006. At 30 June 2006 the Group had interest rate collars with a notional principal amount of US\$7.1 million, with a weighted average floor of 4.83% and a weighted average cap of 6.00%. These instruments had a remaining duration of six months. The mark-to-market gain at 30 June 2006 was US\$0.3 million, and the effect on the income statement was included within other finance items.

There were no outstanding exchange derivative instruments at 30 June 2007, 31 December 2006 or 30 June 2006.

# Notes to the Interim Financial Statements continued

## 5 Net finance income

	Six months ended		Year ended
	30 June 2007 US\$m	30 June 2006 US\$m	31 December 2006 US\$m
<b>Investment income</b>			
Interest receivable	53.8	34.5	78.3
<b>Interest expense</b>			
Interest payable	(10.5)	(12.4)	(24.6)
Amortisation of deferred finance costs	(0.2)	(0.2)	(0.4)
Discount charge relating to provisions	(0.5)	(0.5)	(1.2)
Preference dividends	(0.1)	(0.1)	(0.2)
	(11.3)	(13.2)	(26.4)
<b>Other finance items</b>			
Mark-to-market effect of derivatives	–	0.3	0.3
Foreign exchange	0.6	(1.7)	1.6
	0.6	(1.4)	1.9
<b>Net finance income</b>	<b>43.1</b>	<b>19.9</b>	<b>53.8</b>

## 6 Taxation

The tax charge for the period comprised the following:

	Six months ended		Year ended
	30 June 2007 US\$m	30 June 2006 US\$m	31 December 2006 US\$m
<b>Current tax charge</b>			
Corporate tax (principally first category tax in Chile)	(203.7)	(202.6)	(474.2)
Mining tax (Royalty)	(22.9)	(23.8)	(58.5)
Withholding tax provision	(117.6)	(52.7)	(61.9)
Exchange gains on corporate tax balances	0.3	0.6	2.4
	(343.9)	(278.5)	(592.2)
<b>Deferred tax charge</b>			
Corporate tax (principally first category tax in Chile)	(34.6)	(19.0)	(2.4)
Mining tax (Royalty)	(2.7)	(0.6)	1.9
Withholding tax provision	49.5	43.1	(72.2)
	12.2	23.5	(72.7)
<b>Total tax charge (Income tax expense)</b>	<b>(331.7)</b>	<b>(255.0)</b>	<b>(664.9)</b>

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

## 6 Taxation continued

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 2007 and 2006. 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. For 2006 and 2007, 50% of the new mining tax can be offset against first category tax and the remaining 50% is tax deductible (i.e. an allowable expense in determining liability to first category tax). From 2008, when the ability to offset will no longer be available, 100% of the new mining tax will be 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 2006 and 2007 and 4% thereafter.

The effective tax rate for the six months ended 30 June 2007 was 23.1%, 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\$68.1 million and the effect of the mining tax, which resulted in a charge of US\$25.6 million. The effective tax rate for the six months ended 30 June 2006 was 19.2%, principally due to the impact of the US\$24.4 million mining tax charge during that period.

## 7 Basic earnings per share

Basic earnings per share is calculated on profit after tax and minority interest giving net earnings of US\$728.4 million (2006 half year – US\$652.6 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 6.2 cents per ordinary share (2006 half year – 5.2 cents) for payment on 11 October 2007 to shareholders on the register at the close of business on 21 September 2007. The 2007 interim dividend comprises an ordinary dividend of 3.2 cents per share and a special dividend of 3.0 cents per share (2006 half year – ordinary dividend of 3.2 cents and special dividend of 2.0 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 43.0 cents (2006 half year – 18.8 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

# Notes to the Interim Financial Statements continued

## 8 Dividends continued

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 21 September 2007. The exchange rate to be applied to dividends to be paid in sterling will be set on 25 September 2007.

## 9 Intangible assets

	Concession right US\$m	Exploration licenses US\$m	Six months ended <b>30 June 2007</b> US\$m	30 June 2006 US\$m	Year ended 31 December 2006 US\$m
Balance at the beginning of the period	90.3	115.0	<b>205.3</b>	97.7	97.7
Acquisition	–	–	–	230.0	230.0
Disposal	–	–	–	–	(115.0)
Amortisation	(1.8)	–	<b>(1.8)</b>	(1.9)	(4.0)
Foreign currency exchange difference	0.8	–	<b>0.8</b>	(4.6)	(3.4)
<b>Balance at the end of the period</b>	<b>89.3</b>	<b>115.0</b>	<b>204.3</b>	<b>321.2</b>	<b>205.3</b>

The concession right relates to the 30 year concession to operate the water rights and facilities in the Antofagasta Region of Chile which the Group's wholly-owned subsidiary, Aguas de Antofagasta S.A., acquired in December 2003. This intangible asset is being amortised on a straight-line basis over the life of the concession.

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 23).

## 10 Property, plant and equipment

	Mining US\$m	Railway and other transport US\$m	Water Concession US\$m	Six months ended <b>30 June 2007</b> US\$m	30 June 2006 US\$m	Year ended 31 December 2006 US\$m
Balance at the beginning of the period	2,180.2	124.9	68.6	<b>2,373.7</b>	1,820.0	1,820.0
Acquisitions	–	–	–	–	0.4	171.6
Additions	188.8	18.6	2.0	<b>209.4</b>	276.9	539.0
Depreciation	(64.8)	(5.6)	(2.9)	<b>(73.3)</b>	(63.4)	(141.0)
Asset disposals	(1.3)	(1.5)	(0.1)	<b>(2.9)</b>	(4.5)	(8.2)
Disposal of subsidiary	–	–	–	–	–	(4.7)
Foreign currency exchange difference	–	0.5	0.7	<b>1.2</b>	(4.0)	(3.0)
<b>Balance at the end of the period</b>	<b>2,302.9</b>	<b>136.9</b>	<b>68.3</b>	<b>2,508.1</b>	<b>2,025.4</b>	<b>2,373.7</b>

## 11 Investment property

	Six months ended		Year ended
	30 June	30 June	31 December
	2007	2006	2006
	US\$m	US\$m	US\$m
Balance at the beginning of the period	3.2	3.4	3.4
Foreign currency exchange difference	–	(0.2)	(0.2)
<b>Balance at the end of the period</b>	<b>3.2</b>	<b>3.2</b>	<b>3.2</b>

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		Year ended
	30 June	30 June	31 December
	2007	2006	2006
	US\$m	US\$m	US\$m
Balance at the beginning of the period	3.5	2.8	2.8
Share of profit before tax	0.9	0.6	1.3
Share of tax	(0.1)	(0.1)	(0.2)
Dividends received	(1.3)	(0.3)	(0.4)
<b>Balance at the end of the period</b>	<b>3.0</b>	<b>3.0</b>	<b>3.5</b>

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.

# Notes to the Interim Financial Statements continued

## 13 Joint venture agreements

### a) Cordillera de las Minas S.A.

The Group had a joint venture agreement, entered into during 2002, with Companhia Vale do Rio Doce (“CVRD”) of Brazil, with the objective of developing mineral exploration activities in a defined area of interest in southern Peru. In March 2007 the Group agreed to sell its 50% interest in the joint venture vehicle Cordillera de Las Minas S.A. (“CMSA”) to Panoro Minerals Limited (“Panoro”), a company listed on the TSX Venture Exchange.

The agreement was subject to a number of conditions including financing by Panoro and regulatory approvals. These conditions were fulfilled in June 2007 and the disposal was completed at that point. The fair value of the consideration received, being US\$6.0 million in cash plus six million common shares in Panoro, was US\$9.7 million. The joint venture had a nil carrying value in the Group’s balance sheet, and accordingly the disposal has resulted in a gain of US\$9.7 million being recognised during the period, recorded within other operating income.

### b) Tethyan Copper Company Limited

As explained in Note 23, in April 2006 the Group acquired 100% of the issued share capital of Tethyan Copper Company Limited (“Tethyan”). 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’s 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		Year ended
	30 June 2007 US\$m	30 June 2006 US\$m	31 December 2006 US\$m
Balance at the beginning of the period	6.2	0.1	0.1
Acquisition	3.7	–	5.6
Movements in fair value	10.7	0.1	0.5
Disposal	(16.6)	–	–
<b>Balance at the end of the period</b>	<b>4.0</b>	<b>0.2</b>	<b>6.2</b>

The balance at 31 December 2006 included US\$6.1 million related to the investment in Mercator Minerals Ltd shares, acquired at a fair value of US\$5.6 million through the acquisition of Equatorial Mining Limited in August 2006 (see Note 23). These shares were disposed of during the current period, resulting in a gain of US\$10.5 million recognised in the income statement.

## 14 Available for sale investments continued

The acquisition during the period represents the shares in Panoro Minerals Limited acquired as part consideration for the disposal of the Group's share of the joint venture entity Cordillera de las Minas S.A. (see Note 13). The fair value of these shares as at 30 June 2007 was US\$3.9 million.

The fair value of the remaining available for sale investments of US\$0.1 million held by the Group at 30 June 2007 are mainly Chilean-peso denominated and did not differ materially from cost at the period end.

## 15 Inventories

	Six months ended 30 June 2007 US\$m	30 June 2006 US\$m	Year ended 31 December 2006 US\$m
Raw materials and consumables	34.7	32.7	36.6
Work in progress	59.2	69.5	68.6
Finished goods	15.5	13.9	15.1
	109.4	116.1	120.3

Work in progress includes US\$5.3 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 2006 – US\$nil; 31 December 2006 – US\$25.3 million). During the period a write-off of US\$18.8 million was recorded in respect of these inventories.

## 16 Borrowings

	At 30 June 2007 US\$m	At 30 June 2006 US\$m	At 31 December 2006 US\$m
<b>Los Pelambres</b>			
Corporate loans	(267.2)	(343.4)	(305.3)
Other loans	(7.1)	(11.9)	(9.5)
<b>El Tesoro</b>			
Corporate loans	(20.9)	(48.9)	(27.9)
Finance leases	(0.2)	(0.2)	(0.2)
<b>Michilla</b>			
Finance leases	(0.5)	(1.9)	(0.9)
<b>Railway and other transport services</b>			
Loans	(12.0)	(7.1)	(10.8)
<b>Other</b>			
Preference shares	(4.0)	(3.7)	(4.1)
<b>Total (see Note 22)</b>	<b>(311.9)</b>	<b>(417.1)</b>	<b>(358.7)</b>

# Notes to the Interim Financial Statements continued

## 16 Borrowings continued

Loans at 30 June 2007 are shown net of deferred financing costs of US\$1.3 million (2006 half year – US\$2.0 million). The amount in relation to Los Pelambres was US\$1.3 million (2006 half year – US\$1.7 million). The amount in relation to El Tesoro was US\$nil (2006 half year – US\$0.3 million).

### Maturity of borrowings

	At 30 June 2007 US\$m	At 30 June 2006 US\$m	At 31 December 2006 US\$m
Short-term borrowings	(101.8)	(97.0)	(97.6)
Medium and long-term borrowings	(210.1)	(320.1)	(261.1)
<b>Total (see Note 22)</b>	<b>(311.9)</b>	<b>(417.1)</b>	<b>(358.7)</b>

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 2007 US\$m	30 June 2006 US\$m	Year ended 31 December 2006 US\$m
Balance at the beginning of the period	(24.1)	(20.6)	(20.6)
Charge to operating profit in the period	(1.3)	(4.6)	(7.7)
Release of discount to net interest in period	(0.4)	(0.2)	(0.8)
Utilised in period	1.7	2.9	4.2
Foreign currency exchange difference	(0.2)	1.9	0.8
<b>Balance at the end of the period</b>	<b>(24.3)</b>	<b>(20.6)</b>	<b>(24.1)</b>

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		Year ended
	30 June 2007 US\$m	30 June 2006 US\$m	31 December 2006 US\$m
Balance at the beginning of the period	(9.8)	(9.8)	(9.8)
Charge to operating profit in the period	(0.3)	(0.2)	(0.6)
Release of discount to net interest in the period	(0.2)	(0.3)	(0.4)
Acquisition	–	–	(0.8)
Disposal	–	–	0.8
Utilised in period	–	0.5	0.8
Foreign currency exchange difference	–	(0.2)	0.2
<b>Balance at the end of the period</b>	<b>(10.3)</b>	<b>(10.0)</b>	<b>(9.8)</b>
Analysed as follows:			
Decommissioning and restoration	(9.8)	(9.4)	(9.4)
Termination of water concession	(0.5)	(0.6)	(0.4)
<b>Balance at the end of the period</b>	<b>(10.3)</b>	<b>(10.0)</b>	<b>(9.8)</b>

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		Year ended
	30 June 2007 US\$m	30 June 2006 US\$m	31 December 2006 US\$m
Net position at the beginning of the year	(320.1)	(218.9)	(218.9)
Credit/(charge) to tax on profit in year	12.2	23.5	(72.7)
Deferred tax recognised directly in reserves and minority interest	2.8	–	–
Acquisition	–	–	(29.0)
Foreign currency exchange difference	(0.2)	0.6	0.5
<b>Net position at the end of the year</b>	<b>(305.3)</b>	<b>(194.8)</b>	<b>(320.1)</b>
Analysed between:			
Deferred tax assets	7.6	6.8	3.1
Deferred tax liabilities	(312.9)	(201.6)	(323.2)
<b>Net position</b>	<b>(305.3)</b>	<b>(194.8)</b>	<b>(320.1)</b>

# Notes to the Interim Financial Statements continued

## 20 Share capital and share premium

There was no change in share capital or share premium in the six months ended 30 June 2007. In the comparative periods, there was a 4-for-1 bonus issue of ordinary shares on 19 June 2006, which resulted in an increase in ordinary share capital of US\$73.7 million and a corresponding reduction in the share premium account.

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

	Six months ended		Year ended
	30 June 2007 US\$m	30 June 2006 US\$m	31 December 2006 US\$m
Profit before tax	1,436.7	1,325.3	2,859.0
Depreciation and amortisation	75.1	65.3	145.0
Loss on disposal of property, plant and equipment	2.9	4.5	8.2
Profit on disposal of joint venture interest	(9.6)	–	–
Profit on disposal of available for sale investments	(10.5)	–	–
Net finance income	(43.1)	(19.9)	(53.8)
Share of profit of associate	(0.8)	(0.5)	(1.1)
Decrease/(increase) in inventories	10.9	(17.4)	(21.5)
Increase in debtors	(95.0)	(386.2)	(135.5)
(Decrease)/increase in creditors and provisions	(17.3)	74.3	9.8
<b>Cash flows from operations</b>	<b>1,349.3</b>	<b>1,045.4</b>	<b>2,810.1</b>

## 22 Analysis of changes in net cash

	At 1 January 2007 US\$m	Cash flows US\$m	Other US\$m	Exchange US\$m	At 30 June 2007 US\$m
Cash and cash equivalents	1,805.5	41.8	–	0.2	1,847.5
Bank borrowings due within one year	(96.7)	46.6	(51.0)	(0.1)	(101.2)
Bank borrowings due after one year	(256.8)	–	50.8	–	(206.0)
Finance leases due within one year	(0.9)	0.4	(0.1)	–	(0.6)
Finance leases due after one year	(0.2)	–	0.1	–	(0.1)
Preference shares	(4.1)	–	–	0.1	(4.0)
Total borrowings	(358.7)	47.0	(0.2)	–	(311.9)
Net cash	1,446.8	88.8	(0.2)	0.2	1,535.6

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

	At 30 June 2007 US\$m	At 30 June 2006 US\$m	At 31 December 2006 US\$m
Cash and cash equivalents	1,847.5	1,238.8	1,805.5
Total borrowings	(311.9)	(417.1)	(358.7)
	<b>1,535.6</b>	<b>821.7</b>	<b>1,446.8</b>

## 23 Acquisitions and disposals

### Six months ended 30 June 2007

No acquisitions, disposals or part-disposals of subsidiaries or associates have been made during the six months ended 30 June 2007. Details of acquisitions and related transactions undertaken during 2006 are set out below.

### Six months ended 30 June 2006 and year ended 31 December 2006

On 20 April 2006 the Group acquired 100% of the issued share capital of Tethyan Copper Company Limited ("Tethyan") for cash consideration (including transaction costs) of US\$170.4 million. On 22 September 2006, the Group entered into a 50:50 joint venture agreement with Barrick Gold Corporation ("Barrick Gold") in relation to Tethyan's mineral interests in Pakistan. The Group disposed of 50% of the issued share capital of Atacama Copper Pty Limited ("Atacama"), the immediate parent company of Tethyan, to Barrick Gold for US\$86.8 million.

On 24 August 2006 the Group acquired 100% of the issued share capital of Equatorial Mining Limited ("Equatorial") for a cash consideration (including transaction costs) of US\$406.1 million. Equatorial's principal asset was a 39% interest in Minera El Tesoro, in which the Group held the remaining 61% and which it had accounted for as a subsidiary. The acquisition resulted in the elimination of the minority interest of US\$137.5 million recognised in the Group's balance sheet immediately prior to acquisition.

On 11 December 2006, the Group entered into an agreement to dispose of Equatorial Mining North America Inc. (EMNA), a wholly-owned subsidiary of Equatorial Mining Limited, to Idaho General Mines Inc ("IGM"). EMNA and its subsidiaries formerly owned and operated the Tonopah copper mine in Nevada, over which they retained royalties. The consideration of US\$4.9 million was received in January 2007. No amount has been recognised in respect of the further contingent consideration of US\$6.0 million which is payable should production at the Tonopah mine commence.

## 24 Events after the balance sheet date

During July 2007, the Group decided not to continue with the exploration agreements with Ascendent Copper Corporation in respect of the Chaucha deposit in Ecuador and with AngloGold Ashanti in the area of interest in southern Colombia, following a review of drilling results achieved to date. This decision does not have any material impact on any of the amounts included within these interim financial statements.

On 24 August 2007, Los Pelambres was notified of a new claim relating to the Mauro tailings dam project in a first instance court in Los Vilos and of a court order relating to that claim. Further details are given in Note 25(a) below.

# Notes to the Interim Financial Statements continued

## 25 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 2006 Annual Report are set out below.

#### a) Los Pelambres - Mauro tailings dam

In November 2006, the Court of Appeals of Santiago upheld a challenge by claimants in the Pupio Valley against the Chilean Water Authority (Dirección General de Aguas) in relation to the award of one of the sectoral permits issued during 2005 for the construction of the Mauro tailings dam by Los Pelambres. The Court of Appeals has rejected four requests by the claimants that work on the dam should be suspended, and confirmed that Los Pelambres is entitled to continue construction pending a final resolution by the Chilean Supreme Court, to whom Los Pelambres have appealed as an affected party together with the Dirección General de Aguas. The Group believes that Los Pelambres has received all the necessary technical and legal permits and that these have been properly applied for and granted entirely in accordance with the applicable regulations. It is confident that this view will be upheld by the Chilean Supreme Court.

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. Los Pelambres, which acquired the land in 2001, had participated in this trial to protect its interest and has appealed against this decision to the Court of Appeals. The appeal has the effect of suspending the effect of the first instance resolution. The Group is confident that Los Pelambres' legal title to the land in question will be upheld on appeal. On 18 May 2007 the court rejected a second petition by the plaintiff in that case that work on the Mauro tailings dam should cease immediately, confirming Los Pelambres' right to complete its construction. The court nevertheless has held that operation of the dam by depositing tailings cannot for the moment commence, and Los Pelambres has appealed against this aspect of the decision.

On 24 August 2007, a first instance court in Los Vilos notified Los Pelambres of a new claim made by the same individuals involved in other litigation against the Mauro tailings dam. The claim was lodged earlier the same week and Los Pelambres was neither notified of nor represented in the hearing. The court also notified Los Pelambres of an order to suspend those works which directly affect the Pupio stream in the vicinity of the tailings dam. Los Pelambres believes that it has obtained all the necessary approvals and permits for the construction of the Mauro tailings dam and it intends to seek the reversal of this order as soon as possible. As the works affected only form a part of the overall project, Los Pelambres does not believe this action will affect the schedule for the completion of the project by the end of this year.

## 25 Other disclosures continued

There are other claims at first instance currently in the Chilean courts against governmental authorities. These claims are not against Los Pelambres, but in some cases the company has intervened in case an eventual judgement affects the project.

Current operations are unaffected as the Quillayes dam remains in use. The Group believes that these claims will not have any material impact on the Mauro tailings dam project.

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

On 26 June 2007 the High Court of Balochistan rejected the Constitutional Petition filed by three Pakistan citizens which had been directed against several parties including the company, and 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.

### 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 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 2007 were US\$345.2 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.

The Group holds a 51% interest in Antomin Limited, which owns a number of copper exploration properties in Chile’s II and IV Regions. These include (but are not limited to) Buey Muerto, some properties in the Sierra Gorda district (including Tesoro North-East) and a small proportion of the Esperanza project. The Group acquired its interest in Antomin Limited pursuant to an agreement in 2001 for a nominal consideration from Mineralinvest Establishment, a company controlled by the Luksic family, which continues to hold the remaining 49% of Antomin

# Notes to the Interim Financial Statements continued

## 25 Other disclosures continued

### Related Party Transactions continued

Limited. Under the terms of the acquisition agreement, the Group committed to meet in full the exploration costs relating to these properties. During the period the Group incurred US\$0.5 million (2006 half year – US\$0.7 million) of exploration costs in respect of these properties. The cumulative amount incurred to 30 June 2007 was US\$9.2 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\$9.6 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\$1.3 million (2006 half year – US\$0.3 million), as disclosed in the Condensed Consolidated Cash Flow Statement on page 28.

## 26 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.

	Period end rates	Average rates
30.06.2007	US\$2.0076 = £1; US\$1 = Ch\$527	US\$1.9697 = £1; US\$1 = Ch\$534
30.06.2006	US\$1.8484 = £1; US\$1 = Ch\$539	US\$1.7880 = £1; US\$1 = Ch\$527
31.12.2006	US\$1.9569 = £1; US\$1 = Ch\$532	US\$1.8386 = £1; US\$1 = Ch\$530

## 27 Distribution

These results will be sent by first class post to all shareholders in September. Copies of this report will be available for members of the public who are not shareholders at the Company’s registered office, 5 Princes Gate, London SW7 1QJ (telephone: +44 (0)20 7808 0988).

# Independent Review Report to Antofagasta plc

## Introduction

We have been instructed by the company to review the financial information for the six months ended 30 June 2007 which comprises the condensed consolidated income statement, the condensed consolidated balance sheet, the condensed consolidated cash flow statement, the condensed consolidated statement of changes in equity and related Notes 1 to 27. We have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

This report is made solely to the company in accordance with Bulletin 1999/4 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 interim report, including the financial information contained therein, is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the interim report in accordance with the Listing Rules of the Financial Services Authority and the requirements of IAS 34 which require that the accounting policies and presentation applied to the interim figures are consistent with those applied in preparing the preceding annual accounts except where any changes, and the reasons for them, are disclosed.

## Review work performed

We conducted our review in accordance with the guidance contained in Bulletin 1999/4 issued by the Auditing Practices Board for use in the United Kingdom. A review consists principally of making enquiries of group management and applying analytical procedures to the financial information and underlying financial data and, based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit performed in accordance with International Standards on Auditing (UK and Ireland) and therefore provides a lower level of assurance than an audit. Accordingly, we do not express an audit opinion on the financial information.

## Review conclusion

On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the six months ended 30 June 2007.

## Deloitte & Touche LLP

Chartered Accountants

London

28 August 2007

## 28 Production and sales statistics (not subject to audit or review)

### a) Production and sales volumes for copper and molybdenum

	Production			Sales		
	Six months ended	Year ended		Six months ended	Year ended	
	30 June 2007	30 June 2006	31 December 2006	30 June 2007	30 June 2006	31 December 2006
	000 tonnes	000 tonnes	000 tonnes	000 tonnes	000 tonnes	US\$m
<b>Copper</b>						
Los Pelambres	141.8	141.6	324.2	143.2	145.4	324.8
El Tesoro	46.8	42.5	94.0	46.8	43.3	95.3
Michilla	23.4	23.8	47.3	24.1	24.5	47.7
<b>Group total</b>	<b>212.1</b>	<b>207.9</b>	<b>465.5</b>	<b>214.1</b>	<b>213.2</b>	<b>467.8</b>
<b>Molybdenum</b>						
Los Pelambres	4.9	4.1	9.8	4.9	4.4	9.9

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

	Cash cost			Realised prices		
	Six months ended	Year ended		Six months ended	Year ended	
	30 June 2007	30 June 2006	31 December 2006	30 June 2007	30 June 2006	31 December 2006
	US cents	US cents	US cents	US cents	US cents	US cents
<b>Copper</b>						
Los Pelambres	(8.6)	24.4	16.4	348.6	376.8	335.0
El Tesoro	96.9	79.7	78.6	321.8	301.2	316.4
Michilla	132.3	122.0	126.4	315.3	306.6	318.5
<b>Group weighted average (net of by-products)</b>	<b>30.3</b>	<b>46.9</b>	<b>40.2</b>	<b>338.9</b>	<b>353.4</b>	<b>329.5</b>
<b>Group weighted average (before deducting by-products)</b>	<b>104.4</b>	<b>95.2</b>	<b>95.6</b>			
<b>Cash costs at Los Pelambres comprise:</b>						
On-site and shipping cost	73.4	55.6	56.4			
Tolling charges for concentrates	28.8	39.8	39.7			
<b>Cash costs before deducting by-product credits</b>	<b>102.2</b>	<b>95.4</b>	<b>96.1</b>			
By-product credits (principally molybdenum)	(110.8)	(71.0)	(79.7)			
<b>Cash costs (net of by-product credits)</b>	<b>(8.6)</b>	<b>24.4</b>	<b>16.4</b>			
<b>LME average</b>				<b>307.0</b>	275.3	305.3
				US\$	US\$	US\$
<b>Molybdenum</b>						
Los Pelambres	30.9	22.7	24.6			
<b>Market average price</b>	<b>28.4</b>	<b>23.7</b>	<b>24.8</b>			

## 28 Production and sales statistics (not subject to audit or review) continued

### 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 (61% prior to 24 August 2006) 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 68.1 cents per pound in the first half of 2006 to 85.1 cents per pound in the first six months of 2007.
- (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. In the current period realised prices reflect gains and losses on commodity derivatives, which are included within turnover. The classification of these amounts within turnover is due to the application of the hedge accounting provisions of IAS 39 "Financial Instruments: Recognition and Measurement" with effect from 1 January 2007. Prior to this point, gains and losses on commodity derivatives were included in other operating income or expense, and so are not reflected within the realised price figures for the comparative periods.
- (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 28(a) and the cash cost information in Note 28(b) is derived from the Group's production report for the second quarter of 2007 published on 31 July 2007.

## 29 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 2007 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		El Tesoro		Michilla	
	At	At	At	At	At	At
	30 June 2007 US\$m	30 June 2006 US\$m	30 June 2007 US\$m	30 June 2006 US\$m	30 June 2007 US\$m	30 June 2006 US\$m
Cash and cash equivalents	329.7	473.4	365.8	74.5	31.2	42.9
Trade and other receivables	390.8	496.0	67.9	53.5	30.8	23.4
Inventories	48.9	51.8	41.7	46.3	17.1	16.6
Current and deferred tax assets	19.1	8.7	3.7	3.2	2.8	2.5
<b>Current assets</b>	<b>788.5</b>	<b>1,029.9</b>	<b>479.1</b>	<b>177.5</b>	<b>81.9</b>	<b>85.4</b>
<b>Fixed assets</b>	<b>1,625.3</b>	<b>1,320.1</b>	<b>250.0</b>	<b>260.9</b>	<b>49.0</b>	<b>61.4</b>
<b>Other non-current assets</b>	<b>149.3</b>	<b>150.5</b>	<b>45.8</b>	<b>58.2</b>	<b>1.0</b>	<b>1.0</b>
<b>Total assets</b>	<b>2,563.1</b>	<b>2,500.5</b>	<b>774.9</b>	<b>496.6</b>	<b>131.9</b>	<b>147.8</b>
Short term borrowings	(84.7)	(82.6)	(14.1)	(28.2)	–	–
Trade and other payables	(134.3)	(112.9)	(45.6)	(92.4)	(25.6)	(28.7)
Current and deferred tax liabilities	–	(54.3)	(11.2)	(14.4)	(9.0)	(3.2)
<b>Current liabilities</b>	<b>(219.0)</b>	<b>(249.8)</b>	<b>(70.9)</b>	<b>(135.0)</b>	<b>(34.6)</b>	<b>(31.9)</b>
Medium and long term borrowings	(191.7)	(275.5)	(7.0)	(21.1)	–	–
Trade and other payables	(16.3)	(13.2)	(7.0)	(6.0)	(7.8)	(7.6)
Deferred tax liabilities	(144.6)	(133.8)	(32.2)	(28.6)	–	–
<b>Non-current liabilities</b>	<b>(352.6)</b>	<b>(422.5)</b>	<b>(46.2)</b>	<b>(55.7)</b>	<b>(7.8)</b>	<b>(7.6)</b>
<b>Total liabilities</b>	<b>(571.6)</b>	<b>(672.3)</b>	<b>(117.1)</b>	<b>(190.7)</b>	<b>(42.4)</b>	<b>(39.5)</b>
Share capital	(373.8)	(373.8)	(91.0)	(91.0)	(78.4)	(78.4)
Reserves	(1,617.7)	(1,454.4)	(566.8)	(214.9)	(11.1)	(29.9)
<b>Total shareholders' equity</b>	<b>(1,991.5)</b>	<b>(1,828.2)</b>	<b>(657.8)</b>	<b>(305.9)</b>	<b>(89.5)</b>	<b>(108.3)</b>
<b>Total liabilities and shareholders' equity</b>	<b>(2,563.1)</b>	<b>(2,500.5)</b>	<b>(774.9)</b>	<b>(496.6)</b>	<b>(131.9)</b>	<b>(147.8)</b>

**29 Summary of mining companies' Chilean GAAP financial statements**  
(not subject to audit or review) continued

b) Income statements

	Los Pelambres		El Tesoro		Michilla	
	Six months ended		Six months ended		Six months ended	
	30 June 2007 US\$m	30 June 2006 US\$m	30 June 2007 US\$m	30 June 2006 US\$m	30 June 2007 US\$m	30 June 2006 US\$m
<b>Turnover</b>	<b>1,296.1</b>	1,243.8	<b>332.0</b>	262.6	<b>170.5</b>	107.7
Operating costs	(231.6)	(180.9)	(121.4)	(81.4)	(74.1)	(70.2)
Operating margin	<b>1,064.5</b>	1,062.9	<b>210.6</b>	181.2	<b>96.4</b>	37.5
Administrative and distribution expenses	(37.0)	(34.5)	(13.9)	(13.0)	(7.5)	(6.9)
<b>Operating profit</b>	<b>1,027.5</b>	1,028.4	<b>196.7</b>	168.2	<b>88.9</b>	30.6
Other income	–	0.1	–	–	<b>1.9</b>	0.2
Financial income	<b>17.9</b>	17.5	<b>7.9</b>	1.0	<b>2.2</b>	0.5
Financial expenses	(9.5)	(10.8)	(1.1)	(1.7)	(0.1)	(0.2)
Other expenses	(0.9)	(0.8)	(1.6)	(0.9)	–	(0.3)
Exchange difference	<b>1.2</b>	(0.7)	(0.1)	2.0	<b>0.6</b>	0.7
<b>Net non-operating income/(expenses)</b>	<b>8.7</b>	5.3	<b>5.1</b>	0.4	<b>4.6</b>	0.9
<b>Profit before tax</b>	<b>1,036.2</b>	1,033.7	<b>201.8</b>	168.6	<b>93.5</b>	31.5
Income tax expense	(195.0)	(191.0)	(36.3)	(31.2)	(17.6)	(6.2)
<b>Profit for the financial period</b>	<b>841.2</b>	842.7	<b>165.5</b>	137.4	<b>75.9</b>	25.3

## 29 Summary of mining companies' Chilean GAAP financial statements (not subject to audit or review) continued

### c) Cash flow statements

	Los Pelambres		El Tesoro		Michilla	
	Six months ended		Six months ended		Six months ended	
	30 June	30 June	30 June	30 June	30 June	30 June
	2007	2006	2007	2006	2007	2006
	US\$m	US\$m	US\$m	US\$m	US\$m	US\$m
<b>Net cash flow from operating activities</b>	<b>731.1</b>	663.4	<b>157.3</b>	122.3	<b>71.3</b>	34.2
<b>Investing activities</b>						
Additions to fixed assets	(146.0)	(240.7)	(3.5)	(4.3)	(4.2)	(6.5)
Disposals of fixed assets	–	0.7	–	–	–	–
Other items	–	–	–	–	–	–
<b>Net cash used in investing activities</b>	<b>(146.0)</b>	(240.0)	<b>(3.5)</b>	(4.3)	<b>(4.2)</b>	(6.5)
<b>Financing activities</b>						
Dividends paid	(700.0)	(470.0)	–	(40.0)	(105.4)	–
Loans repaid	(40.7)	(40.7)	(7.0)	(7.0)	–	–
<b>Net cash used in financing activities</b>	<b>(740.7)</b>	(510.7)	<b>(7.0)</b>	(47.0)	<b>(105.4)</b>	–
<b>Net increase in cash and cash equivalents</b>	<b>(155.6)</b>	(87.3)	<b>146.8</b>	71.0	<b>(38.3)</b>	27.7
Cash and cash equivalents at the beginning of the period	485.3	560.7	219.0	3.5	69.5	15.2
<b>Cash and cash equivalents at the end of the period</b>	<b>329.7</b>	473.4	<b>365.8</b>	74.5	<b>31.2</b>	42.9

### 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 2007 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 (61% prior to 24 August 2006) 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](http://www.antofagasta.co.uk).

### 30 Reconciliation of Chilean GAAP results to Turnover and EBITDA under IFRS for individual business segments

#### a) Turnover

	Notes	Los Pelambres		El Tesoro		Michilla	
		Six months ended		Six months ended		Six months ended	
		30 June 2007 US\$m	30 June 2006 US\$m	30 June 2007 US\$m	30 June 2006 US\$m	30 June 2007 US\$m	30 June 2006 US\$m
<b>Chilean GAAP – Turnover</b>		<b>1,296.1</b>	1,243.8	<b>332.0</b>	262.6	<b>170.5</b>	107.7
Mark-to-market of provisionally priced sales	29(i)	58.4	69.0	–	0.8	0.4	0.7
Reclassification of realised (gains)/losses on commodity derivatives to other operating expense/reserves	29(ii)	–	–	–	24.1	(3.4)	57.2
<b>IFRS – Turnover</b>		<b>1,354.5</b>	1,312.8	<b>332.0</b>	287.5	<b>167.5</b>	165.6

#### b) EBITDA

	Notes	Los Pelambres		El Tesoro		Michilla	
		Six months ended		Six months ended		Six months ended	
		30 June 2007 US\$m	30 June 2006 US\$m	30 June 2007 US\$m	30 June 2006 US\$m	30 June 2007 US\$m	30 June 2006 US\$m
<b>Chilean GAAP – Operating profit</b>		<b>1,027.5</b>	1,028.4	<b>196.7</b>	168.2	<b>88.9</b>	30.6
Depreciation and amortisation		34.7	33.0	18.4	17.2	9.5	7.4
<b>Chilean GAAP – EBITDA</b>		<b>1,062.2</b>	1,061.4	<b>215.1</b>	185.4	<b>98.4</b>	38.0
Mark-to-market of provisionally priced sales	29(i)	58.4	69.0	–	0.8	0.4	0.7
Mark-to-market of financial derivatives	29(ii)	–	–	–	(19.3)	(3.4)	11.0
Other IFRS and consolidation adjustments	29(iii)	1.5	0.1	(1.8)	1.3	1.7	1.8
<b>IFRS – EBITDA</b>		<b>1,122.1</b>	1,130.5	<b>213.3</b>	168.2	<b>97.1</b>	51.5

### 30 Reconciliation of Chilean GAAP results to Turnover and EBITDA under IFRS for individual business segments *continued*

#### 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\$45.3 million in respect of copper concentrate sales, and a credit of US\$13.1 million in respect of molybdenum concentrate sales. The adjustment in respect of El Tesoro is nil, 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.

The Group has applied the hedge accounting provisions of IAS 39 "Financial Instruments: Recognition and Measurement" with effect from 1 January 2007. From that date, 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 any ineffective portion recognised immediately in the income statement. Realised gains and losses on commodity derivatives recognised in the income statement have been recorded within turnover. Prior to 1 January 2007 derivatives were measured at fair value through the income statement, with gains or losses on commodity derivatives being recorded within other operating income or expense. For the comparative periods, any amounts included in turnover under Chilean GAAP were reclassified accordingly.

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

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