

Preliminary Results Announcement for the year ended 31 December 2007

11 March 2008

HIGHLIGHTS

- **Excellent financial results with net earnings¹ up 2.1% to US\$1,382.1 million (2006 – US\$1,354.3 million) and cash flows from operations maintained at US\$2,817.7 million (2006 – US\$2,810.1 million).** The Group benefited from continued strength in commodity prices, which helped offset the effects of lower copper production and higher operating costs mainly due to industry pressures.
- **Total dividend for the year up 2.9% to 49.6 cents per share.** The final dividend proposed for 2007 is 43.4 cents, comprising an ordinary dividend of 5.4 cents and a special dividend of 38.0 cents.
- **Continued progress with capital projects.** Los Pelambres completed the repowering of its plant in the first half of the year. Construction of the Mauro tailings dam, where the resolution of litigation remains pending, was 98.5% complete by the end of 2007. The Esperanza project, which received board approval in mid-2007, remains on schedule with pre-stripping and early works having begun following provisional environmental authorisation received in December 2007. Production expected to commence as planned at the end of 2010.
- **Feasibility studies to enhance the Group's project pipeline.** The Reko Diq project in Pakistan and the Antucoya project in Chile will have commenced feasibility studies in 2008.
- **Increased mineral resources through successful exploration.** Increased resource estimates at Reko Diq and encouraging preliminary results at Los Pelambres and the Sierra Gorda district in Chile (where El Tesoro and Esperanza are located) underline the long-term prospects of the Group with the potential for the Sierra Gorda district to be developed as a single complex for oxide and sulphide ores.

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

“We are very pleased with the strong performance of the Group in 2007. Fundamentals in both the copper and molybdenum markets remain solid and we expect commodity prices to remain sound well into 2009, although the volatility that has recently characterised the markets is likely to continue. The Group's operations have performed well, although industry-wide cost pressures including fuel, energy and acid prices persist. We continue to make further progress in the Group's strategy for sustainable growth through new projects and exploration in Chile and internationally.”

Antofagasta is a Chilean-based mining group listed in the United Kingdom. In addition to copper mining, its interests include rail and road transport operations and water distribution.

FULL YEAR TO 31 DECEMBER		2007	2006	% Change
Group turnover	US\$'m	3,826.7	3,870.0	(1.1)%
Cash flow from operations	US\$'m	2,817.7	2,810.1	0.3%
Profit before tax	US\$'m	2,750.2	2,859.0	(3.8)%
Net earnings ¹	US\$'m	1,382.1	1,354.3	2.1%
Earnings per share	cents	140.2	137.4	2.0%
Total dividends per share ²	cents	49.6	48.2	2.9%
LME copper price (per pound)	cents	323.3	305.3	5.9%
Group copper production	'000 tonnes	428.1	465.5	(8.0)%
Group weighted average cash costs ³ (net of by-product credits)	cents	31.6	40.2	(21.4)%
Group weighted average cash costs ³ excluding by-product credits	cents	110.7	95.6	15.8%
Market molybdenum price (per pound)	US\$	30.2	24.8	21.8%
Group molybdenum production	'000 tonnes	10.2	9.8	4.1%

(See footnotes 1 to 3 on the following page.)

- ¹ *Net earnings refer to profit for the financial year attributable to equity holders of the Company.*
- ² *Dividends are paid in either sterling or US dollars. The conversion rate for dividends to be paid in sterling will be set on 13 May 2008.*
- ³ *Cash cost is a method used by the mining industry to express the cost of production in cents per pound of copper, and is further explained in Note 29(b)(iii).*

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DIRECTORS' COMMENTS FOR THE YEAR TO 31 DECEMBER 2007**Overview**

The Group had another excellent year in 2007, with net earnings marginally up 2.1% to US\$1,382.1 million and cash flow from operations maintained at a similar level of US\$2,817.7 million. These results were achieved against a background of continued strength in metal prices and sound operational performances across the Group.

During 2007 metal prices remained well above historical levels. LME copper prices averaged 323.3 cents per pound (2006 – 305.3 cents per pound), ranging from a low of under 240 cents to a peak of nearly 380 cents, reflecting changes in market sentiment during the year. Despite some weakness towards the end of the year, prices have since recovered strongly and have reached over 400 cents per pound in early March. Molybdenum prices, which were much less volatile, averaged US\$30.2 per pound (2006 – US\$24.8 per pound), rising from under US\$25 per pound at the beginning of the year to nearly US\$33 per pound by the end of the year. The Group expects fundamentals in both copper and molybdenum to remain sound, with strong demand in Asian and other emerging markets and steady growth in Europe to offset weakness in the United States. Nevertheless, with the uncertainty that has characterised financial markets particularly in the second half of 2007 and the larger role played by investment funds in commodity markets, prices for exchange-traded commodities are likely to remain volatile. The copper concentrate market is expected to remain in continued deficit with recent increases in smelting capacity, and this should keep tolling charges favourable to producers.

Group copper production was 428,100 tonnes, a decrease of 8.0% compared with the previous year. This was principally due to expected lower ore grades together with the effect of the higher proportion of harder primary ore on throughput at Los Pelambres. This was only partly offset by the benefit from the plant expansion which had been substantially completed at the end of 2006. However, attributable copper production remained virtually unchanged at 300,400 tonnes (2006 – 300,200 tonnes) following the acquisition of Equatorial Mining Limited in the second half of 2006 which increased the Group's interest in El Tesoro to 100%. Molybdenum production at Los Pelambres reached a record 10,200 tonnes, 4.1% above 2006. The transport and water divisions both achieved further increases in volumes benefiting from new contracts coming on stream in the past two years.

Weighted average cash costs at the mining operations were 31.6 cents per pound, compared with 40.2 cents per pound in the previous year, as a result of improved molybdenum by-product credits and lower tolling charges. Excluding these, cost pressures remain significant and weighted average on-site and shipping costs increased from 68.0 cents per pound in 2006 to 90.6 cents per pound in 2007, due to higher input costs such as energy, fuel and sulphuric acid prices, one-off costs of new labour agreements signed in the year and the impact of the lower production at Los Pelambres. As explained below, industry-wide pressures are expected to persist through 2008, particularly as a result of higher energy costs and sulphuric acid prices in Chile.

The Group also made good progress with its development plans during 2007. Los Pelambres completed its plant expansion in the first half of the year, although the effect of the higher proportion of harder primary ore will mean that throughput will average approximately 130,000 tonnes per day over the next 10 years. Construction of the Mauro tailings dam, which is necessary for continued operations when the Quillayes dam reaches capacity, was nearly complete by the end of the year. Los Pelambres is currently awaiting resolution of the litigation concerning the dam in order to complete the remaining works and commence its operation; the Group continues to believe that all necessary permits and land titles have been properly applied for and granted. Further details of these cases are given later in these Directors' Comments.

The Group's greenfield opportunities also remain attractive. The Esperanza project, which received board approval in mid-2007, has obtained provisional environmental authorisation to commence pre-stripping and other initial works. Full environmental approvals are expected in mid-2008 and production is expected to commence on schedule at the end of 2010. Tethyan Copper Company Limited ("Tethyan"), the Group's joint venture with Barrick Gold Corporation, completed an 18-month exploration programme and scoping study at Reko Diq in south-west Pakistan which has resulted in a significant increase in the mineral resource estimate in the Western Porphyries to 4.1 billion tonnes (compared to the previous mineral resource estimate of 1.6 billion tonnes). Tethyan has initiated a feasibility study for a 72,000 tpd operation in 2008 and will examine options for future expansion. It has also commenced discussions with the federal and provincial governments on a mineral agreement to establish a framework for future investment. During 2008, the Group will also conduct a feasibility study at Antucoya for a run-of-mine project which could extend the life of the Michilla plant beyond its current operations.

The Group maintained an active exploration programme within Chile over the year. The results of the two-year exploration programme at Los Pelambres are under review, with encouraging initial results. Results in the Sierra

Gorda district surrounding El Tesoro and Esperanza have also been encouraging and the Group either owns or has a controlling interest in a number of other deposits including the Telegrafo sulphide deposit, smaller satellite oxide deposits surrounding El Tesoro and Caracoles, a porphyry to the southeast of Esperanza. With estimated combined mineral resources (including El Tesoro and Esperanza) of approximately 3 billion tonnes, the Sierra Gorda district has eventual potential for development as a single complex for both oxide and sulphide ores.

In the conduct of the Group's operational, development and exploration activities as set out above, the Board places great importance on a range of considerations including health and safety, environmental matters, community relations and proper management of human resources. Sustainable development considerations are an integral part of the Group's decision-making process and it adopts a long-term view in formulating strategy, company policy and everyday business procedures.

The Board has announced a final dividend for 2007 of 43.4 cents per ordinary share, comprising an ordinary dividend of 5.4 cents and a special dividend of 38.0 cents. This gives a total dividend for the year of 49.6 cents, representing a distribution of 35% of 2007 net earnings and a 2.9% increase over 2006. The Board believes this combines its desire to continue to return cash to shareholders in a year of strong results with the ability to develop the Group's existing opportunities for growth.

Review of Operations

Los Pelambres

Los Pelambres had another very good year with operating profit of US\$2,098.6 million, 5.6% below 2006, as higher molybdenum volumes and prices and lower tolling charges offset the effects of lower copper production, marginally lower copper prices and higher on-site and shipping costs.

Realised copper prices at Los Pelambres were 328.3 cents per pound (2006 – 335.0 cents per pound) despite the higher average LME price during the year, because of lower provisional pricing credits compared with 2006 when the LME price had increased very significantly over the course of that year. Realised molybdenum prices increased to US\$31.7 per pound (2006 – US\$24.6 per pound) reflecting higher market prices and tight market conditions. Realised molybdenum prices did not differ significantly from market prices in either year. Further details of pricing adjustments for both copper and molybdenum are given in the Financial Commentary on page 13 and in Note 4(a) to the preliminary results announcement.

Los Pelambres produced 289,900 tonnes of payable copper in 2007, 10.6% below the 2006 production of 324,200 tonnes. The decrease was mainly due to an expected reduction in the ore grade to 0.71% (2006 – 0.81%). In addition, processing levels were affected by the higher proportion of harder primary ore; this offset the benefit of the plant expansion which had been substantially completed at the end of 2006. Ore throughput averaged 126,300 tpd (2006 – 127,400 tpd), compared to initial estimates of 134,000 tpd. Molybdenum production reached a record level of 10,200 tonnes, compared with 9,800 tonnes in 2006 as Los Pelambres continued to benefit from high molybdenum grades in the current phase of the mine plan (0.030% in 2007 compared with 0.028% in 2006).

Cash costs, which are stated net of by-product credits and include tolling charges, were negative 10.8 cents compared to 16.4 cents per pound in 2006. The decrease of 27.2 cents was due to higher by-product credits (which increased from 79.7 cents to 116.7 cents) and lower tolling charges (which decreased from 39.7 cents to 29.6 cents), partly offset by an increase in on-site and shipping costs from 56.4 cents in 2006 to 76.3 cents this year. Higher by-product credits resulted mainly from the increase in molybdenum production and 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 of this was partly mitigated by the "brick system" under which terms agreed are often averaged over two years. The increase in on-site costs was principally due to the lower production as well as increased machinery hire, fuel, oil and labour costs (which included on-off bonus payments on early conclusion of union negotiations as explained below).

Labour relations remained good and Los Pelambres was able to reach new labour agreements with both its unions ahead of schedule. A 45 month agreement was reached with the mine-port union in May 2007, in advance of the expiration of the previous agreement in the fourth quarter of 2007. Similarly, a 48 month agreement was reached with

the plant union in November, ahead of the scheduled time of mid-2008. These included one-off signing bonuses for both negotiations of US\$6.8 million.

During 2007 Los Pelambres continued to reduce its borrowings with repayments totalling US\$81.4 million. Remaining borrowings at the end of the year (net of deferred financing costs) were US\$233.7 million.

Los Pelambres also progressed with its capital expenditure programmes, which are being financed out of its cash resources. Total capital expenditure in 2007 was US\$323.4 million.

Remaining expenditures on the expansion of the plant through a re-powering of the grinding lines, installation of a fifth ball mill and additional flotation cells, which commenced in mid-2005, was completed during 2007 at a remaining cost of US\$47.6 million, mainly incurred in the first half of this year. The total cost of the project was US\$192 million, marginally in excess of the original budget of US\$182 million. Due to the impact of the harder primary ore now experienced by Los Pelambres, plant throughput is expected to average approximately 130,000 tpd over the next ten years and 120,000 tonnes per day over the life of the existing mine plan which runs to 2047.

Los Pelambres also progressed with the Mauro tailings dam, which was 98.5% complete by the end of 2007. Cumulative expenditure at the end of 2007 was US\$526.5 million, of which US\$203.5 million was incurred in the year. The Mauro dam, together with the Quillayes tailings dam, will provide Los Pelambres with sufficient storage capacity to support the existing mine plan. As previously reported, there are a number of claims currently in the Chilean courts against either third parties (governmental authorities or former land owners in the El Mauro area) and in one case directly against Los Pelambres. These cases include the case against the Chilean Water Authority which is under appeal to the Supreme Court and which is now being heard by that Court during March. In all cases, the Group believes that Los Pelambres has received all the necessary technical and legal permits and land ownership for the Mauro tailings dam and these have been properly applied for and granted in accordance with applicable regulations and the law. Resolution of these cases will, however, be necessary to enable some of the remaining works to be completed and for the tailings dam to be put into operation. Current operations remain unaffected while the Quillayes dam, which is expected to have capacity until early 2009, remains in use.

In 2008 the ore processing level is expected to increase to approximately 130,000 tpd compared with 126,300 tpd in 2007, partly due to improvements in the crushing process at the end of 2007 and a lower proportion of primary ore in 2008. The ore grade is also expected to improve under the current phase of the mine plan to approximately 0.79%, with better grades in the second half of the year, and reverting to lower grades in subsequent years. Consequently, copper production is expected to increase to approximately 330,000 tonnes. Molybdenum production is expected to be approximately 6,800 tonnes, as the molybdenum grade is expected to decrease to approximately 0.019% in the area of the mine to be worked under the 2008 plan and this will only be partly compensated by the higher throughput level.

Tolling charges are expected to continue to fall in 2008 to less than 20 cents per pound, due to further reductions in the annual benchmark and as the full benefit of nil price participation is realised under the brick system. With continued cost pressures, however, on-site and shipping costs are expected to increase. This is principally due to higher energy costs resulting from the renegotiation of Los Pelambres' energy contract after the expiry of the previous agreement at the end of 2007, and to a lesser extent, other costs including fuel, freight and explosives which will outweigh the benefit of increased production. Cash costs before by-product credits (including on-site and shipping costs as well as tolling charges) are expected to increase from 105.9 cents per pound in 2007 to approximately 113 cents in 2008. By-product credits are expected to be lower in line with reduced molybdenum production, although Los Pelambres should continue to benefit from the tight molybdenum market which is expected to keep prices strong.

El Tesoro

Operating profit at El Tesoro was US\$380.3 million compared with US\$409.9 million in 2006, as higher copper prices and reduced hedging costs were offset by increased cash costs and a marginal reduction in production and sales volumes.

Realised copper prices were 327.6 cents per pound compared with 316.4 cents in 2006, reflecting the higher average LME price and strong cathode premiums, partly offset by less favourable pricing adjustments on provisionally invoiced cathode sales compared with the previous year.

Production at El Tesoro was 93,000 tonnes in 2007, marginally below the 94,000 tonnes produced the previous year. Plant throughput averaged 26,800 tonnes per day compared with 28,700 tonnes per day in 2006, due to higher moisture levels in the ore processed. The difficulties experienced with high moisture levels were successfully resolved

through modifications to the production process in the final quarter of the year, when processing levels were comparable to 2006. Ore grades averaged 1.23%, compared with 1.16% in 2006.

Cash costs increased from 78.6 cents per pound in 2006 to 109.8 cents per pound in 2007. The principal factor was higher energy costs as in line with several other companies in northern Chile, El Tesoro renegotiated its energy contract during the first half of the year to absorb the higher generation costs faced by suppliers in the region. Other factors included a higher waste-to-ore ratio, increased acid consumption and prices and the greater costs of processing ores with a high content of carbonates. Results during the year were also affected by an inventory provision of US\$18.8 million during the first half, as reported in the interim results. This related to high carbonate ore accumulated in the previous year which was no longer expected to be processed following a review of the mine plan. There were no further provisions required in the second half.

As explained in the interim results, El Tesoro entered into a commodity hedging programme using min-max instruments in the first half of the year; these did not have any material impact on its operating results in 2007. In contrast, the 2006 results included a charge to operating profit of US\$44.8 million. Further details of the effects of commodity hedging and the instruments in place at 31 December 2007 are given in the financial commentary under "Derivative Financial Instruments" and in Note 4(b) to the preliminary results announcement.

Borrowings continued to be reduced by regular repayments of US\$14.1 million; the remaining balance of US\$14.1 million at the end of the year is expected to be repaid by the end of 2008.

During 2007, El Tesoro revised its mine plan to incorporate Tesoro North-East, a satellite deposit which is located approximately one kilometre from the existing open pit, with ore reserves of 28.5 million tonnes with an average grade of 1.03%. Its inclusion in El Tesoro's mine plan will help to mitigate the decline in grades that would otherwise occur from mining exclusively from the open pit, and extends the mine life by three years to 2020. Pre-stripping began in December 2007 and is expected to be completed in mid-2009, at a cost (including equipment) of approximately US\$80 million. Tesoro North-East is owned through Antomin Limited, in which the Group has approximately a 51% interest.

In 2008, El Tesoro expects to produce approximately 90,000 tonnes, mainly due to a reduction in the ore grade to 1.13% which is partly offset by an increase in ore throughput following the modification to the crushing process completed in the final quarter of 2007. Cash costs are expected to increase to approximately 142 cents per pound. This is mainly due to a significant increase in annual sulphuric acid contract prices, which have doubled compared with 2006 due to a combination of increased demand and supply constraints in the region. Other factors include higher energy costs, which remain under pressure and normal inflationary pressures, partly offset by lower mine costs due to an expected decrease in the stripping ratio.

Michilla

Operating profit in 2007 increased to US\$154.0 million (2006 – US\$145.5 million), reflecting continued strong copper prices and the significantly lower impact of commodity hedging, partly offset by higher cash costs.

Realised copper prices in the year were 313.8 cents per pound (2006 – 318.5 cents per pound), reflecting strong LME prices, cathode premiums and to a lesser extent positive pricing adjustments in both years. As explained in Note 4(b) to the Preliminary Results Announcement, realised copper prices in 2007 also include the effect of commodity hedging due to the application of the hedge accounting provisions of IAS 39; previously this was included in operating cost.

Production in the year reached 45,100 tonnes, compared with 47,300 tonnes in 2006. This was partly due to lower ore grades of 1.03% (2006 – 1.05%) as well as lower throughput which averaged 14,800 tonnes per day (2006 – 15,200 tonnes per day) as a result of some disruption in November as a result of the earthquake in northern Chile.

Cash costs for 2007 were 143.5 cents per pound, compared with 126.4 cents in 2006. The increase was due to a range of factors including increased energy costs, lower production, higher costs of third party services and the impact of the bonus payment following the early conclusion of the labour agreement in May as previously reported.

The impact of commodity hedging was significantly lower at US\$14.2 million compared with US\$39.7 million in 2006. Further details of the effects of commodity hedging and the instruments in place at 31 December 2007 are given in the Financial Commentary under "Derivative Financial Instruments" and in Note 4(b) to the Preliminary Results Announcement.

Michilla's current mine plan extends to the end of 2009 and the Group is currently examining options for a possible extension of mine life. This includes further exploration at Michilla, with 14,000 metres of drilling carried out in 2007, evaluation of existing resources for inclusion as additional ore reserves and the possibility of eventually processing enriched copper solution from Antucoya, which will undergo a feasibility study in 2008 as explained below. Any eventual decision will, however, depend on the results of further development expenditure and future copper prices.

For 2008, production is expected to be 43,000 tonnes due to a marginal decrease in expected recoveries, although ore grades and throughput are expected to be similar to 2007. Cash costs are expected to increase to nearly 190 cents, mainly due to higher sulphuric acid prices in 2008 as with El Tesoro. Other factors include higher energy costs (following a new contract agreed at the beginning of 2008), costs of acquiring ore from third party workings and the effect of the decrease in production as compared with 2007.

Railway and other transport services

The transport division had another strong year. Rail and road transport volumes in 2007 were 5.0 million tons (2006 – 4.5 million tons) and 1.3 million tons (2006 – 1.5 million tons) respectively, a combined increase of 6.4%. The increase was mainly due to the Spence mine and Escondida's sulphide leach project, both of which started up in the second half of 2006. The Railway also began to move cargo for the San Cristobal mine in Bolivia from August, although production problems and delays at the mine meant that tonnages were below expectations and these should increase in 2008. Turnover in the year (net of sales to the mining division) was US\$117.0 million (2006 – US\$105.3 million), due to a combination of increased volumes and normal tariff adjustments under contracts in line with costs.

Operating profit (excluding income from associates) increased by 7.3% to US\$35.0 million (2006 - US\$32.6 million), mainly as a result of increased volumes. 2006 was also affected by a number of factors including costs from adverse weather conditions and labour costs following a new union agreement in the early part of that year; 2007 did not have these exceptional factors.

The Railway's transport volumes should continue to increase in 2008, as the San Cristobal mine reaches full production. It also has a transport contract for sulphuric acid and copper cathodes with Codelco's Gaby project, which is expected to start production in the middle of the year. 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 2007. Combined industrial and domestic water sales were 39.9 million cubic metres compared with 37.8 million cubic metres in 2006, an overall increase of 5.6%. This included a 1.9% increase in domestic volumes to 29.0 million cubic metres and a 16.3% increase in industrial volumes (including water transported) to 10.9 million cubic metres with the Spence mine starting operations in the second half of 2006. Aguas de Antofagasta expects that these volumes can be maintained in 2008.

Turnover increased by 5.3% to US\$67.1 million (2006 – US\$63.7 million), in line with volumes. Lower domestic tariffs following the completion of the five-yearly review in mid-2006 were largely offset by the stronger Chilean peso, the currency in which the majority of sales are invoiced. Operating profit was US\$30.4 million, compared with US\$31.5 million in 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.

Projects, exploration and new opportunities

Esperanza

The Esperanza copper-gold project received board approval for its development at the end of June 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 at present a 15 year mine life, although the Group's adjacent Telegrafo sulphide deposit is ultimately expected to utilise the Esperanza plant and facilities well beyond this period. The deposit also includes 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. Esperanza is owned by the Group with a small proportion of the deposit held through Antomin Limited.

An environmental impact assessment was submitted in August 2007, and in December provisional authorisation was granted to begin pre-stripping and other initial works which have now begun. Full environmental approvals are expected in mid-2008, with construction beginning in the third quarter. Esperanza has also started to enter into contracts for the development of the project; these include an engineering, procurement, construction and management contract with Aker-Kvaerner for the plant, orders for plant equipment and machinery and a memorandum of understanding for the supply of electricity from 2011 with Suez Energy International. During 2008, the Group expects to examine a number of options for the financing the Esperanza project, including the possibility of borrowings, forward sales of gold or the inclusion of a partner.

Capital costs remain within a budget of US\$1.5 billion (before taking into account escalation, any financing costs or working capital requirements), and Esperanza remains on schedule to start production at the end of 2010. In its first ten years of operation, Esperanza is expected to produce approximately 700,000 tonnes of concentrate containing 195,000 tonnes of payable copper, 229,000 ounces of payable gold and 1,556,000 ounce of silver, with molybdenum production expected to start in the fifth year of operation with approximately 2,100 tonnes per year over the following five years.

Reko Diq (Tethyan Copper Company Limited)

The Group holds a 50% interest in Tethyan Copper Company Limited ("Tethyan"), its joint venture with Barrick Gold Corporation established in 2006. Tethyan's principal assets are a 75% interest in the exploration licence encompassing the Reko Diq prospects in the Chagai Hills region of South-West Pakistan (in which the Government of Balochistan holds the remaining 25%) including the Western Porphyries, and a 100% interest in certain other licences in the region.

During the year, Tethyan substantially completed its initial 18-month programme begun in June 2006 at a cost of US\$43.4 million to December 2007, which included US\$28 million relating directly to exploration. This included 101,000 metres of drilling at the Western Porphyries and a scoping study (including pre-feasibility work) which analysed different project scenarios.

The drilling programme, which was completed in December, has proved successful with a revised resource estimate for this prospect of 4.1 billion tonnes with a copper grade of 0.50% and a gold grade of 0.29 g/t. This compares with the previous estimate for the Western Porphyries of 1.6 billion tonnes with a copper grade of 0.54% and a gold grade of 0.29 g/t, and represents a 136% increase in contained copper and a 157% increase in contained gold. In addition, the previous resource estimates at other prospects in Reko Diq, which have not yet been updated, amount to a further 0.8 billion tonnes with a copper grade of 0.45% and a gold grade of 0.21 g/t.

Following the scoping study, Tethyan has decided to progress with a feasibility study for an initial project of 72,000 tonnes per day ore throughput, and this is expected to be completed in early 2009. It will also continue with initial studies for potential further expansion. The Group continues to believe that the long-term potential of this investment remains positive.

Antucoya

During 2007, the Group concluded a drilling programme at Antucoya together with initial engineering and technical studies. Antucoya is an oxide deposit located approximately 45 kilometres from Michilla, which incorporates Buey Muerto, a property held through Antomin Limited. Following the completion of the drilling programme, Antucoya has an estimated resource of 531 million tonnes of ore with an average copper grade of 0.39% (compared with a previous estimate of 460 million tonnes with an average copper grade of 0.41%).

The Group has begun a feasibility study to examine a run of mine operation to provide enriched copper solution which could be processed at the SX-EW plant at Michilla, eventually producing between 30,000 to 55,000 tonnes of copper per annum and extending the life of the Michilla plant beyond its own available reserves. The feasibility study has a

budget of US\$5.5 million and is expected to be completed in the second half of 2008. As explained above, however, any eventual decision will depend on the results of further development expenditure and future copper prices.

Antomin Limited

The Group holds approximately a 51% interest in Antomin Limited (“Antomin”), which owns a number of copper exploration properties in Chile’s II and IV Regions. The Group acquired its interest in Antomin 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 approximately 49% of Antomin. Under the terms of the acquisition agreement, the Group committed to meet in full the exploration costs (including costs incurred during the pre-feasibility stage) in respect of these properties.

Antomin’s properties include (but are not limited to) Buey Muerto (which forms part of Antucoya), Tesoro North-East and a small proportion of the Esperanza project. These properties are either under development or likely to be developed as part of the Group’s portfolio of projects.

Other exploration activities and opportunities

During 2007, the Group spent US\$38.1 million in exploration activities (2006 – US\$21.5 million). This included US\$17.7 million relating to Reko Diq (including both its share of costs incurred by Tethyan as well as costs incurred on the Group’s own account; 2006 – US\$5.3 million); US\$1.2 million relating to Esperanza (2006 – US\$6.9 million which related mainly to the costs of the pre-feasibility study which was completed in the middle of that year) and US\$2.4 million relating to Antucoya. Other expenditure related mainly to the Group’s exploration and evaluation programmes in Chile and the rest of the world. A budget of US\$24 million has been established for 2008.

Sierra Gorda district

In Chile, the Group’s primary focus was the Sierra Gorda district, where El Tesoro and Esperanza are located. The Group’s acquisition of Equatorial Mining Limited (“Equatorial”) in 2006 provided it with additional mining properties located between the Telegrafo and Centinela deposits. These are held through a joint venture in which Equatorial holds 81.5% and Compania Minera Milpo S.A.A. of Peru holds the remaining 18.5% through Minera Rayrock Limitada. A 6,000 metre drilling programme was carried out during 2007, and has resulted in the discovery of Caracoles, a porphyry copper-gold system approximately 10 kilometres southeast of Esperanza. Additional drilling is required to define the extent of the mineralisation and a budget of US\$12 million has been allocated for 2008.

Further drilling was carried out at the Telegrafo deposit, which is adjacent to Esperanza and which as explained above could extend the life of the Esperanza plant and facilities beyond the current Esperanza mine plan. Preliminary estimated resources are 404 million tonnes of 0.41% copper, 0.1 g/t of gold and 0.013% of molybdenum at Telegrafo Norte and 898 million tonnes of 0.45% copper, 0.17 g/t of gold and 0.013% of molybdenum at Telegrafo Sur, both based on a 0.3% cut-off grade for copper.

In addition, as previously reported, the Group owns a number of other prospects in the Sierra Gorda district which include smaller oxide deposits mainly held through Antomin. Like Tesoro North-East, these could eventually provide additional ores for the El Tesoro plant when ore grades under the current mine plan decline in the future.

With estimated combined mineral resources (including El Tesoro and Esperanza) of approximately 3 billion tonnes, the Sierra Gorda district has eventual potential for development as a single complex for both oxide and sulphide ores.

Los Pelambres

Los Pelambres concluded the second stage of a two-year exploration programme which commenced in 2006 in order to identify additional resources beyond the present 2.9 billion tonnes. The results of this programme in the area to the south-east of the open pit have been encouraging and additional drilling will be required to define the resource and to evaluate its economics to the long-term mine plan of Los Pelambres.

Colombia, Ecuador and Peru

As reported in the Group’s interim results, the Group decided in July not to continue with the exploration agreements with Ascendant 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 drill 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 Compania Vale do Rio Doce (“Vale”) were held, to Panoro Minerals Limited (“Panoro”). These regions

nevertheless remain within the focus of the Group, with an on-going programme in Ecuador, which remains committed to its search for opportunities both in Latin America and world-wide.

Opportunities in geo-thermal and coal exploration and generation

As countries in the southern cone, particularly Chile, are facing severe problems relating to shortages of energy supplies and significantly increasing costs, the Group has decided to enter the energy exploration business and has formed management and exploration teams to search for geo-thermal prospects. It has been granted title to the 62,000-hectare Tinguiririca geo-thermal concessions in south-central Chile and also secured approximately 116,000 hectares of a largely unexplored coal basin in southern Chile, with exploration planned during 2008.

Dividends

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

	US dollars				Percentage change		
	2007 cents	2006 cents	2005 ¹ cents	2004 ¹ cents	07 v 06 change	06 v 05 change	05 v 04 change
Ordinary							
Interim	3.2	3.2	3.2	3.0			
Final	5.4	5.0	4.8	4.8			
	8.6	8.2	8.0	7.8	4.9%	2.5%	2.6%
Special							
Interim	3.0	2.0	-	-			
Final	38.0	38.0	14.0	8.0			
	41.0	40.0	14.0	8.0			
Total dividends to ordinary shareholders	49.6	48.2	22.0	15.8	2.9%	119.1%	39.2%
	Percentage						
Dividends as a percentage of profit attributable to equity shareholders	35%	35%	30%	27%			

¹ Dividends per share have been restated for the effects of the 4-for-1 bonus issue on 19 June 2006.

² Further details relating to dividends are given in Note 8 to this Preliminary Results Announcement.

The Board recommends a final dividend of 43.4 cents per ordinary share payable on 12 June 2008 to shareholders on the Register at the close of business on 9 May 2008. The final dividend comprises an ordinary dividend of 5.4 cents and a special dividend of 38.0 cents. Including the interim dividend, this represents a distribution of approximately 35% of net earnings (profit attributable to equity holders of the Company) after taking into account withholding taxes incurred by the Group in funding the dividend.

The Board's policy is to establish an ordinary dividend which can be maintained or progressively increased at conservative long-term copper prices and through the economic cycle. The Board recommends special dividends when it considers these appropriate after taking into account the level of profits earned in the period under review, the existing cash position of the Group and significant known or expected funding commitments. As can be seen from the above table, the Board has increased its recommended dividends in line with profits by means of special dividends in these years of high copper prices.

The cost of the final dividend, including related withholding taxes, is approximately US\$546 million. In determining this, the Board has taken into account its existing capital commitments and working capital requirements and considers this to be an appropriate level of distribution of profits earned in the year. The Board has also considered the potential future capital requirements of the Group which could amount to approximately US\$3 billion over a number of years,

should it proceed with its existing portfolio of projects and opportunities, and it believes these remain attractive for the long-term development of the Group even in an environment of lower copper prices. The Board also considers that this provides the Group with sufficient flexibility to take advantage of new opportunities which may arise in the future.

Current Trading Prospects

Although the copper market remained volatile in 2007, driven by uncertainty in financial markets and economic concerns particularly in the United States, LME prices averaged 323.3 cents – an increase of 5.9% over the previous year. More recently, despite some weakness towards the end of 2007, prices have recovered strongly and have averaged 338.6 cents in the first two months of 2008 while spot prices in early March have reached over 400 cents.

Market fundamentals for copper remain sound and continued strength in China and other regions such as South Asia and the Middle East is expected to help offset the effects of a slowdown in the United States. Supply continues to be affected by disruptions, including labour disputes, energy supply constraints, equipment availability and longer lead times to develop new projects and expansions due to previous underinvestment in the sector as well as stricter environmental permitting in some countries. With some additional mine production coming on stream, for example Codelco's Gaby project, most commentators expect a small market surplus could develop in the second half of 2008 although this will continue to be subject to supply-side risks. Low inventory levels should continue to support high prices with recent consensus estimates having increased to approximately 340 cents for 2008 and falling only slightly below that for 2009. Cost pressures continue to affect the industry and increased production costs should help to keep prices above previously long-term historical levels further into the future. Nevertheless, the increased role of investment funds in commodity markets has made base metals more sensitive to changes in market sentiment and given current financial and economic concerns, prices are expected to remain volatile.

The concentrate market also remains in favour of producers, with the concentrates deficit which developed in 2006 continuing to intensify as further smelting capacity has continued to come on stream through 2007 which has exceeded any increases in mine production. This has resulted in improved terms for producers with settlements for the annual negotiations for 2008 at the level of US\$45 per dry metric tonne of concentrate for smelting and 4.5 cents per pound of copper for refining, compared with US\$60 and 6.0 cents respectively agreed in respect of 2007. Price participation has also been agreed at nil for the second successive year (compared with 10% over 90 cents per pound in 2006 and earlier years), which will continue to benefit producers under the "brick system" whereby the benchmark is often averaged over two years. Most commentators expect the concentrate deficit to remain at least until 2010, with the market continuing to balance through reduced utilisation rates by smelters.

The molybdenum market has also remained strong, remaining in deficit again in 2007. Prices improved from over US\$25 per pound at the start of 2007 to average over US\$30 per pound, with current spot prices of over US\$33 per pound. Demand is expected to remain strong, driven by the continued demand from both the steel and catalyst sectors. Supply growth in 2008 is expected to be limited, as a number of producers (including Los Pelambres) will experience lower grades or will face fewer opportunities for further flex-grading or otherwise increasing production following the high prices of recent years. A number of primary molybdenum mines are under construction, and if successfully developed these could redress the market balance from 2009. Market consensus is for prices to exceed US\$30 per pound in 2008, possibly weakening in 2009 to around US\$25 per pound, but this will depend on how successfully new primary mines come on stream to provide additional supply.

For 2008, Group copper production is expected to increase by approximately 8% to 463,000 tonnes, mainly due to improved ore grades and higher throughput at Los Pelambres compared with 2007. Molybdenum production is expected to be approximately 6,800 tonnes compared with the 10,200 tonnes achieved for 2007 due to lower expected molybdenum ore grades at Los Pelambres. Cash costs will increase mainly due to the strengthening of the Chilean peso and industry cost pressures particularly energy costs and, in the case of the Group's heap-leach operations, significantly higher sulphuric acid prices. These are, however, partly mitigated by lower tolling charges at Los Pelambres. Excluding by-products, weighted average cash costs are expected to increase by approximately 13% to around 125 cents per pound.

With the continued progress made in 2007 on the Group's development plans, the medium to longer term prospects for the Group also remain good. In addition to the Esperanza project which is now in the development phase with start-up scheduled for the end of 2010, the Reko Diq and Antucoya projects could eventually also contribute additional production in future years. While the cases in relation to the Mauro tailings dam require resolution, the Group is confident that longer-term potential for Los Pelambres also remains good. The Group's exploration programme has also shown encouraging results, with potential for its prospects in the Sierra Gorda district to enhance El Tesoro and Esperanza in the future. The Group believes it has a number of prospects that could substantially enhance its current

production profile in the medium to longer term, and it intends to use its sound financial position to advance its existing assets and properties while continuing to seek opportunities globally to secure further world-class mining assets.

FINANCIAL COMMENTARY FOR THE YEAR TO 31 DECEMBER 2007**Results***Turnover*

Group turnover in 2007 was US\$3,826.7 million, 1.1% below the US\$3,870.0 million achieved in 2006. The slight decrease mainly reflected the impact of lower sales volumes and realised prices for copper, partly offset by the effect of higher molybdenum prices and volumes, reduced tolling charges for copper concentrate and increased sales at the transport and water divisions.

Turnover from copper concentrate and copper cathodes

Turnover from copper concentrate and copper cathode sales from the Group's three mines decreased by 7.3% to US\$2,915.9 million, compared with US\$3,144.7 million in 2006. The Group's average realised copper price decreased by 0.9% to 326.6 cents per pound (2006 - 329.5 cents), despite a 5.9% increase in the average LME copper price to 323.3 cents per pound (2006 - 305.3 cents). Realised copper prices are determined by comparing turnover (gross of tolling charges for concentrate sales) with sales volumes in the period. Realised copper prices differ from market prices mainly because, in line with industry practice, concentrate and cathode sales agreements generally provide for provisional pricing at the time of shipment 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). In 2007 the pricing adjustments on provisionally invoiced sales, while remaining positive, were lower than in 2006, as the level of increase in the LME copper price in the current year was less than in 2006.

In the case of Los Pelambres, pricing adjustments added US\$52.8 million in 2007 to initially invoiced sales (before adjusting for tolling charges) compared with US\$223.5 million in 2006. The adjustments in 2007 comprised US\$22.0 million in respect of sales invoiced in 2006 (net of the reversal of mark-to-market adjustments made at the end of 2006) which were finally priced in 2007 and US\$30.8 million in respect of sales invoiced in 2007 (net of a mark-to-market provision for open sales at the end of the year of US\$72.8 million). Pricing adjustments in 2007 at El Tesoro and Michilla reduced revenues by US\$5.1 million (2006 - increased revenues by US\$11.7 million) and US\$1.2 million (2006 - increased revenues by US\$8.9 million) respectively. El Tesoro and Michilla continued to benefit from strong cathode premiums reflecting tight market conditions in the year. Further details of provisional pricing adjustments are given in Note 4(a) to the preliminary results announcement.

In 2007 turnover also included a loss of US\$14.0 million on commodity derivatives at El Tesoro and Michilla which matured during the year, recognised 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 decreased by 8.4% from 467,800 tonnes in 2006 to 428,500 tonnes this year. The decrease was mainly due to the expected lower ore grades together with the effect of harder primary ore on throughout at Los Pelambres. Sales volumes differed slightly from production each year mainly due to differences in shipping and loading schedules.

Tolling charges for copper concentrate at Los Pelambres decreased from US\$254.0 million in 2006 to US\$169.4 million in 2007, mainly due to reduced price participation as a result of the 2007 calendar year negotiations. 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 2006.

Turnover from by-products

Turnover from by-products at Los Pelambres increased by 30.6% to US\$726.7 million in 2007 compared with US\$556.3 million in 2006, mainly due to higher molybdenum market prices.

Molybdenum revenues (net of roasting charges) were US\$676.4 million (2006 - US\$513.8 million). The realised molybdenum price increased by 28.9% to US\$31.7 per pound in 2007 (2006 - US\$24.6 per pound), mainly due to the increase in the market price which averaged US\$30.2 per pound compared with US\$24.8 per pound in 2006. Molybdenum sales are also subject to provisional pricing and as prices strengthened during 2007, realised prices were slightly higher than the average market price. In contrast, during 2006 weakening prices caused the realised price to be

lower than the market price. Molybdenum sales volumes were similar at 10,000 tonnes (2006 – 9,900 tonnes), and small differences with production in each year reflected shipping and loading schedules.

Credits received from gold and silver contained in copper concentrate sold increased to US\$50.3 million (2006 – US\$42.5 million).

Turnover from the transport and water divisions

Turnover from the transport division (FCAB) increased by US\$11.7 million or 11.1% to US\$117.0 million, mainly due to increased rail volumes and normal tariff adjustments under contracts in line with costs. Volumes increased from various mines, with the most significant being BHP Billiton's Spence, which started its operations during the second half of 2006.

Turnover at Aguas de Antofagasta, which operates the Group's water business, increased by US\$3.4 million or 5.3% to US\$67.1 million in 2007, mainly due to increased volumes to industrial customers, mainly due to the impact of the Spence mine, partly offset by the full year impact of the tariff review in respect of domestic customers in mid-2006.

Operating profit from subsidiaries and joint ventures and EBITDA

Operating profit from subsidiaries and joint ventures decreased by 5.4% from US\$2,804.1 million in 2006 to US\$2,653.4 million in 2007.

Operating profit at the mining division decreased by 5.5% from US\$2,740.0 million to US\$2,588.0 million, due to the reduction in turnover as explained above (resulting mainly from reduced copper sales volume, partly offset by the effect of higher molybdenum prices and reduced tolling charges for copper concentrate) and increased operating costs. 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 68.0 cents per pound in 2006 to 90.6 cents per pound. This reflected the impact of higher input costs and specific factors at each mine as discussed in the review of operations above.

During 2006 a loss of US\$84.5 million 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 2007 a loss of US\$14.0 million relating to commodity derivatives which matured in the period has been recorded within turnover, along with a gain of US\$0.7 million recognised within other finance items as explained below and a mark-to-market loss of US\$0.2 million deferred in equity.

Exploration costs increased from US\$21.5 million in 2006 to US\$38.1 million, reflecting the increased level of exploration activity across the Group particularly in Chile and Pakistan. Net costs in respect of corporate and other items were lower at US\$6.8 million (2006 – US\$17.6 million) due to one-off gains included in other operating income of US\$21.8 million; further details are given in Note 2(ii) to the preliminary results announcement.

Operating profit (excluding income from associate) at the transport division increased by US\$2.4 million to US\$35.0 million, mainly reflecting the increased rail volumes as higher tariffs were offset by higher operating costs. Aguas de Antofagasta contributed US\$30.4 million compared to US\$31.5 million last year, with the increased revenues offset by higher operating costs as explained in the review of operations above.

EBITDA (earnings before interest, depreciation, tax and amortisation) in 2007 was US\$2,824.0 million, compared with US\$2,957.3 million in 2006, a decrease of 4.5%. This is calculated by adding back to operating profit from subsidiaries and joint ventures, depreciation and amortisation of US\$162.2 million (2006 – US\$145.0 million) and losses on disposals of property, plant and equipment of US\$8.4 million (2006 – US\$8.2 million). The increased depreciation related mainly to higher charges at Los Pelambres (following the completion of the repowering project which is now in operation) and El Tesoro (due to the full year effect of fair value amortisation following the acquisition of Equatorial Mining Limited in August 2006).

The Group's share of net profit from its 30% investment in Antofagasta Terminal Internacional S.A. ("ATI") was US\$1.4 million (2006 – US\$1.1 million).

Net finance income

Net finance income in 2007 was US\$95.4 million, compared with US\$53.8 million in 2006.

Interest receivable increased from US\$78.3 million in 2006 to US\$113.4 million in 2007, due to the higher level of cash and deposit balances. Interest expense decreased from US\$25.2 million in 2006 to US\$20.4 million, reflecting the decrease in the level of borrowings through loan repayments during the year.

Other finance items increased from a gain of US\$0.7 million in 2006 (restated for the inclusion of the discount charge relating to provisions from interest expense) to US\$2.4 million. Following the application of the hedge accounting provisions of IAS 39 “Financial Instruments: Recognition and Measurement” with effect from 1 January 2007, a gain of US\$0.7 million has been recognised in the year in respect of the time value element of changes in the fair value of commodity derivative options, which is excluded from the designated hedging relationship, and is therefore recognised directly in the income statement. 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 2006. Foreign exchange gains included in finance items were US\$2.9 million in 2007, compared with US\$1.6 million in the previous year.

Profit before tax

The resulting profit before tax for the period was US\$2,750.2 million compared to US\$2,859.0 million in 2006, reflecting the reduction in turnover and increased operating costs, partly offset by higher investment income.

Income tax expense

The rate of first category (i.e. corporation) tax in Chile was 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 mining tax could be offset against first category tax and the remaining 50% was tax deductible (i.e. an allowable expense in determining liability to first category tax). From 2008, when the ability to offset will no longer be available, 100% of the 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 mining tax, the Group incurs withholding taxes on the remittance of profits from Chile. Withholding tax is levied on remittances of profits from Chile at 35% less first category tax already paid. Accordingly, the effective tax rate of withholding tax for the purpose of paying dividends to Group shareholders is approximately 18% of the amount remitted or expected to be remitted.

Tax (including deferred tax) amounted to US\$638.4 million (2006 – US\$664.9 million), reflecting the decrease in profit before tax for the year. Including both current and deferred taxes, this comprised corporate tax of US\$449.4 million (2006 – US\$476.6 million), the Chilean mining tax of US\$51.4 million (2006 – US\$56.6 million) and withholding tax charges of US\$166.1 million (2006 – US\$134.1 million). This was partly offset by exchange gains on corporate tax balances of US\$28.5 million (2006 – US\$2.4 million) since tax prepayments made in the course of the year, which are designated in Chilean pesos, benefited from the strengthening of that currency against the US dollar.

As a result of these factors, the effective tax rate for the Group in 2007 was 23.2% (2006 – 23.3%), compared with the Chilean statutory tax rate of 17%.

Minority interests

Profit for the financial year attributable to minority shareholders was US\$729.7 million, compared with US\$839.8 million in 2006. The decrease was largely 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, as well as the reduction in the Group’s profit before tax in 2007 compared with 2006.

Earnings per share

As a result of the factors set out above, profit for the 2007 financial year attributable to equity shareholders of the Company was US\$1,382.1 million compared with US\$1,354.3 million in 2006. Accordingly, basic earnings per share were 140.2 cents in 2007 compared with 137.4 cents for 2006, an increase of 2.0%.

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 such amounts subsequently recognised in the income statement in the period when the hedged item affects profit or loss. Any ineffective portion is recognised immediately in the income statement. Realised gains and losses on commodity derivatives recognised in the income statement have been recorded within turnover. The time value element of changes in the fair value of derivative options is excluded from the designated hedging relationship, and is therefore recognised directly in the income statement within other finance items. 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 derivative instruments on the Group’s results for the period is set out above in the sections on turnover, operating profit from subsidiaries and net finance income, and in Note 4(b) to this preliminary results announcement.

At 31 December 2007, the Group had min/max instruments for 70,200 tonnes of copper production (of which 60,000 tonnes relate to El Tesoro and 10,200 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 January 2008 is 11 months. The instruments have a weighted average floor of 248.9 cents per pound and a weighted average cap of 389.2 cents per pound. The Group also had futures for 6,500 tonnes, 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 2009. The remaining weighted average period covered by these instruments was 7 months.

Between 31 December 2007 and the date of this report, Michilla entered into further min/max instruments for 15,000 tonnes of copper production, covering a total period up to 31 December 2008. The weighted average remaining period covered by these hedges calculated with effect from 1 January 2008 is 7 months. The instruments have a weighted average floor of 292.1 cents per pound and a weighted average cap of 342.1 cents per pound.

These instruments represent approximately 60% of Michilla’s forecast production for 2008 and 33% 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 31 December 2007, together with details of any interest and exchange derivatives held by the Group, are given in Note 4(b) to this preliminary results announcement.

Commodity price sensitivities

Based on 2007 production volumes and without taking into account the effects of provisional pricing and any hedging activity, a one-cent change in the average copper price would affect turnover and profit before tax by US\$9.4 million and earnings per share by 0.5 cents. Similarly, a one-dollar change in the average molybdenum price would affect turnover and profit before tax by US\$22.5 million and earnings per share by 1.1 cents.

Cash flows, cash and debt

Cash flows from operations were US\$2,817.7 million in 2007 compared with US\$2,810.1 million last year, reflecting the operating results adjusted for depreciation, amortisation and disposals gains and losses of US\$150.5 million (2006 – US\$153.2 million) and a net working capital decrease of US\$13.8 million (2007 – increase of US\$147.2 million). The movement in working capital was particularly significant in 2006 due to the effect of the significant increase in the copper price on the level of trade debtors during that year.

A dividend of US\$2.4 million (2006 – US\$0.4 million) was received from the Group’s investment in ATI.

Cash tax payments in the year were US\$806.0 million (2006 – US\$498.2 million), comprising corporation tax of US\$537.7 million (2006 – US\$426.5 million), mining tax of US\$133.0 million (2006 – US\$9.9 million) and withholding tax of US\$135.3 million (2006 – US\$61.8 million). These amounts differ from the current tax charge in the consolidated

income statement of US\$598.7 million (2006 – US\$592.2 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. The increased payments reflect higher profits in 2006 compared with 2005 (thereby increasing both monthly payments on account for 2007 as well as settlement of the outstanding balance for the previous year) and higher withholding tax payments due to higher dividends paid in 2007.

No acquisitions were made in 2007; in 2006 the cash outflow from acquisitions (net of cash balances acquired) amounted to US\$487.5 million, which comprised US\$199.4 million in respect of Tethyan and US\$288.1 million in respect of Equatorial.

Cash proceeds from disposals of interests in subsidiaries, joint ventures and available for sale investments amounted to US\$27.5 million in 2007. 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. In 2006, cash proceeds from disposals amounted to US\$84.3 million, mainly relating to the disposal of 50% of Tethyan to Barrick Gold.

Capital expenditure in 2007 was US\$481.7 million compared with US\$506.6 million in 2006. This included expenditure of US\$203.5 million relating to the Mauro tailings dam project (2006 – US\$256.9 million), US\$47.6 million relating to the completion of the plant expansion at Los Pelambres (2006 – US\$134.0 million), US\$49.3 (2006 – US\$ nil) on early works for the next repowering and US\$43.7 million relating to the Esperanza project (2006 – US\$6.6 million).

Dividends (including special dividends) paid to ordinary shareholders of the Company this year were US\$485.0 million (2006 – US\$236.6 million), which related to the final dividend declared in respect of the previous year and the interim dividend in respect of the current year, and reflected the increased dividend per share paid in 2007 compared with 2006. Dividends paid by subsidiaries to minority shareholders were US\$681.2 million (2006 – US\$630.6 million), principally due to increased distributions by Los Pelambres.

Repayments of borrowings and finance leasing obligations in the year, mainly at Los Pelambres and El Tesoro, were US\$100.2 million (2006 – US\$ 111.4 million). New borrowings in the year amounted to US\$7.0 million (2006 – US\$3.8 million).

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

At 31 December 2007, the Group had cash and cash equivalents of US\$2,212.5 million (2006 – US\$1,805.5 million). Excluding the minority share in each partly-owned operation, the Group's attributable share of total cash and cash equivalents was US\$2,135.4 million (2006 – US\$1,592.7 million).

Total Group borrowings at 31 December 2007 were US\$266.0 million (2006 – US\$358.7 million). Of this, US\$169.5 million (2006 – US\$230.0 million) is proportionally attributable to the Group after excluding the minority shareholdings in partly-owned operations. The decrease in debt is mainly due to further principal repayments at Los Pelambres and El Tesoro as explained above.

Balance Sheet

Net equity (i.e. equity attributable to ordinary shareholders of the Company) increased from US\$3,155.1 million at 1 January 2007 to US\$4,065.0 million at 31 December 2007, relating mainly to profit after tax and minority interests for the period less ordinary dividends declared and paid in the year. 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 1 January 2007 to US\$841.5 million at 31 December 2007, principally reflecting the minority's share of profit after tax, less the minority's share of the dividends paid by subsidiaries in the year. Other movements affecting minority interest are also set out in the Consolidated Statement of Changes in Equity.

Consolidated Income Statement

	Notes	Year ended 31.12.07 US\$m	Year ended 31.12.06 US\$m
Group turnover	2,3	3,826.7	3,870.0
Total operating costs		(1,173.3)	(1,065.9)
Operating profit from subsidiaries and joint ventures	2,3	2,653.4	2,804.1
Share of income from associate	2,12	1.4	1.1
Total profit from operations and associates	2	2,654.8	2,805.2
Investment income		113.4	78.3
Interest expense		(20.4)	(25.2)
Other finance items		2.4	0.7
Net finance income	5	95.4	53.8
Profit before tax		2,750.2	2,859.0
Income tax expense	6	(638.4)	(664.9)
Profit for the financial year		2,111.8	2,194.1
Attributable to:			
Minority interests		729.7	839.8
Equity holders of the Company (net earnings)		1,382.1	1,354.3
		US cents	US cents
Basic earnings per share	7	140.2	137.4
Dividends to ordinary shareholders of the Company			
Per share		US cents	US cents
Dividends per share proposed in relation to the year	8		
- ordinary dividend (interim)		3.2	3.2
- ordinary dividend (final)		5.4	5.0
- special dividend (interim)		3.0	2.0
- special dividend (final)		38.0	38.0
		49.6	48.2
Dividends per share paid in the year and deducted from net equity			
- ordinary dividend (interim)		3.2	3.2
- ordinary dividend (final)		5.0	4.8
- special dividend (interim)		3.0	2.0
- special dividend (final)		38.0	14.0
		49.2	24.0
In aggregate		US\$m	US\$m
Dividends proposed in relation to the year	8	489.0	475.2
Dividends paid in the year and deducted from net equity		485.0	236.6

Turnover and operating profit are derived from continuing operations.

Consolidated Balance Sheet

	Notes	At 31.12.07 US\$m	At 31.12.06 US\$m
Non-current assets			
Intangible assets	9	207.7	205.3
Property, plant and equipment	10	2,679.8	2,373.7
Investment property	11	3.5	3.2
Investment in associate	12	2.5	3.5
Trade and other receivables		32.0	39.3
Derivative financial instruments	4	1.4	-
Available for sale investments	14	3.3	6.2
Deferred tax assets	19	14.7	3.1
		<u>2,944.9</u>	<u>2,634.3</u>
Current assets			
Inventories	15	130.3	120.3
Trade and other receivables		540.4	510.1
Current tax assets		26.9	7.5
Derivative financial instruments	4	0.5	7.3
Cash and cash equivalents	22	2,212.5	1,805.5
		<u>2,910.6</u>	<u>2,450.7</u>
Total assets		<u><u>5,855.5</u></u>	<u><u>5,085.0</u></u>
Current liabilities			
Short-term borrowings	16,22	(101.8)	(97.6)
Derivative financial instruments	4	(1.4)	-
Trade and other payables		(246.5)	(211.5)
Current tax liabilities		(16.9)	(204.8)
		<u>(366.6)</u>	<u>(513.9)</u>
Non-current liabilities			
Medium and long term borrowings	16,22	(164.2)	(261.1)
Trade and other payables		(2.6)	(4.8)
Post-employment benefit obligations	17	(29.1)	(24.1)
Long-term provisions	18	(10.9)	(9.8)
Deferred tax liabilities	19	(375.6)	(323.2)
		<u>(582.4)</u>	<u>(623.0)</u>
Total liabilities		<u><u>(949.0)</u></u>	<u><u>(1,136.9)</u></u>
Net assets		<u><u>4,906.5</u></u>	<u><u>3,948.1</u></u>
Equity			
Share capital	20	89.8	89.8
Share premium	20	199.2	199.2
Hedging, translation and fair value reserves		25.1	12.3
Retained earnings		3,750.9	2,853.8
Equity attributable to equity holders of the Company		<u>4,065.0</u>	<u>3,155.1</u>
Minority interests		841.5	793.0
Total equity		<u><u>4,906.5</u></u>	<u><u>3,948.1</u></u>

The preliminary information was approved by the Board of Directors on 10 March 2008.

Consolidated Cash Flow Statement

		Year ended 31.12.07	Year ended 31.12.06
	Notes	US\$m	US\$m
Cash flows from operations	21	2,817.7	2,810.1
Interest paid		(20.2)	(24.6)
Dividends from associate	12	2.4	0.4
Income tax paid		(806.0)	(498.2)
Net cash from operating activities		1,993.9	2,287.7
Investing activities			
Acquisition of subsidiaries	23	-	(487.5)
Disposal and part-disposal of subsidiaries	23	4.9	84.3
Disposal of joint venture interest	13	6.0	-
Disposal of available for sale investments	14	16.6	-
Recovery of Chilean VAT paid on purchase of water concession		8.8	8.7
Purchases of property, plant and equipment		(481.7)	(506.6)
Interest received		111.3	77.6
Net cash used in investing activities		(334.1)	(823.5)
Financing activities			
Dividends paid to equity holders of the Company		(485.0)	(236.6)
Dividends paid to preference shareholders of the Company		(0.2)	(0.2)
Dividends paid to minority interests		(681.2)	(630.6)
Net proceeds from issue of new borrowings	22	7.0	3.8
Repayments of borrowings	22	(99.3)	(109.6)
Repayments of obligations under finance leases	22	(0.9)	(1.8)
Net cash used in financing activities		(1,259.6)	(975.0)
Net increase in cash and cash equivalents		400.2	489.2
Cash and cash equivalents at beginning of the year		1,805.5	1,316.8
Net increase in cash and cash equivalents		400.2	489.2
Effect of foreign exchange rate changes		6.8	(0.5)
Cash and cash equivalents at end of the year	22	2,212.5	1,805.5

Consolidated Statement of Changes in Equity

For the years ended 31 December 2006 and 2007

	Share capital	Share premium	Hedging reserve	Fair value reserve	Translation reserve	Retained earnings	Net equity	Minority interests	Total
	US\$m	US\$m	US\$m	US\$m	US\$m	US\$m	US\$m	US\$m	US\$m
Balance at 1 January 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)
Acquisition of minority interest	-	-	-	-	-	-	-	(137.5)	(137.5)
Capitalisation of share premium on bonus issue of ordinary shares	73.2	(73.2)	-	-	-	-	-	-	-
Dividends	-	-	-	-	-	(236.6)	(236.6)	(630.6)	(867.2)
Balance at 31 December 2006 and 1 January 2007	89.8	199.2	-	-	12.3	2,853.8	3,155.1	793.0	3,948.1
Profit for the financial year	-	-	-	-	-	1,382.1	1,382.1	729.7	2,111.8
Currency translation adjustment	-	-	-	-	13.5	-	13.5	-	13.5
Losses in fair value of cash flow hedges deferred in reserves	-	-	(6.9)	-	-	-	(6.9)	-	(6.9)
Losses in fair value of cash flow hedges transferred to the income statement	-	-	6.7	-	-	-	6.7	-	6.7
Gains in fair value of available for sale investments	-	-	-	10.0	-	-	10.0	-	10.0
Gains in fair value of of available for sale investments transferred to the income statement	-	-	-	(10.5)	-	-	(10.5)	-	(10.5)
Deferred tax effects arising from hedge accounting	-	-	-	-	-	-	-	-	-
Dividends	-	-	-	-	-	(485.0)	(485.0)	(681.2)	(1,166.2)
Balance at 31 December 2007	89.8	199.2	(0.2)	(0.5)	25.8	3,750.9	4,065.0	841.5	4,906.5

Notes

1. General information and accounting policies

a) General information

This preliminary results announcement is for the year ended 31 December 2007. While the financial information contained in this preliminary results announcement has been computed in accordance with International Financial Reporting Standards (“IFRS”), this announcement does not itself contain sufficient information to comply with IFRS. For these purposes, IFRS 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 Group will send its full financial statements that comply with IFRS to shareholders in April 2008.

This preliminary results announcement does not constitute the Group’s statutory accounts as defined in section 240 of the Companies Act 1985 but is derived from those accounts. The statutory accounts for the year ended 31 December 2007 have been approved by the Board and will be delivered to the Registrar of Companies following the Company’s Annual General Meeting which will be held on 11 June 2008. The auditors have reported on those accounts and their report was unqualified and did not contain statements under section 237(2) of the Companies Act 1985 (regarding adequacy of accounting records and returns) or under section 237(3) (regarding provision of necessary information and explanations).

The information contained in this announcement for the year ended 31 December 2006 also does not constitute statutory accounts. A copy of the statutory accounts for that year has been delivered to the Registrar of Companies. The auditors’ report on those accounts was unqualified and did not contain statements under sections 237(2) or (3) of the Companies Act 1985.

The information contained in Notes 29 to 31 of this preliminary results announcement is not derived from the statutory accounts for the years ended 31 December 2006 and 2007 and is accordingly not covered by the auditors’ reports.

b) Accounting policies and adoption of new accounting standards

This preliminary results announcement is derived from the statutory accounts for the year ended 31 December 2007, which have been prepared on the basis of accounting policies consistent with those applied in the financial statements for the year ended 31 December 2006 except as follows:

- (i) The Group has applied 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.
- (ii) The Group has adopted IFRS 7 “Financial Instruments: Disclosures” and the related amendment to IAS 1 “Presentation of Financial Statements”. The impact of the adoption of IFRS 7 and the changes to IAS 1 has been to expand the disclosures provided in these financial statements regarding the Group’s financial instruments and management of capital, and has not resulted in any changes to the consolidated income statement, consolidated balance sheet or consolidated cash flow statement.

2. Total profit from operations and associates

	Year ended 31.12.07	Year ended 31.12.06
	US\$m	US\$m
Turnover	3,826.7	3,870.0
Cost of sales	(966.5)	(805.1)
Gross profit	2,860.2	3,064.9
Administrative expenses	(183.1)	(152.6)
Closure provision	(0.5)	(0.6)
Severance charges	(5.3)	(7.7)
Exploration costs	(38.1)	(21.5)
Other operating income	31.2	10.3
Other operating expenses	(11.0)	(88.7)
Operating profit from subsidiaries and joint ventures	2,653.4	2,804.1
Share of income from associate	1.4	1.1
Total profit from operations and associates	2,654.8	2,805.2

- (i) In 2007, 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 2007, 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)(viii) 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, Esperanza, exploration, railway and other transport services and the water concession. Corporate and other items principally relate to the costs incurred by the Company and Antofagasta Minerals S.A. (the Group’s mining corporate centre), which are not allocated to any individual business segment. The classification reflects the Group’s management structure. The amounts presented for each business segment exclude any amounts relating to the investment in Antofagasta Terminal Internacional S.A., an associate which is held through the railway and other transport services segment.

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

	Turnover		EBITDA		Operating profit /(loss) from subsidiaries and joint ventures	
	Year ended 31.12.07	Year ended 31.12.06	Year ended 31.12.07	Year ended 31.12.06	Year ended 31.12.07	Year ended 31.12.06
	US\$m	US\$m	US\$m	US\$m	US\$m	US\$m
Los Pelambres	2,651.9	2,701.3	2,178.0	2,297.0	2,098.6	2,223.7
El Tesoro	673.9	664.8	430.9	456.0	380.3	409.9
Michilla	316.8	334.9	169.2	158.4	154.0	145.5
Exploration	-	-	(38.1)	(21.5)	(38.1)	(21.5)
Corporate and other items	-	-	(5.6)	(16.9)	(6.8)	(17.6)
Mining	3,642.6	3,701.0	2,734.4	2,873.0	2,588.0	2,740.0
Railway and other transport services	117.0	105.3	48.9	42.9	35.0	32.6
Water concession	67.1	63.7	40.7	41.4	30.4	31.5
Group turnover (segment revenue), EBITDA and operating profit from subsidiaries and joint ventures (segment result)	3,826.7	3,870.0	2,824.0	2,957.3	2,653.4	2,804.1

Notes to turnover by business segment (segment revenue)

- (i) Turnover by business segment equates to segment revenue as defined by IAS 14. Turnover from the railway and other transport services and the water concession is stated after eliminating inter-segmental sales to the mining division of US\$10.5 million (2006 – US\$9.6 million) and US\$0.4 million (2006 – nil) respectively.
- (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) Turnover in 2007 includes realised gains on commodity derivatives at El Tesoro of US\$0.2 million and realised losses at Michilla of US\$14.2 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 a 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)(viii) 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.
- (v) On a Group basis, total copper revenues amounted to US\$2,915.9 million (2006 – US\$3,144.7 million) comprising copper concentrate sales at Los Pelambres of US\$1,925.2 million (2006 – US\$2,145.0 million) and copper cathode sales at El Tesoro and Michilla of US\$990.7 million (2006 – US\$999.7 million).

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

- (vi) Operating profit for the separate businesses equates to segment result as defined by IAS 14. This excludes the share of income from associate of US\$1.4 million (2006 – US\$1.1 million).
- (vii) 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 and joint ventures.
- (viii) As explained in Note 3(a)(iii) above, in the current year EBITDA and operating profit include realised gains on commodity derivatives at El Tesoro of US\$0.2 million and realised losses at Michilla of US\$14.2 million (recorded within turnover). In 2006 EBITDA and operating profit included losses on commodity derivatives (including both losses realised in the year and year-end mark-to-market adjustments) at El Tesoro of US\$44.8 million, and losses at Michilla of US\$39.7 million (recorded within other operating expense).
- (ix) Exploration costs relating to Tethyan Copper Company Limited (“Tethyan”) (see Note 13) have been included within the Exploration category. All other income and expenditure relating to Tethyan has been included within corporate and other items.
- (x) As explained in Note 2(i) and Note 15, in 2007 EBITDA and operating profit at El Tesoro include an inventory write-off of US\$18.8 million.
- (xi) 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

	<u>Before deducting tolling charges</u>		<u>Tolling charges</u>		<u>Net of tolling charges</u>	
	Year ended 31.12.07	Year ended 31.12.06	Year ended 31.12.07	Year ended 31.12.06	Year ended 31.12.07	Year ended 31.12.06
	US\$m	US\$m	US\$m	US\$m	US\$m	US\$m
Copper	2,094.6	2,399.0	(169.4)	(254.0)	1,925.2	2,145.0
Molybdenum	699.8	536.4	(23.4)	(22.6)	676.4	513.8
Gold and silver	51.0	43.1	(0.7)	(0.6)	50.3	42.5
Los Pelambres	2,845.4	2,978.5	(193.5)	(277.2)	2,651.9	2,701.3

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

	<u>Depreciation and amortisation</u>		<u>Loss on disposals</u>		<u>Capital expenditure</u>	
	Year ended 31.12.07	Year ended 31.12.06	Year ended 31.12.07	Year ended 31.12.06	Year ended 31.12.07	Year ended 31.12.06
	US\$m	US\$m	US\$m	US\$m	US\$m	US\$m
Los Pelambres	(79.3)	(72.8)	(0.1)	(0.5)	323.4	463.5
El Tesoro	(49.3)	(43.4)	(1.3)	(2.7)	28.0	16.3
Michilla	(11.2)	(10.4)	(4.0)	(2.5)	11.4	7.7
Esperanza	-	-	-	-	43.7	6.6
Corporate and other items	(0.9)	(0.3)	(0.3)	(0.4)	15.2	13.9
Mining	(140.7)	(126.9)	(5.7)	(6.1)	421.7	508.0
Railway and other transport services	(11.3)	(8.4)	(2.6)	(1.9)	38.9	25.2
Water concession	(10.2)	(9.7)	(0.1)	(0.2)	5.4	5.8
	(162.2)	(145.0)	(8.4)	(8.2)	466.0	539.0

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.

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

c) Assets and liabilities by business segment

	<u>Segment assets</u>		<u>Segment liabilities</u>		<u>Segment net assets</u>	
	Year ended	Year ended	Year ended	Year ended	Year ended	Year ended
	31.12.07	31.12.06	31.12.07	31.12.06	31.12.07	31.12.06
	US\$m	US\$m	US\$m	US\$m	US\$m	US\$m
Los Pelambres	2,338.4	2,103.4	(137.9)	(125.5)	2,200.5	1,977.9
El Tesoro	563.5	591.8	(61.1)	(53.3)	502.4	538.5
Michilla	77.2	74.5	(28.8)	(24.8)	48.4	49.7
Esperanza	92.8	-	(2.2)	-	90.6	-
Corporate and other items	155.1	145.8	(21.4)	(12.3)	133.7	133.5
Mining	3,227.0	2,915.5	(251.4)	(215.9)	2,975.6	2,699.6
Railway and other transport services	184.0	158.8	(27.7)	(25.2)	156.3	133.6
Water concession	181.1	181.7	(11.4)	(9.1)	169.7	172.6
	3,592.1	3,256.0	(290.5)	(250.2)	3,301.6	3,005.8

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

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

	<u>Segment assets</u>		<u>Segment liabilities</u>		<u>Segment net assets</u>	
	Year ended	Year ended	Year ended	Year ended	Year ended	Year ended
	31.12.07	31.12.06	31.12.07	31.12.06	31.12.07	31.12.06
	US\$m	US\$m	US\$m	US\$m	US\$m	US\$m
Segment assets/(liabilities)	3,592.1	3,256.0	(290.5)	(250.2)	3,301.6	3,005.8
Investment property	3.5	3.2	-	-	3.5	3.2
Investment in associate	2.5	3.5	-	-	2.5	3.5
Available for sale investments	3.3	6.2	-	-	3.3	6.2
Deferred tax assets/(liabilities)	14.7	3.1	(375.6)	(323.2)	(360.9)	(320.1)
Current tax assets/(liabilities)	26.9	7.5	(16.9)	(204.8)	10.0	(197.3)
Cash and cash equivalents/(borrowings)	2,212.5	1,805.5	(266.0)	(358.7)	1,946.5	1,446.8
Entity assets/(liabilities)	5,855.5	5,085.0	(949.0)	(1,136.9)	4,906.5	3,948.1

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

	<u>Sales</u>	
	Year ended 31.12.07 US\$m	Year ended 31.12.06 US\$m
Europe		
- United Kingdom	0.1	8.1
- Switzerland	321.9	396.5
- Rest of Europe	742.1	877.1
Latin America		
- Chile	377.8	407.5
- Rest of Latin America	190.3	165.2
North America	511.4	472.7
Asia		
- Japan	1,000.6	1,008.2
- China	416.8	317.5
- Rest of Asia	265.7	213.5
Australia	-	3.7
	<u>3,826.7</u>	<u>3,870.0</u>

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:

	<u>Balance sheet</u>	
	<u>net mark to market effect</u>	
	<u>on debtors</u>	
	At 31.12.07	At 31.12.06
	US\$m	US\$m
Los Pelambres - copper concentrate	(72.8)	(110.1)
Los Pelambres - tolling charges for copper concentrates	(5.1)	7.6
Los Pelambres - molybdenum concentrate	0.1	(2.4)
El Tesoro - copper cathodes	(1.0)	1.3
Michilla - copper cathodes	0.1	(0.6)
	<u>(78.7)</u>	<u>(104.2)</u>

(i) Copper sales

	Year ended 31.12.07	Year ended 31.12.07	Year ended 31.12.07	Year ended 31.12.06	Year ended 31.12.06	Year ended 31.12.06
	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
Provisionally invoiced gross sales	2,041.8	678.8	332.2	2,175.5	653.1	326.0
Effects of pricing adjustments to previous year invoices						
Reversal of mark-to-market adjustments at the end of the previous year	110.1	(1.3)	0.6	(33.2)	(0.2)	0.1
Settlement of copper sales invoiced in the previous year	(88.1)	(6.5)	(3.3)	169.2	2.0	0.6
Total effect of adjustments to previous year invoices in the current year	22.0	(7.8)	(2.7)	136.0	1.8	0.7
Effects of pricing adjustments to current year invoices						
Settlement of copper sales invoiced in the current year	103.6	3.7	1.4	197.6	8.6	8.8
Mark-to-market adjustments at the end of the current year	(72.8)	(1.0)	0.1	(110.1)	1.3	(0.6)
Total effect of adjustments to current year invoices	30.8	2.7	1.5	87.5	9.9	8.2
Realised gains/(losses) on commodity derivatives	-	0.2	(14.2)	-	-	-
Turnover before deducting tolling charges	2,094.6	673.9	316.8	2,399.0	664.8	334.9
Tolling charges	(169.4)	-	-	(254.0)	-	-
Turnover net of tolling charges	1,925.2	673.9	316.8	2,145.0	664.8	334.9

Copper concentrate

Copper concentrate sales at Los Pelambres have an average settlement period of approximately four months from shipment date. At 31 December 2007, sales totalling 99,400 tonnes remained open as to price, with an average mark-to-market price of 302.4 cents per pound compared with an average provisional invoice price of 335.7 cents per pound. 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 31 December 2007 of US\$5.1 million (31 December 2006 – mark-to-market gain of US\$7.6 million).

Copper cathodes

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

(ii) Molybdenum sales

	Year ended 31.12.07	Year ended 31.12.06
	US\$m	US\$m
	Los Pelambres	Los Pelambres
	Molybdenum concentrate	Molybdenum concentrate
Provisionally invoiced gross sales	670.9	547.8
Effects of pricing adjustments to previous year invoices		
Reversal of mark-to-market adjustments at the end of the previous year	2.4	12.6
Settlement of molybdenum sales invoiced in the previous year	(1.0)	(27.5)
Total effect of adjustments to previous year invoices in the current year	1.4	(14.9)
Effects of pricing adjustments to current year invoices		
Settlement of molybdenum sales invoiced in the current year	27.4	5.9
Mark-to-market adjustments at the end of the current year	0.1	(2.4)
Total effect of adjustments to current year invoices	27.5	3.5
Turnover before deducting tolling charges	699.8	536.4
Tolling charges	(23.4)	(22.6)
Turnover net of tolling charges	676.4	513.8

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

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 such amounts subsequently recognised in the income statement in the period when the hedged item affects profit or loss. Any ineffective portion is recognised immediately in the income statement. Realised gains and losses on commodity derivatives recognised in the income statement have been recorded within turnover. The time value element of changes in the fair value of derivative options is excluded from the designated hedging relationship, and is therefore recognised directly in the income statement within other finance items.

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 and the total effect on the income statement for each period (before taking into account deferred tax in each case) are as follows:

	<u>Balance sheet</u>		<u>Income statement</u>	
	<u>Net financial asset</u>		<u>Total effect</u>	
	At 31.12.07	At 31.12.06	Year ended 31.12.07	Year ended 31.12.06
	US\$m	US\$m	US\$m	US\$m
El Tesoro	-	-	0.4	(44.8)
Michilla	0.5	7.3	(13.7)	(39.7)
	0.5	7.3	(13.3)	(84.5)
Analysed between:				
Non-current assets	1.4	-		
Current assets	0.5	7.3		
Current liabilities	(1.4)	-		
	0.5	7.3		

During the year ended 31 December 2007 a net loss of US\$14.0 million was recognised within turnover, comprising a gain of US\$0.2 million at El Tesoro and a loss of US\$14.2 million at Michilla, in respect of derivative instruments which matured during the year. A gain of US\$0.7 million was recognised within other finance items, comprising a gain of US\$0.2 million at El Tesoro and a gain of US\$0.5 million at Michilla, in respect of the time value element of the mark-to-market adjustments, which is excluded from the designated hedging relationship. A loss of US\$0.2 million was recognised within reserves, relating to El Tesoro, in respect of the intrinsic value element of the mark-to-market adjustments, which forms part of the designated effective hedging relationship.

During the year ended 31 December 2006 a loss of US\$84.5 million was recognised within other operating expenses, comprising US\$44.8 million at El Tesoro and US\$39.7 million at Michilla. This comprised losses on derivatives which matured in the year of US\$136.3 million partly offset by mark-to-market gains of US\$7.3 million at 31 December 2006 in respect of derivatives maturing after the year end, and the reversal of opening mark to market losses of US\$44.5 million.

At 31 December 2007, the Group had min/max instruments for 70,200 tonnes of copper production (of which 60,000 tonnes relate to El Tesoro and 10,200 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 January 2008 is 11 months. The instruments have a weighted average floor of 248.9 cents per pound and a weighted average cap of 389.2 cents per pound.

At 31 December 2007, the Group also had futures for 6,500 tonnes, 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 2009. The remaining weighted average period covered by these instruments was 7 months.

Between 31 December 2007 and the date of this report, Michilla entered into further min/max instruments for 15,000 tonnes of copper production, covering a total period up to 31 December 2008. The weighted average remaining period covered by these hedges calculated with effect from 1 January 2008 is 7 months. The instruments have a weighted average floor of 292.1 cents per pound and a weighted average cap of 342.1 cents per pound.

(ii) Interest and exchange derivatives

There were no outstanding interest derivative instruments at 31 December 2007 or 2006. During the year ended 31 December 2006 a gain of US\$0.3 million was recognised within other finance items in respect of interest rate collars which matured during the year.

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

5. Net finance income

	Year ended 31.12.07 US\$m	Year ended 31.12.06 US\$m
Investment income		
Interest receivable	113.4	78.3
Interest expense		
Interest payable	(19.8)	(24.6)
Amortisation of deferred finance costs	(0.4)	(0.4)
Preference dividends	(0.2)	(0.2)
	<u>(20.4)</u>	<u>(25.2)</u>
Other finance items		
Mark-to-market effect of derivatives	-	0.3
Time value effect of derivatives	0.7	-
Discount charge relating to provisions	(1.2)	(1.2)
Foreign exchange	2.9	1.6
	<u>2.4</u>	<u>0.7</u>
Net finance income	<u><u>95.4</u></u>	<u><u>53.8</u></u>

The discount charge relating to provisions has been reclassified from interest expense to other finance items, and the prior year comparatives have been restated accordingly. The reclassification has no effect on net finance income in either year.

There was no interest capitalised in either year.

6. Taxation

The tax charge for the year comprised the following:

	Year ended 31.12.07 US\$m	Year ended 31.12.06 US\$m
Current tax charge		
Corporate tax (principally first category tax in Chile)	(441.3)	(474.2)
Mining tax (Royalty)	(50.6)	(58.5)
Withholding tax provision	(135.3)	(61.9)
Exchange gains on corporate tax balances	28.5	2.4
	<u>(598.7)</u>	<u>(592.2)</u>
Deferred tax charge		
Corporate tax (principally first category tax in Chile)	(8.1)	(2.4)
Mining tax (Royalty)	(0.8)	1.9
Withholding tax provision	(30.8)	(72.2)
	<u>(39.7)</u>	<u>(72.7)</u>
Total tax charge (Income tax expense)	<u><u>(638.4)</u></u>	<u><u>(664.9)</u></u>

Current tax is based on taxable profit for the year. Deferred tax is the tax expected to be payable or recoverable on temporary differences (i.e. differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of taxable profit). Deferred tax is accounted for using the balance sheet liability method and is provided on all temporary differences with certain limited exceptions. The Group incurs withholding taxes on the remittance of profits from Chile and the other countries in which it operates and deferred tax is provided on undistributed earnings to the extent that remittance is probable in the foreseeable future.

The rate of first category (i.e. corporation) tax in Chile was 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 mining tax could be offset against first category tax and the remaining 50% was tax deductible (i.e. an allowable expense in determining liability to first category tax). From 2008, when the ability to offset will no longer be available, 100% of the 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 2007 was 23.2%, compared with the Chilean statutory tax rate of 17.0%. This was principally due to the provision of withholding tax of US\$166.1 million, and the effect of the mining tax, which resulted in a charge of US\$51.4 million, partly offset by exchanges gains of US\$28.5 million on Chilean-peso denominated tax prepayments due to the weakening of the US dollar during the year. In 2006, the effective tax rate was 23.3%, principally due to the provision of withholding tax of US\$134.1 million, and the mining tax charge of US\$56.6 million. In 2006, exchange gains did not have any significant effect on the effective tax rate.

7. Basic earnings per share

Basic earnings per share is calculated on profit after tax and minority interest giving net earnings of US\$1,382.1 million (2006 – US\$1,354.3 million) and based on 985,856,695 ordinary shares. There was no potential dilution of ordinary shares in any period.

8. Dividends

The Board will recommend a final dividend of 43.4 cents per ordinary share, which comprises an ordinary dividend of 5.4 cents per share and a special dividend of 38.0 cents per share. The interim dividend of 6.2 cents per share, which comprised an ordinary dividend of 3.2 cents per share and a special dividend of 3.0 cents per share, was paid on 11 October 2007. Together, this gives total dividends proposed in relation to 2007 of 49.6 cents per share.

The final dividend proposed in relation to 2006 was 43.0 cents, which comprised an ordinary dividend of 5.0 cents per share and a special dividend of 38.0 cents per share. Together with the interim dividend that year of 5.2 cents per share, which comprised an ordinary dividend of 3.2 cents per share and a special dividend of 2.0 cents per share, this gave total dividends proposed in relation to 2006 of 48.2 cents per share.

Dividends per share actually paid in the year and recognised as a deduction from net equity under IFRS were 49.2 cents (2006 – 24.0 cents) being the interim dividend for the year and the final dividend proposed in respect of the previous year.

The final dividend will be paid on 12 June 2008 to shareholders on the register at the close of business on 9 May 2008. Dividends are declared and paid gross. The conversion rate for the final dividend of 43.4 cents to be paid in sterling will be set on 13 May 2008.

Dividends are declared in US dollars but may be paid in either dollars or sterling. Shareholders on the register of members with an address in the United Kingdom receive dividend payments in sterling, unless they elect to be paid in dollars. All other shareholders are paid by cheque in dollars, unless they have previously instructed the Company's registrar to pay dividends by bank transfer to a sterling bank account, or they elect for payment by cheque in sterling. The Company's registrar must receive any such election before the record date of 9 May 2008.

9. Intangible assets

	Concession right	Exploration licenses	Year ended 31.12.07	Year ended 31.12.06
	US\$m	US\$m	US\$m	US\$m
Balance at the beginning of the period	90.3	115.0	205.3	97.7
Acquisition	-	-	-	230.0
Disposal	-	-	-	(115.0)
Amortisation	(3.8)	-	(3.8)	(4.0)
Foreign currency exchange difference	6.2	-	6.2	(3.4)
Balance at the end of the period	92.7	115.0	207.7	205.3

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. The intangible asset is being amortised on a straight-line basis over the life of the concession.

The exploration licences relate to the Group's proportionate share of the full unencumbered value attributed to the interest in exploration licences in the Reko Diq prospect in the Chagai Hills region of south-west Pakistan acquired by Tethyan Copper Company Limited in 2006 (see Note 23). This intangible asset will be amortised in accordance with the Group's policy for mining properties when the related mining properties enter into production.

10. Property, plant and equipment

	Mining	Railway and other transport	Water Concession	Year ended 31.12.07	Year ended 31.12.06
	US\$m	US\$m	US\$m	US\$m	US\$m
Balance at the beginning of the year	2,180.2	124.9	68.6	2,373.7	1,820.0
Additions	421.7	38.9	5.4	466.0	539.0
Acquisition	-	-	-	-	171.6
Depreciation	(140.7)	(11.3)	(6.4)	(158.4)	(141.0)
Asset disposals	(5.7)	(2.6)	(0.1)	(8.4)	(8.2)
Disposals	-	-	-	-	(4.7)
Foreign currency exchange difference	-	2.1	4.8	6.9	(3.0)
Balance at the end of the year	2,455.5	152.0	72.3	2,679.8	2,373.7

11. Investment property

	Year ended 31.12.07	Year ended 31.12.06
	US\$m	US\$m
Balance at the beginning of the year	3.2	3.4
Foreign currency exchange difference	0.3	(0.2)
Balance at the end of the year	3.5	3.2

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

	Year ended 31.12.07	Year ended 31.12.06
	US\$m	US\$m
Balance at the beginning of the year	3.5	2.8
Share of profit before tax	1.7	1.3
Share of tax	(0.3)	(0.2)
Share of income from associate	1.4	1.1
Dividends received	(2.4)	(0.4)
Balance at the end of the year	2.5	3.5

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

13. Joint venture agreements

Cordillera de las Minas S.A.

The Group had a joint venture agreement, entered into during 2002, with Companhia Vale do Rio Doce (“Vale”) 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.

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

	Year ended 31.12.07	Year ended 31.12.06
	US\$m	US\$m
Balance at the beginning of the year	6.2	0.1
Additions	3.7	-
Acquisition	-	5.6
Movements in fair value	10.0	0.5
Disposal	(16.6)	-
Balance at the end of the year	<u>3.3</u>	<u>6.2</u>

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

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 year, resulting in a gain of US\$10.5 million recognised in the income statement.

The addition during the year 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 decreased by US\$0.5 million during the year, and the fair value of the shares at 31 December 2007 was US\$3.2 million.

The fair value of the remaining available for sale investments of less than US\$0.1 million held by the Group at 31 December 2007 are mainly Chilean-peso denominated and did not differ materially from cost at the year end.

15. Inventories

	Year ended 31.12.07	Year ended 31.12.06
	US\$m	US\$m
Raw materials and consumables	41.1	36.6
Work in progress	71.1	68.6
Finished goods	18.1	15.1
	<u>130.3</u>	<u>120.3</u>

Work in progress includes US\$9.6 million (2006 - US\$25.3 million) related to high carbonate ore inventories at El Tesoro of which US\$5.3 million are expected to be processed more than twelve months after the balance sheet date. During the year a write-off of US\$ 18.8 million was recorded in respect of these inventories.

16. Borrowings

	At 31.12.07	At 31.12.06
	US\$m	US\$m
Los Pelambres		
Corporate loans	(229.0)	(305.3)
Other loans	(4.7)	(9.5)
El Tesoro		
Corporate loans	(14.0)	(27.9)
Finance leases	(0.1)	(0.2)
Michilla		
Finance leases	(0.1)	(0.9)
Railway and other transport services		
Loans	(14.1)	(10.8)
Other		
Preference shares	(4.0)	(4.1)
Total (see Note 22)	<u>(266.0)</u>	<u>(358.7)</u>

Loans at 31 December 2007 are shown net of deferred financing costs of US\$1.0 million (2006 – US\$1.5 million). The amount in relation to Los Pelambres was US\$1.0 million (2006 – US\$1.4 million). The amount in relation to El Tesoro was less than US\$0.1 million (2006 – US\$0.1 million).

Maturity of borrowings

	At 31.12.07	At 31.12.06
	US\$m	US\$m
Short-term borrowings	(101.8)	(97.6)
Medium and long-term borrowings	(164.2)	(261.1)
Total (see Note 22)	<u>(266.0)</u>	<u>(358.7)</u>

Loans are predominantly floating rate. However the Group periodically enters into interest rate derivative contracts to manage its exposure to interest rates. As explained in Note 4(b) there were no such derivative contracts outstanding at 31 December 2007 or 2006.

17. Post-employment benefit obligation

	Year ended 31.12.07	Year ended 31.12.06
	US\$m	US\$m
Balance at the beginning of the year	(24.1)	(20.6)
Charge to operating profit in the year	(5.3)	(7.7)
Release of discount to net interest in year	(0.7)	(0.8)
Utilised in the year	3.1	4.2
Foreign currency exchange difference	(2.1)	0.8
Balance at the end of the year	<u>(29.1)</u>	<u>(24.1)</u>

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 valuations performed by an independent actuary.

18. Long-term provisions

	Year ended 31.12.07	Year ended 31.12.06
	US\$m	US\$m
Balance at the beginning of the year	(9.8)	(9.8)
Charge to operating profit in the year	(0.5)	(0.6)
Release of discount to net interest in the year	(0.5)	(0.4)
Acquisition	-	(0.8)
Disposal	-	0.8
Utilised in the year	-	0.8
Foreign currency exchange difference	(0.1)	0.2
Balance at the end of the year	(10.9)	(9.8)
Analysed as follows:		
Decommissioning and restoration	(10.4)	(9.4)
Termination of water concession	(0.5)	(0.4)
Balance at the end of the year	(10.9)	(9.8)

Decommissioning and restoration costs relate to the Group's mining operations. Costs are estimated on the basis of a formal closure plan and are subject to regular independent formal review. It is estimated that the provision will be utilised over a period of up to 40 years based on current mine plans.

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

	Year ended 31.12.07	Year ended 31.12.06
	US\$m	US\$m
Net position at the beginning of the year	(320.1)	(218.9)
Charge to tax on profit in year	(39.7)	(72.7)
Acquisition	-	(29.0)
Foreign currency exchange difference	(1.1)	0.5
Net position at the end of the year	(360.9)	(320.1)
Analysed between:		
Deferred tax assets	14.7	3.1
Deferred tax liabilities	(375.6)	(323.2)
Net position	(360.9)	(320.1)

20. Share capital and share premium

There was no change in share capital or share premium in the year ended 31 December 2007. During 2006 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\$73.2 million and a corresponding reduction in the share premium account.

21. Reconciliation of profit before tax to net cash inflow from operating activities

	Year ended 31.12.07	Year ended 31.12.06
	US\$m	US\$m
Profit before tax	2,750.2	2,859.0
Depreciation and amortisation	162.2	145.0
Loss on disposal of property, plant and equipment	8.4	8.2
Profit on disposal of joint venture interest	(9.6)	-
Profit on disposal of available for sale investments	(10.5)	-
Net finance income	(95.4)	(53.8)
Share of profit of associate	(1.4)	(1.1)
Increase in inventories	(9.9)	(21.5)
Increase in debtors	(11.7)	(135.5)
Increase in creditors and provisions	35.4	9.8
Cash flows from operations	2,817.7	2,810.1

22. Analysis of changes in net cash

	At 1.1.07	Cash flows	Other	Exchange	At 31.12.07
	US\$m	US\$m	US\$m	US\$m	US\$m
Cash and cash equivalents	1,805.5	400.2	-	6.8	2,212.5
Bank borrowings due within one year	(96.7)	92.3	(97.0)	(0.2)	(101.6)
Bank borrowings due after one year	(256.8)	-	96.6	-	(160.2)
Finance leases due within one year	(0.9)	0.9	(0.2)	-	(0.2)
Finance leases due after one year	(0.2)	-	0.2	-	-
Preference shares	(4.1)	-	-	0.1	(4.0)
Total borrowings	(358.7)	93.2	(0.4)	(0.1)	(266.0)
Net cash	1,446.8	493.4	(0.4)	6.7	1,946.5

Net cash

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

	At 31.12.07	At 31.12.06
	US\$m	US\$m
Cash and cash equivalents	2,212.5	1,805.5
Total borrowings	(266.0)	(358.7)
	1,946.5	1,446.8

23. Acquisitions and disposals

Year ended 31 December 2007

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

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. Other transactions

During 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 this announcement.

25. Contingent assets and liabilities

There are a number of claims currently outstanding to which Antofagasta plc or its subsidiaries (“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 the principal claims 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. This has enabled Los Pelambres to continue construction pending a final resolution by the Chilean Supreme Court, where Los Pelambres has sought to reverse the November decision 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, participated in this trial to protect its interest and has appealed against this decision to the Court of Appeals of Santiago. The appeal has the effect of suspending the effect of the first instance resolution. 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 works 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.

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 filed 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. Los Pelambres believes that it has obtained all the necessary approvals and permits for the construction of the Mauro tailings, which was 98.5% complete at the end of 2007.

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 which is expected to have capacity until early 2009 remains in use.

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

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

The petitioners have filed a Civil Petition for Leave to Appeal (“CPLA”) against the judgment and this will be heard by the Supreme Court to decide whether the appeal should be heard on its merits.

c) Equatorial Mining Limited – Errigal

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

26. 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 Limited. Under the terms of the acquisition agreement, the Group committed to meet in full the exploration and pre-feasibility costs relating to these properties. During the year the Group incurred US\$3.1 million (2006 – US\$1.5 million) of exploration and pre-feasibility costs in respect of these properties. The cumulative amount incurred to 31 December 2007 was US\$11.8 million (2006 – US\$8.7 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 year the Group contributed US\$15.1 million to Tethyan to provide funds for Tethyan’s on-going exploration programme. The balance due from Tethyan to Group companies at the end of the year was US\$2.2 million (2006 – nil).

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\$2.4 million (2006 – US\$0.4 million), as disclosed in the Consolidated Cash Flow Statement.

27. Currency translation

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

	Year end rates	Average rates
31.12.07	US\$1.9912 = £1; US\$1 = Ch\$497	US\$2.0004 = £1; US\$1 = Ch\$523
31.12.06	US\$1.9569 = £1; US\$1 = Ch\$532	US\$1.8386 = £1; US\$1 = Ch\$530

28. Distribution

The Annual Report and Financial Statements for the year ended 31 December 2007, together with the Notice of the 2008 Annual General Meeting, will be posted to all shareholders in April 2008. The Annual General Meeting will be held at Church House Conference Centre, Dean’s Yard, Westminster, London SW1P 3NZ at 10.30 a.m. on Wednesday, 11 June 2008.

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

(See notes following Note 29(b).)

a) Production and sales volumes for copper and molybdenum

	<u>Production</u>		<u>Sales</u>	
	Year ended 31.12.07 000 tonnes	Year ended 31.12.06 000 tonnes	Year ended 31.12.07 000 tonnes	Year ended 31.12.06 000 tonnes
Copper				
Los Pelambres	289.9	324.2	289.4	324.8
El Tesoro	93.0	94.0	93.3	95.3
Michilla	45.1	47.3	45.8	47.7
Group total	428.1	465.5	428.5	467.8
Molybdenum				
Los Pelambres	10.2	9.8	10.0	9.9

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

	<u>Cash costs</u>		<u>Realised prices</u>	
	Year ended 31.12.07 US cents	Year ended 31.12.06 US cents	Year ended 31.12.07 US cents	Year ended 31.12.06 US cents
Copper				
Los Pelambres	(10.8)	16.4	328.3	335.0
El Tesoro	109.8	78.6	327.6	316.4
Michilla	143.5	126.4	313.8	318.5
Group weighted average (net of by-products)	31.6	40.2	326.6	329.5
Group weighted average (before deducting by-products)	110.7	95.6		
Cash costs at Los Pelambres comprise:				
On-site and shipping costs	76.3	56.4		
Tolling charges for concentrates	29.6	39.7		
Cash costs before deducting by-product credits	105.9	96.1		
By-product credits (principally molybdenum)	(116.7)	(79.7)		
Cash costs (net of by-product credits)	(10.8)	16.4		
LME average			323.3	305.3
			US\$	US\$
Molybdenum				
Los Pelambres			31.7	24.6
Market average price			30.2	24.8

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. The Group owns 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 year.
- (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 68.0 cents per pound in 2006 to 90.6 cents per pound in 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 year 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 2006.
- (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 29(a) and the cash cost information in Note 29(b) is derived from the Group's production report for the fourth quarter of 2007, published on 31 January 2008.

30. 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 file financial statements under Chilean GAAP for the year ended 31 December 2007 with the Chilean securities regulator, the Superintendencia de Valores y Seguros de Chile ("SVS") on 28 March 2008. These filings are in accordance with the Chilean mining tax legislation which requires companies that have elected to enter a tax stability regime to publish financial information on a quarterly basis from the 2006 financial year.

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

(a) Balance sheets

	Los Pelambres At 31.12.07 US\$m	Los Pelambres At 31.12.06 US\$m	El Tesoro At 31.12.07 US\$m	El Tesoro At 31.12.06 US\$m	Michilla At 31.12.07 US\$m	Michilla At 31.12.06 US\$m
Cash and cash equivalents	164.2	485.3	534.3	219.0	43.1	69.5
Trade and other receivables	323.0	365.1	67.0	53.0	32.1	17.0
Inventories	74.6	46.6	37.0	53.8	16.3	18.1
Current and deferred tax assets	93.1	29.9	4.9	2.5	3.5	2.6
Current assets	654.9	926.9	643.2	328.3	95.0	107.2
Fixed assets	1,753.7	1,504.8	261.7	258.1	43.1	54.6
Other non-current assets	148.4	152.2	38.7	51.4	1.7	0.7
TOTAL ASSETS	2,557.0	2,583.9	943.6	637.8	139.8	162.5
Short term borrowings	(82.0)	(82.5)	(14.1)	(14.2)	-	-
Trade and other payables	(167.1)	(154.6)	(51.9)	(43.4)	(25.7)	(20.5)
Current and deferred tax liabilities	-	(110.7)	(4.0)	(36.0)	(9.0)	(15.5)
Current liabilities	(249.1)	(347.8)	(70.0)	(93.6)	(34.7)	(36.0)
Medium and long term borrowings	(153.3)	(234.8)	-	(14.0)	-	-
Trade and other payables	(15.9)	(12.2)	(8.0)	(6.5)	(8.7)	(7.5)
Deferred tax liabilities	(153.5)	(138.8)	(34.0)	(31.6)	-	-
Non-current liabilities	(322.7)	(385.8)	(42.0)	(52.1)	(8.7)	(7.5)
Total liabilities	(571.8)	(733.6)	(112.0)	(145.7)	(43.4)	(43.5)
Share capital	(373.8)	(373.8)	(91.0)	(91.0)	(78.4)	(78.4)
Reserves	(1,611.4)	(1,476.5)	(740.6)	(401.1)	(18.0)	(40.6)
Total shareholders' equity	(1,985.2)	(1,850.3)	(831.6)	(492.1)	(96.4)	(119.0)
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	(2,557.0)	(2,583.9)	(943.6)	(637.8)	(139.8)	(162.5)

(b) Income statements

	Los Pelambres	Los Pelambres	El Tesoro	El Tesoro	Michilla	Michilla
	Year ended	Year ended	Year ended	Year ended	Year ended	Year ended
	31.12.07	31.12.06	31.12.07	31.12.06	31.12.07	31.12.06
	US\$m	US\$m	US\$m	US\$m	US\$m	US\$m
Turnover	2,656.9	2,726.9	673.9	603.2	323.9	260.5
Operating costs	(470.9)	(403.7)	(244.1)	(178.6)	(157.7)	(142.3)
Operating margin	2,186.0	2,323.2	429.8	424.6	166.2	118.2
Administrative and distribution expenses	(92.9)	(77.1)	(31.3)	(27.2)	(15.4)	(13.2)
Operating profit	2,093.1	2,246.1	398.5	397.4	150.8	105.0
Other income	7.8	0.8	2.3	0.3	10.3	0.8
Financial income	29.9	36.1	22.4	4.8	3.6	1.9
Financial expenses	(18.1)	(21.9)	(2.0)	(3.0)	(0.2)	(0.3)
Other expenses	(2.3)	(2.0)	(5.2)	(2.1)	(9.3)	(0.6)
Exchange difference	30.4	4.7	1.2	1.5	0.8	0.7
Net non-operating income	47.7	17.7	18.7	1.5	5.2	2.5
Profit before tax	2,140.8	2,263.8	417.2	398.9	156.0	107.5
Income tax expense	(399.4)	(419.1)	(77.7)	(75.2)	(29.3)	(21.5)
Profit for the financial year	1,741.4	1,844.7	339.5	323.7	126.7	86.0

(c) Cash flow statements

	Los Pelambres	Los Pelambres	El Tesoro	El Tesoro	Michilla	Michilla
	Year ended	Year ended	Year ended	Year ended	Year ended	Year ended
	31.12.07	31.12.06	31.12.07	31.12.06	31.12.07	31.12.06
	US\$m	US\$m	US\$m	US\$m	US\$m	US\$m
Net cash flow from operating activities	1,662.8	1,896.8	359.5	352.2	135.0	112.0
Investing activities						
Additions to fixed assets	(303.4)	(442.2)	(30.2)	(13.7)	(11.4)	(7.8)
Disposals of fixed assets	7.3	1.4	-	-	0.3	0.1
Other loans to related companies	-	-	-	-	(0.9)	-
Net cash used in investing activities	(296.1)	(440.8)	(30.2)	(13.7)	(12.0)	(7.7)
Financing activities						
Dividends paid	(1,606.4)	(1,450.0)	-	(95.0)	(149.4)	(50.0)
Loans repaid	(81.4)	(81.4)	(14.0)	(28.0)	-	-
Net cash used in financing activities	(1,687.8)	(1,531.4)	(14.0)	(123.0)	(149.4)	(50.0)
Net (decrease)/increase in cash and cash equivalents	(321.1)	(75.4)	315.3	215.5	(26.4)	54.3
Cash and cash equivalents at the beginning of the year	485.3	560.7	219.0	3.5	69.5	15.2
Cash and cash equivalents at the end of the year	164.2	485.3	534.3	219.0	43.1	69.5

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 year ended 31 December 2007 to be filed with the SVS in Chile on 28 March 2008. Certain detailed lines in the individual statements have been combined.
- (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. 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 financial statements as filed with the SVS for each company shown in summary form above will be available on the Group's website www.antofagasta.co.uk after these have been filed.

31. Reconciliation of Chilean GAAP results to Turnover and EBITDA under IFRS for individual business segments

(a) Turnover

		Los Pelambres	Los Pelambres	El Tesoro	El Tesoro	Michilla	Michilla
	Notes	Year ended 31.12.07 US\$m	Year ended 31.12.06 US\$m	Year ended 31.12.07 US\$m	Year ended 31.12.06 US\$m	Year ended 31.12.07 US\$m	Year ended 31.12.06 US\$m
Chilean GAAP - Turnover		2,656.9	2,726.9	673.9	603.2	323.9	260.5
Mark-to-market of provisionally priced sales	29(i)	(5.0)	(25.6)	-	(0.2)	-	-
Reclassification of realised (gains)/losses on commodity derivatives to other operating expense/reserves	29(ii)	-	-	-	61.8	(7.1)	74.4
IFRS - Turnover		2,651.9	2,701.3	673.9	664.8	316.8	334.9

(b) EBITDA

		Los Pelambres	Los Pelambres	El Tesoro	El Tesoro	Michilla	Michilla
	Notes	Year ended 31.12.07 US\$m	Year ended 31.12.06 US\$m	Year ended 31.12.07 US\$m	Year ended 31.12.06 US\$m	Year ended 31.12.07 US\$m	Year ended 31.12.06 US\$m
Chilean GAAP - Operating profit		2,093.1	2,246.1	398.5	397.4	150.8	105.0
Depreciation & amortisation		78.5	72.2	41.3	35.3	23.0	15.2
Chilean GAAP - EBITDA		2,171.6	2,318.3	439.8	432.7	173.8	120.2
Mark-to-market of provisionally priced sales	29(i)	(5.0)	(25.6)	-	(0.2)	-	-
Mark-to-market of financial derivatives	29(ii)	-	0.3	-	17.0	(7.1)	34.8
Other IFRS and consolidation adjustments	29(iii)	11.4	4.0	(8.9)	6.5	2.5	3.4
IFRS - EBITDA		2,178.0	2,297.0	430.9	456.0	169.2	158.4

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. Mark-to-market adjustments in respect of tolling charges (whether positive or negative) are not taken into account. 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 for gross sales and mark-to-market adjustments are also recognised in respect of tolling charges.

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 loss of US\$5.1 million in respect of copper concentrate sales (principally in respect of tolling charges), and a credit of US\$0.1 million in respect of molybdenum concentrate sales. The adjustment in respect of El Tesoro and Michilla is nil.

- (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 relate mainly to amortisation of consolidation fair value adjustments and are not material either individually or in aggregate.