

30 July, 2009

## Highlights

- Group copper production was 106,300 tonnes in Q2 and 218,200 tonnes in the first half of the year, slightly ahead of budget. As expected, production decreased compared with H1 2008 mainly due to lower throughput partly offset by slightly higher ore grades and metallurgical recoveries at Los Pelambres.
- Molybdenum production at Los Pelambres was 2,000 tonnes in Q2 and 3,700 tonnes in the first half of the year, marginally below H1 2008 and in line with budget.
- Group cash costs remained constant in Q1 and Q2 at 97.5 cents per pound compared to 72.2 cents per pound in H1 2008. The increase compared with 2008 was mainly due to lower by-product credits as a result of reduced molybdenum market prices, partly offset by lower input costs.
- Costs excluding by-product credits were 116.0 cents per pound in H1 2009, compared with 130.6 cents per pound in the H1 2008. This reduction is a result of a general easing of market cost pressures compared with 2008, complemented by the thorough cost reduction programme implemented from the start of 2009.

Group Total	Q1 2009	Q2 2009	Q3 2009	Q4 2009	Acc 2009	Acc 2008	Full Year 2008
Total production of payable copper ('000 tonnes)	111.9	106.3			218.2	233.6	477.7
Total production of payable moly ('000 tonnes)	1.7	2.0			3.7	3.8	7.8
Weighted average cash costs before by-product credits (cents per pound)	112.1	120.0			116.0	130.6	129.3
Weighted average cash costs (cents per pound)	97.5	97.5			97.5	72.2	87.3

## Mining operations

### Los Pelambres

Los Pelambres produced 77,300 tonnes of payable copper in Q2 and 157,500 tonnes in the first half of 2009, 3.8% below the first half of last year, but ahead of budget. This decrease in production compared with H1 2008 was mainly due to lower plant throughput due to the higher level of harder primary ore, partly offset by slightly higher ore grades and improved metallurgical recoveries. The decreased production in Q2 compared to the 80,200 tonnes in Q1 reflected lower copper grades and recoveries, partially offset by higher throughput.

Molybdenum production was 2,000 tonnes in Q2 and 3,700 tonnes in the first half of 2009, in line with budget and comparable with the first half of last year. The increased production in Q2 compared to the 1,700 tonnes produced in Q1 reflected increased metallurgical recoveries and slightly improved ore grades.

Cash costs remained constant at 84.7 cents per pound in Q1 and Q2 2009, marginally below budget but 48.7 cents per pound above H1 2008. The increase compared to the first half of 2008 was mainly due to lower by-product credits per pound of copper produced as a result of lower molybdenum market prices. On-site and shipping costs decreased by 8.9 cents per pound compared to the first half of 2008., This was due to a

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reduction in shipping costs by 4.2 cents per pound as well as reductions in consumable costs, in particular energy and oil, reflecting lower price levels compared with H1 2008.

On site and shipping costs in Q2 were 94.2 cents per pound compared with 87.5 cents per pound in Q1 as a result of a higher level of planned maintenance work in April, which included replacement of the SAG mill lining, partly offset by lower costs of energy and explosives. Tolling charges in Q2 were 21.4 cents per pound compared with 17.6 cents per pound in the previous quarter, due to the slightly lower copper concentrate grade, and the terms that apply in the portfolio of shipments carried out during each quarter. These higher costs were offset by the increase in by-product credits per pound of copper produced from 20.4 cents per pound in Q1 to 30.9 cents per pound in Q2, principally due to the increase in molybdenum prices and volumes.

### ***El Tesoro***

Copper cathode production at El Tesoro was 19,700 tonnes in Q2 2009 and 40,100 tonnes during the first half of the year, below the first six months of 2008 and 5.6% below H1 2009 budget. The lower production in H1 2009, compared to H1 2008, was mainly due to lower ore grades and reduced metallurgical recoveries. Q2 production includes material processed from the Tesoro North-East deposit which started production in April 2009. Start-up of the Run-of-Mine (ROM) leaching of low-grade oxides from Esperanza has been delayed from Q2 to Q3, which also explains the lower production in Q2 compared to budget.

Cash costs in H1 2009 were broadly in line with budget at 122.8 cents per pound and decreased significantly compared with 138.5 cents per pound in H1 2008. This reduction is due to a combination of a decrease in consumable costs and the impact of the weaker Chilean peso, partly offset by lower production. Cash costs for Q2 were 121.3 cents per pound compared with 124.2 cents per pound for Q1.

### ***Michilla***

Michilla produced 9,300 tonnes of copper cathodes in Q2 2009, achieving a total of 20,600 tonnes during the first half of the year, which was slightly ahead of budget. The H1 2009 production was 10.8% below the 23,100 tonnes produced in H1 2008 with this expected reduction partly due to the decision in early 2009 to close the high cost Lince open pit in Q1. Q2 production was 18.4% lower than Q1 production of 11,400 tonnes mainly due to a reduction in ore grades reflecting a higher proportion of low-grade stockpile feed.

Cash costs were 146.5 cents per pound in the first half of the year, a 48.6 cents per pound reduction from the H1 2008 cash costs of 195.1 cents per pound. This was due to cost savings from the closure of the Lince open pit, reductions in consumable costs, and lower costs of purchased ore given the lower average copper price.

Cash costs for Q2 were 154.1 cents per pound compared with 140.3 cents per pound for Q1. This increase is due to the lower copper production combined with the impact of the stronger Chilean peso in the quarter and the higher cost of purchased ore.

## **Projects and exploration**

The plant expansion at Los Pelambres and the Esperanza project both remain on schedule. The Los Pelambres expansion is expected to be completed by the end of 2009 and the Esperanza project is expected to start production in late 2010. As announced in May, the Group has signed an agreement for US\$1,050 million of project financing for Esperanza. Financial closing and satisfaction of conditions to borrowing for this facility were achieved on 29 June 2009 and the first drawdown was made on 9 July 2009.

As previously announced, in March 2009 the Group entered into an agreement with Almaden Minerals Ltd to acquire an interest in the Tuligtic copper-gold project in Mexico. The drilling programme commenced in June 2009.

On 13 July the Group announced that it had exercised an option to acquire a 40% interest in Inversiones Hornitos S.A., which is constructing a 150 MW coal-fired power plant in Mejillones, in Chile's Antofagasta Region. GDF SUEZ will hold the remaining 60% interest. The Group will be responsible for its 40% share of the estimated total US\$0.4 billion development costs, including an initial payment to GDF SUEZ representing the Group's share of costs incurred to date.

## Commodity prices and exchange rates

The LME copper price averaged 212.1 cents per pound in Q2 2009, compared with 155.8 cents per pound in Q1 2009. The average price for the first half of 2009 was 183.5 cents per pound, compared with 367.8 cents per pound in H1 2008 and 315.3 cents per pound in the 2008 full year. The LME spot copper price at the end of Q2 2009 was 231.7 cents per pound.

The market molybdenum price averaged US\$9.2 per pound in Q2 2009, compared with US\$8.9 per pound in Q1 2009. The average price for the first half of 2009 was US\$9.1 per pound, compared with US\$33.1 per pound in H1 2008 and US\$28.9 per pound in the 2008 full year. The average market molybdenum price for June 2009 was US\$10.3 per pound.

The realised copper and molybdenum prices which the Group will recognise for its sales in the first half will differ from the average market prices shown above because, in line with industry practice, sales agreements generally provide for provisional pricing at the time of shipment with final pricing based on the average market price for the month in which settlement takes place. The typical period for which sales remain open until settlement occurs for copper concentrate sales is approximately four months from shipment date, for copper cathode sales approximately one month from shipment, and for molybdenum sales approximately three months from shipment. Additionally, under IFRS open sales are marked to market at the end of each period through adjustments to turnover in the income statements using forward prices in the case of copper concentrate and copper cathode sales and period-end prices for molybdenum sales. In accordance with normal practice, these adjustments will be reported for the first half when the Group reports its half yearly financial report on 26 August 2009.

The Chilean peso / US dollar exchange rate averaged Ch\$567.4 / US\$1 in Q2 2009, compared with Ch\$607.1 / US\$1 in Q1 2009. The average exchange rate for the first half of 2009 was Ch\$587.6 / US\$1, compared with Ch\$467.0 / US\$1 in H1 2008 and Ch\$521.8 / US\$1 in the 2008 full year. The exchange rate at 30 June 2009 was Ch\$531.8 / US\$1.

## Transport

Both the rail and the road businesses performed strongly in H1 2009 with total rail and road volumes transported increasing by 18.5% compared with H1 2008, primarily because of the San Cristobal and Gaby contracts which achieved full tonnage volumes in the second half of 2008.

## Water

The water business performed well in the first half of the year. Volumes sold during this period increased by 5.1% in comparison with H1 2008, reaching 22,058 million cubic metres. This was due to increased demand from both domestic and industrial clients.

The totals in the tables below may include some small apparent differences as the specific individual figures have not been rounded.

Los Pelambres	Q1 2009	Q2 2009	Q3 2009	Q4 2009	Acc 2009	Acc 2008	Full Year 2008
<b>Production statistics</b>							
Daily average ore treated ('000 tonnes)	131.5	132.6			132.0	141.5	136.8
Average ore grade (%)	0.77	0.72			0.74	0.72	0.76
Average recovery (%)	93.2	91.9			92.6	91.5	92.1
Concentrate produced ('000 tonnes)	249.1	243.2			492.4	571.1	1,135.2
Average concentrate grade (%)	33.9	32.9			33.4	29.9	30.9
Fine copper in concentrate ('000 tonnes)	83.0	80.1			163.1	169.7	351.1
Payable copper in concentrate ('000 tonnes)	80.2	77.3			157.5	163.8	339.2
Average moly ore grade (%)	0.019	0.020			0.019	0.018	0.019
Average moly recovery (%)	79.7	83.2			81.5	77.2	80.1
Payable moly ('000 tonnes)	1.7	2.0			3.7	3.8	7.8
<b>Cash costs statistics</b>							
On-site and shipping costs (cents per pound)	87.5	94.2			90.8	99.7	99.5
Tolling charges for concentrates (cents per pound)	17.6	21.4			19.4	19.7	17.0
By - product credits (cents per pound) <sup>(1)</sup>	(20.4)	(30.9)			(25.6)	(83.5)	(59.2)
Cash costs (cents per pound)	84.7	84.7			84.7	36.0	57.3

<sup>(1)</sup> By-products credits do not include any costs attributable to the production of molybdenum concentrate. By-product calculations also do not take into account unrealised mark-to-market gains at the beginning or end of each period.

El Tesoro	Q1 2009	Q2 2009	Q3 2009	Q4 2009	Acc 2009	Acc 2008	Full Year 2008
Daily average ore treated ('000 tonnes)	28.2	27.5			27.9	28.8	28.5
Average ore grade (%)	1.04	1.17			1.10	1.16	1.16
Average recovery (%)	74.4	70.7			72.5	76.1	74.7
Copper cathodes ('000 tonnes)	20.4	19.7			40.1	46.6	90.8
Cash costs (cents per pound)	124.2	121.3			122.8	138.5	144.7

Michilla	Q1 2009	Q2 2009	Q3 2009	Q4 2009	Acc 2009	Acc 2008	Full Year 2008
Daily average ore treated ('000 tonnes)	14.7	14.8			14.8	15.8	15.5
Average ore grade (%)	1.09	0.88			0.99	1.01	1.06
Average recovery (%)	78.8	77.6			78.3	80.6	80.4
Copper cathodes <sup>(2)</sup> ('000 tonnes)	11.4	9.3			20.6	23.1	47.7
Cash costs (cents per pound)	140.3	154.1			146.5	195.1	191.1

<sup>(2)</sup> Copper production volumes at Michilla mainly comprise LME Grade A cathodes, with a small volume of other fine copper material.

Transport	Q1 2009	Q2 2009	Q3 2009	Q4 2009	Acc 2009	Acc 2008	Full Year 2008
Rail tonnage transported ('000 tons) <sup>(3)</sup>	1,548	1,545			3,093	2,624	5,644
Road tonnage transported ('000 tons) <sup>(3)</sup>	358	350			708	584	1,353

<sup>(3)</sup> Rail tonnages are the aggregate of the volumes of the FCAB rail network in Chile and the Andino rail network in Bolivia. Shipments from customers which are carried on both networks are included in both the FCAB and Andino volumes which are combined to calculate the total rail tonnages shown above. Similarly, shipments which are carried by rail and by road are included in both the rail and road volumes shown above.

Water	Q1 2009	Q2 2009	Q3 2009	Q4 2009	Acc 2009	Acc 2008	Full Year 2008
Water volume sold – potable and untreated ('000 m <sup>3</sup> ) <sup>(4)</sup>	11,187	10,870			22,058	20,991	42,674

<sup>(4)</sup> Water volumes include water transportation of 343,000 m<sup>3</sup> in Q1 and 301,000 m<sup>3</sup> in Q2 (353,000 m<sup>3</sup> in Q1 2008; 333,000 m<sup>3</sup> in Q2 2008 and total for 2008 of 1,351,000 m<sup>3</sup>).