Preliminary Results Announcement for the year ended 31 December 2008

10 March 2009

HIGHLIGHTS

FULL YEAR TO 31 DECEMBER		2008	2007	% Change
Group turnover	US$'m	**3,372.6**	3,826.7	(11.9)
Cash flows from operations	US$'m	**2,454.3**	2,817.7	(12.9)
Net earnings[1]	US$'m	**1,706.5**	1,382.1	23.5
Net earnings[1] excluding exceptional items[2]	US$'m	**842.9**	1,382.1	(39.0)
Earnings per share	cents	**173.1**	140.2	23.5
Earnings per share excluding exceptional items[2]	cents	**85.5**	140.2	(39.0)
Net cash at year end	US$'m	**2,919.1**	1,946.5	50.0
Total dividend per share for the year[3]	cents	**60.0**	49.6	21.0
(Ordinary: 2008 – 9.0 cents; 2007 – 8.6 cents; up 4.7%) (Special: 2008 – 51.0 cents; 2007 – 41.0 cents; up 24.4%)				
Average LME copper price (per pound)	cents	**315.3**	323.3	(2.5)
Group copper production	'000 tonnes	**477.7**	428.1	11.6
Group weighted average cash costs[4] (net of by-product credits)	cents	**87.3**	31.6	176.3
Group weighted average cash costs[4] (excluding by-product credits)	cents	**129.3**	110.7	16.8
Market molybdenum price (per pound)	US$	**28.9**	30.2	(4.3)
Group molybdenum production	'000 tonnes	**7.8**	10.2	(23.5)

See footnotes on following page.

- **Solid financial performance with net earnings[1] up 23.5% to US$1,706.5 million compared with US$1,382.1 million in 2007,** as the Group benefited in the year from the inclusion of Marubeni Corporation as a partner in the Sierra Gorda district**.** Excluding exceptional items relating to the gain on this transaction less impairment provisions, net earnings were US$842.9 million, reflecting lower commodity prices and significant pricing adjustments on close out and mark-to-market of provisional sales.

- **Total dividends for the year including special dividends of 60.0 cents per share compared with 49.6 cents in 2007, representing an increase of 21.0%.** The final dividend proposed for 2008 is 53.6 cents, comprising an ordinary dividend of 5.6 cents per share and a special dividend of 48.0 cents per share.

- **Strong financial position.** The Group's net cash position of US$2.9 billion at the end of 2008 means it is well placed to progress with its existing development and longer term growth plans in the current challenging economic environment, and to take advantage of opportunities which may arise.

- **Strong operating performance.** Copper production was 477,700 tonnes, an 11.6% increase over 2007. Molybdenum production was 7,800 tonnes, 23.5% below 2007 but ahead of budget. For 2009, copper and molybdenum production are expected to be 433,000 tonnes and 8,100 tonnes respectively.

- **Lower operating costs expected for 2009.** Weighted average cash costs excluding by product credits for 2008, which peaked in the third quarter, were 129.3 cents per pound. These are expected to reduce by approximately 15% to 110 cents per pound in 2009, similar to levels achieved in 2007. Cash costs net of by-product credits are expected to be approximately 94 cents per pound in 2009.

- **Continued progress with capital projects.** Construction of the Mauro tailings dam at Los Pelambres was completed in November and the facility is now in operation. The plant expansion at Los Pelambres and the Esperanza project remain on schedule for completion for the end of 2009 and the end of 2010 respectively, with Group copper production in 2011 expected to be nearly 700,000 tonnes. Feasibility studies remain in progress at Reko Diq in Pakistan and Antucoya in Chile.

- **Increased potential through successful exploration.** The resource estimate at Los Pelambres has been increased to 4.9 billion tonnes from the previous 2.9 billion tonnes, while in the Sierra Gorda district Esperanza and El Tesoro have combined resources of 1.5 billion tonnes. Encouraging results at Caracoles and other targets underline further the potential of the Sierra Gorda district where the mineral inventory is estimated to be in the range of 2.2 to 3.4 billion tonnes. During 2008, the Group also entered into mineral exploration agreements in Chile and Zambia as well as for geothermal energy resources in Chile.

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

"2008 was a successful year for the Group with sound operating and financial performance across business units. However, the sharp deterioration in the global economic environment has had a significant impact on commodity markets, particularly affecting our results in the second half of 2008. These conditions are likely to continue well into 2009 and we have responded to this by managing our costs and production as necessary. During the year, a new seven-year strategic plan was approved by the Board for the Group's mining business. Our financial position remains very strong and we are well placed to continue with our existing development plans, longer-term prospects and search for attractive opportunities for further growth."

1 *Net earnings refer to profit for the financial year attributable to equity holders of the Company.*

2 *Exceptional items included in the consolidated income statement in respect of 2008 comprise: (i) an impairment charge of US$188.3 million before tax relating to property, plant and equipment at El Tesoro and Michilla; and (ii) a profit of US$1,024.9 million before tax relating to the sale of a 30% interest in the Esperanza project and the El Tesoro mine to Marubeni Corporation. Further details of these exceptional items are set out in Note 3.*

3 *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 2009.*

4 *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 32(b)(iii).*

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DIRECTORS' COMMENTS FOR THE YEAR TO 31 DECEMBER 2008

Overview

The Group delivered a strong operating and financial performance for the 2008 financial year, despite the sharp deterioration in commodity prices through the second half of the year. Net earnings were up 23.5% to US$1,706.5 million from US$1,382.1 million in 2007, as the Group benefited from the gain realised through introducing Marubeni Corporation as a partner in the Sierra Gorda district by selling 30% of Esperanza and El Tesoro, as announced in April 2008. Excluding exceptional items, which relate to the disposal gain partly offset by impairment provisions, net earnings were US$842.9 million (2007 – US$1,382.1 million) reflecting lower commodity prices in the second half and significant pricing adjustments on concentrate sales. Cash flows from operations (which do not include disposal proceeds of US$1,401.2 million) were US$2,454.3 million, compared with US$2,817.7 million in 2007. At the end of 2008, the Group had a net cash position of US$2,919.1 million.

Group copper production was 477,700 tonnes, an increase of 11.6% over 2007 and ahead of the original forecast for the year of 463,000 tonnes. This was mainly due to higher plant throughput and better ore grades at Los Pelambres. Molybdenum production at Los Pelambres was 7,800 tonnes, a decrease of 23.5% compared with 2007 when a high grade area of the open pit had been mined, but 14.7% above forecast for the year. At the transport division, rail tonnages increased by 12.7% to 5.6 million tons through the ramp-up of new projects in northern Chile and Bolivia while road tonnages remained at similar levels of 1.4 million tons. Volumes sold at the water division increased by 7.1% to 42.7 million cubic metres, reflecting increases in both domestic and industrial sales.

Nevertheless, results in the second half of the year were significantly affected by the sudden weakening of commodity markets as much of the developed world moved into recession matched by slower growth in many emerging economies, particularly in China. This was accentuated by a reduction in the level of financial investment in commodities. While LME copper prices for 2008 averaged 315.3 cents per pound, only 2.5% below 2007, spot prices fell nearly 67% from just under 400 cents at the end of June to just over 130 cents at the end of December. Similarly, molybdenum prices for 2008 averaged US$28.9 per pound, 4.3% below 2007, but fell from US$32.3 per pound at the end of September to US$9.5 per pound at the end of the year. These sharp falls have resulted in significant negative close out and mark-to-market adjustments to copper and molybdenum concentrate sales (which are typically subject to final pricing a number of months after shipment); consequently realised prices for copper and molybdenum sales were 266.7 cents per pound and US$23.9 per pound respectively, significantly below the average market prices for the year. Consensus estimates are that global economic activity is likely to remain weak well into 2009 and possibly 2010, and the effect this will have on metals demand and hence commodity prices will clearly affect Group performance in 2009.

Weighted average cash costs per pound of copper produced were 87.3 cents per pound in 2008, compared with 31.6 cents per pound in 2007. This increase reflects lower by-product credits as a result of lower molybdenum volumes and prices, as well as increased on-site and shipping costs in line with forecast at the Group's three mines as a result of industry cost pressures before markets turned later in the year. These pressures included energy, fuel and sulphuric acid prices and freight costs. Excluding by-products, weighted average cash costs were 129.3 cents per pound in 2008 compared with 110.7 cents in 2007. Cash costs appeared to have peaked, with costs at both El Tesoro and Michilla starting to reduce in the fourth quarter of the year. As detailed below, the Group has taken a number of measures to reduce costs and eliminate unprofitable production, such as the closure of the Lince open pit at Michilla, and together with easing of supply constraints, this is expected to reduce on-site and shipping costs at all three mines in 2009. The Group expects to produce 433,000 tonnes of copper and 8,100 tonnes of molybdenum through its existing operations, at weighted average cash costs excluding by-product credits of approximately 110 cents per pound.

Despite the significantly weaker near-term macro-economic outlook and the impact this has had on commodity prices, the Group considers the long-term prospects for copper demand to remain sound as industrialisation of developing economies continues to generate demand growth and the cost structure of the industry continues to be supported by the higher marginal cost of new production. In the fourth quarter of 2008, the Board approved a strategic plan for the development of the Group's mining businesses for the period 2009 to 2015. This is built on three key pillars: securing and strengthening the core business of the Group, comprising its operations and development projects including the Los Pelambres expansion and Esperanza; continuing to grow this core business in a sustainable manner in the longer-term with particular focus on the significant Sierra Gorda and Los Pelambres districts; and finally continuing to develop and search for additional opportunities including early stage growth in copper both in Chile and abroad, such as the Group's interest in the prospective Reko Diq joint venture in Pakistan. The Board considers that the Group's strong financial position, the quality of its existing assets and the strength of its experienced management teams leaves it well placed to progress with these objectives despite the current challenging macro-economic environment. 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 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.

In addition to the sound performance of its existing operations, the Group made continued progress with its committed development plans during the year. The US$2.2 billion Esperanza project received environmental approval in June and remains on schedule with first production expected at the end of 2010. During 2008, the Group also entered into an agreement with Marubeni Corporation ("Marubeni") whereby Marubeni entered as an investment partner in the Sierra Gorda district by acquiring a 30% interest in both the Esperanza project and the El Tesoro mine and agreeing to fund its 30% share of the development costs of the Esperanza project. Completion of this agreement was reached on 25 August, with a final consideration received of US$1,401 million. At Los Pelambres, the Mauro tailings dam is now operational following completion of construction in November 2008 and resolution through settlement of the outstanding litigation concerning the validity of water permits and land title during the year. A further plant upgrade which is within existing environmental permits was approved by the Los Pelambres board in July 2008 at a total estimated capital cost of US$1.0 billion, and this is expected to result in additional production from early 2010. When fully operational, the Esperanza project and the plant upgrade at Los Pelambres are expected to lift annual Group copper production to nearly 700,000 tonnes, an increase of more than 60% from expected 2009 levels.

During 2008, the Group also progressed with its exploration programme to enhance its existing position in the Sierra Gorda and Los Pelambres districts. In the Sierra Gorda district, further drilling was carried out at Telegrafo (which is owned through Esperanza) and Caracoles (which is now wholly-owned by the Group). A further prospect known as Mirador was also identified and further exploration is planned for 2009. Total resources in the Sierra Gorda district, including Esperanza and El Tesoro, are estimated to exceed 3 billion tonnes. At Los Pelambres, the evaluation of the drilling programme started in 2006 has been completed with an increase in total resources to 4.9 billion tonnes. A feasibility study is also in progress at Antucoya, a low grade deposit which could eventually provide material to be processed by Michilla's plant.

The Group has also continued with its other early stage opportunities and prospects. During 2008, a feasibility study was initiated at the Reko Diq joint venture in Pakistan and this is expected to be completed in the second half of 2009. The Group also signed exploration agreements to acquire interests in two prospecting licences in Zambia, an interest in the Rio Figueroa deposit in Chile and to explore for geothermal energy resources in Chile. It is continuing with an active target generation programme to identify further opportunities.

The Board has recommended a final dividend for 2008 of 53.6 cents per ordinary share, which amounts to US$528.4 million and if approved at the Annual General Meeting, will be paid on 11 June 2009. This comprises an ordinary dividend of 5.6 cents and a special dividend of 48.0 cents. This gives total dividends for the year of 60.0 cents, amounting to US$591.4 million representing a distribution of 35% of 2008 net earnings and compares with 49.6 cents per share in 2007. The Board believes this combines the Group's desire to continue to return cash to shareholders with regard to Group performance with the ability to develop the Group's existing portfolio for growth and take advantage of opportunities that may arise.

Review of operations

Los Pelambres

Los Pelambres produced 339,200 tonnes of payable copper in 2008. This was 2.8% ahead of the original forecast for the year of 330,000 tonnes and 17.0% above 2007 production of 289,900 tonnes. This was mainly as a result of higher ore throughput and better ore grades. Ore throughput averaged 136,800 tonnes per day (2007 – 126,300 tonnes per day) due to the lower proportion of primary ore treated in the year, while the ore grade in the area of the open pit mined during the year was 0.76% (2007 – 0.71%). Molybdenum production was 7,800 tonnes, 23.5% below the 10,200 tonnes produced in 2007. The decrease compared with 2007 was mainly due to a reduction in molybdenum grades under the current phase of the mine plan following the extraction of ore from a higher grade area during the previous two years. Production was nevertheless 14.7% ahead of the initial forecast for the year.

Realised copper prices at Los Pelambres were 246.5 cents per pound (2007 – 328.3 cents per pound), significantly lower than the average LME price for the year of 315.3 cents per pound (2007 – 323.3 cents per pound). Realised molybdenum prices were US$23.9 per pound (2007 – US$31.7 per pound) which compared with an average market price of US$28.9 per pound (2007 – US$30.2 per pound). The decrease in realised prices for both copper and molybdenum was due mainly to the sharp fall in market prices through the second half of the year (resulting in a year-end spot price of 131.6 cents per pound for copper and US$9.5 per pound for molybdenum) and the consequent negative adjustments to provisionally priced concentrate sales. The cumulative negative impact of such adjustments in the full year was US$541.9 million for copper and US$101.2 million for molybdenum, reflecting both the settlement of open sales in the year and year-end mark-to-market adjustments. Further details of pricing adjustments for both copper and molybdenum are given in the Financial Commentary on page 15 and in Note 5(a) to the preliminary results announcement.

Cash costs for the 2008 full year which are stated net of by-product credits and include tolling charges, were 57.3 cents per pound compared with negative 10.8 cents per pound for 2007, an increase of 68.1 cents per pound. This was mainly due to lower by-products credits and to a lesser extent higher on-site and shipping costs, partly offset by lower tolling charges. By-product credits decreased by 57.5 cents in 2008. This was due to both lower molybdenum market prices (including the impact of provisionally priced sales as explained above) as well as the lower molybdenum volumes. The increase in on-site and shipping costs of 23.2 cents was largely in line with budget, reflecting the increased costs of electricity, shipping and steel during the year. Tolling charges decreased by 12.6 cents per pound partly due to the more favourable annual treatment and refining charges achieved in the negotiations with smelters in the 2008 calendar year, together with continued benefit from nil price participation first achieved in 2007 as a result of the "brick system" under which the annual terms agreed are often averaged over two years. The individual components of Los Pelambres' cash costs are set out in Note 32(b) to the preliminary results announcement.

Los Pelambres achieved an operating profit of US$1,347.7 million in 2008, 35.8% below 2007, as lower realised copper and molybdenum prices, higher on-site and shipping costs and lower molybdenum production offset the benefits of higher copper production and lower tolling charges in the year.

During 2008, Los Pelambres continued with regular repayments of US$81.4 million on its existing borrowings. In December, short-term facilities for US$224.0 million were taken out in order to meet working capital requirements including repayments to smelters on final settlement of provisional invoices. Total borrowings (net of deferred financing costs) at the end of 2008 were US$376.6 million (2007 – US$233.7 million).

Continued progress was also achieved with Los Pelambres' capital expenditure programmes, which are presently being financed out of its cash resources. Total capital expenditure in 2008 was US$463.9 million, including expenditures on the Mauro tailings dam project and the expansion of throughput capacity to 175,000 tonnes per day.

During 2008, Los Pelambres completed construction of the Mauro tailings dam, which commenced operation in November. The cumulative expenditure on this project by the end of 2008 was US$633.3 million, which included US$107.2 million during the year. The tailings dam will provide sufficient capacity to ensure Los Pelambres' mine life of 28 years based on the expanded throughput given that the existing Quillayes tailings dam has now reached capacity. During the year, Los Pelambres also settled outstanding litigation relating to the Mauro dam concerning the validity of water permits and land title at a combined cost of US$46 million. A full description of these cases is given in Note 26(a). The settlement of these cases allowed construction to be completed as described above and for the tailings dam to be put into operation. As previously announced in December, Los Pelambres became aware of further legal proceedings which had been recently initiated in first instance courts in Santiago and in Los Vilos by certain members of the Caimanes community located near the Mauro valley. These claims, some of which have already been rejected by the relevant courts, seek to prevent the continued operation of the Mauro tailings dam. Los Pelambres is taking necessary steps to protect its position and remains confident of its rights to continue the operation of the dam.

Following the completion of a feasibility study in 2007 and expenditures on early works, Los Pelambres approved a further upgrade of its plant capacity in July 2008 through additional infrastructure including a third SAG mill and sixth ball mill. The repowering is within existing environmental permits and when completed is expected to increase production of payable copper by an annual average of 90,000 tonnes over the first 15 years from early 2010. The total cost of this project is expected to be approximately US$1.0 billion including escalation. Cumulative expenditure on this project to the end of 2008 was US$324.3 million of which US$272.7 million was incurred in 2008. At the end of 2008, the project was approximately one-third complete and remains on budget and on schedule for completion at the end of 2009.

As explained below, Los Pelambres also completed the evaluation of a two-year exploration programme which commenced in 2006 which has resulted in an increase of the mineral resource from 2.9 billion tonnes to 4.9 billion tonnes. This will present opportunities for longer-term planning either by providing additional material in future years when grades at the existing open pit decline or by enabling Los Pelambres to consider possibilities for long-term future growth.

In 2009, the ore processing level is expected to decrease to approximately 127,000 tonnes per day and the ore grade is expected to average 0.70%, as the mine encounters a phase of harder primary ore and lower grades. Accordingly, production of payable copper is expected to be approximately 300,000 tonnes, 11.6% lower than that achieved in 2008 but similar to the level achieved in 2007. Molybdenum production is expected to be marginally higher than 2008 at 8,100 tonnes, as higher molybdenum grades of approximately 0.022% are expected to offset the lower ore throughput.

On-site and shipping costs are expected to decrease in 2009 to approximately 87 cents per pound compared with 99.5 cents in 2008 as lower energy and fuel costs, the weaker Chilean peso and other cost savings offset the impact of lower production on operating costs. Tolling charges are expected to increase slightly to approximately 18 cents compared with 17 cents in 2008, with the higher benchmark for 2009 partly offset by the averaging effect of the brick system and the impact of the lower copper price on price-sharing arrangements in some contracts. Cash costs before by-product credits are, therefore, expected to fall to 104 cents per pound compared to 116.5 cents per pound in 2008. By-product credits are nevertheless expected to reduce sharply, given lower current molybdenum prices. Based on a molybdenum price of approximately US$8 per pound, by-product credits are expected to be around 23 cents per pound giving net cash costs of approximately 81 cents per pound compared with 57.3 cents in 2008.

From 2010, copper production is expected to increase to approximately 410,000 tonnes for a number of years from the combination of increased throughput when the plant expansion is completed and some recovery in copper grades, before reducing in line with the mine plan as grades eventually decline, with a long-term average under the existing mine plan of 0.64%.

El Tesoro

Production at El Tesoro for 2008 was 90,800 tonnes which was marginally ahead of the original forecast for the year. This compared with 93,000 tonnes in 2007 reflecting expected reductions in ore grades and lower metallurgical recoveries, partly offset by higher throughput. Plant throughput averaged 28,500 tonnes per day compared with 26,800 tonnes per day in 2007 when processing levels had been affected by the high moisture content in the ore, a problem that was resolved through modifications to the production process at the end of that year. The ore grade averaged 1.16%, slightly ahead of budget but lower than 1.23% in 2007 when a higher grade section of the open pit had been mined.

Cash costs for the year averaged 144.7 cents per pound in line with forecast, compared with 109.8 cents per pound in 2007. The increase was due mainly to higher sulphuric acid costs (which contributed to 21.3 cents per pound of this increase) and higher energy and fuel costs (which contributed to 12.7 cents per pound of the increase). Average acid prices doubled as a result of the tight market and limited availability for the majority of the year. As previously explained, like many other companies in the region, El Tesoro renegotiated its energy contract during 2007 to absorb the higher generation costs faced by suppliers, and continued increases in diesel and gas prices resulted in higher electricity tariffs. These costs, which peaked in the third quarter of the year, have since started to decline.

Realised copper prices at El Tesoro were 315.6 cents per pound compared with 327.6 cents per pound in 2007, broadly in line with the movement in LME prices. During 2008, cathode premiums, realised gains on commodity hedge instruments and timing differences in shipments through the year offset the negative effect of provisional pricing adjustments on cathode sales. Further details of the effects of commodity hedging instruments in place are given in the financial commentary under "Derivative Financial Instruments" and in Note 5(b) to the preliminary results announcement.

Operating profit at El Tesoro was US$124.9 million (US$284.9 million before impairment charges) compared with US$380.3 million in 2007. Excluding impairment charges, this represented a decrease of 25.1%, reflecting the combination of lower realised copper prices and higher cash costs. As explained in Note 3, an impairment charge of US$160.0 million was booked a result of the weaker economic environment.

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

Capital expenditure in the year was US$125.7 million. This included US$69.3 million related to pre-stripping at the Tesoro North-East satellite deposit located approximately one kilometre from the existing open pit and US$22.3 million related to expenditures required to enable the processing of the Esperanza low-grade oxide ores through a run-of-mine operation. These projects have a total estimated combined capital cost of approximately US$150 million with the remainder to be incurred in the first half of 2009. As explained below, these projects mitigate the decline in grades that would otherwise occur from mining exclusively from the open pit and extend the mine life to 2020.

Outstanding corporate loans at El Tesoro of US$14.0 million at the beginning of 2008 were fully repaid in the first half of the year, with minor leasing obligations of US$0.4 million outstanding at the end of 2008.

For 2009, cathode production is expected to be approximately 95,000 tonnes as the processing of a greater volume of ore from the higher grade Tesoro North-East deposit and the dump-leaching of ore from the oxide cap at Esperanza, both from the second quarter of the year, are expected to offset lower production from the existing open-pit. Average ore grades are expected to decrease to approximately 1.08% with the inclusion of lower grade material from Esperanza.

El Tesoro announced in January 2009 that it had taken a number of steps to minimise costs to respond to the significant weakening in the copper market in the second half of 2008; these include renegotiation of sulphuric acid and other contracts where possible to benefit from the weaker market as well as deferral of waste removal not required for current production to minimise the volume of material moved at the open pit. The latter measure has resulted in a reduction in the workforce at El Tesoro of approximately 50 employees. El Tesoro should also benefit from the weaker Chilean peso and lower energy costs reflecting recent falls in diesel and gas prices. These factors should help offset the higher costs associated with the run-of-mine operation, and cash costs at El Tesoro for 2009 are expected to average approximately 116 cents per pound, a reduction of approximately 20%. Capital expenditure in 2009 is estimated at approximately US$80 million, including approximately US$60 million to complete the run-of-mine project.

El Tesoro should be able to maintain annual production at approximately 90,000 tonnes till at least 2011, when lower ore grades under the existing mine plan cause output to decrease. As explained under "Exploration" below, the Group has an on-going exploration programme in the Sierra Gorda district to identify further oxide deposits that could in future years provide additional ore to the El Tesoro plant.

Michilla

Cathode production at Michilla in the year reached 47,700 tonnes, 5.8% above 2007 production of 45,100 tonnes and 10.9% above the original forecast in the year of 43,000 tonnes through the combined effect of better throughput, ore grades and recoveries. Ore throughput averaged 15,500 tonnes per day compared to 14,800 tonnes in 2007 when some disruption occurred as a result of the earthquake in northern Chile in November of that year. Ore grades were 1.06% compared with 1.03% in 2007.

Cash costs for 2008 were 191.1 cents per pound, in line with the original forecast for the year but higher than the 143.5 cents per pound in 2007. Like El Tesoro, sulphuric acid and energy costs rose significantly; these contributed 10.5 cents and 18.1 cents respectively. Michilla purchases a portion of the ore which it processes through its plant from independent contractors in its vicinity and the price paid for such materials is based partly on the market value of the contained copper. High copper prices in the year accordingly resulted in higher materials cost, contributing 20.3 cents to the higher cash costs. Nevertheless, with the weakening commodity environment in the second half of 2008, cash costs have started to decline, falling to 172.8 cents per pound in the fourth quarter. As explained below, the Group expects to further reduce costs in 2009.

Realised copper prices in the period were 317.7 cents per pound (2007 – 313.8 cents per pound). In 2008, cathode premiums and realised gains on commodity hedge instruments offset the negative effect of provisional pricing adjustments on cathode sales, and consequently realised prices were marginally above the average LME price for the year. In contrast, in 2007 the realised price was below the average LME price mainly due to realised losses on commodity hedge instruments for that year. Further details of the effects of commodity hedging instruments in place are given in the financial commentary under "Derivative Financial Instruments" and in Note 5(b) to the preliminary results announcement.

Operating profit in 2008 at Michilla was US$71.3 million (US$99.6 million before impairment charges) compared with US$154.0 million in 2007. Excluding impairment charges, this represented a decrease of 35.3%, reflecting lower realised copper prices and higher cash costs, partly offset by higher cathode production. As explained in Note 3, an impairment charge of US$28.3 million was booked as a result of the weaker economic environment and Michilla's potentially short remaining mine life.

In 2009, Michilla will continue mining its underground operation and processing of third part materials but will cease operations at the higher cost Lince open pit mine. Consequently, cathode production in 2009 is expected to be approximately 38,000 tonnes compared with 45,000 tonnes had the open pit remained in operation. The reduction in costs through the cessation of the open pit, combined with lower energy costs, the weaker Chilean peso and lower costs of purchased ore as a result of the fall in the copper price should enable cash costs to average approximately 137 cents per pound for 2009.

Michilla's current mine plan extends to the end of 2009. The Group has also been examining options for the possible extension of its mine life, which include an evaluation of existing resources for inclusion as additional ore reserves and the possibility of eventually processing enriched copper solution from Antucoya, which is currently undergoing a feasibility study as explained below. A decision is expected to be taken in the course of this year and will depend on expected future operating costs and expected future copper prices.

Railway and other transport services

In Chile, the Antofagasta Railway Company's ("FCAB") main business continues to be the transport of copper cathodes from and sulphuric acid to mines in the Antofagasta Region, one of the main copper mining districts in the world. It has benefited in recent years from the new mines and expansions of existing mines. FCAB's trucking service, Train Ltda., is a key part of FCAB's bi-modal transport service. Train Ltda.'s main business continues to be the transport of sulphuric acid from transfer terminals operated by FCAB, as well as other supplies such as the transport of quicklime from Inacesa's cement plant to various mines. In Bolivia, FCAB has a 50% controlling interest in the Ferrocarril Andino, with the remainder held by Bolivian pension funds. The Ferrocarril Andino connects to the Chilean network at Ollague.

The rail businesses in Chile and Bolivia produced another strong operational performance, with combined volumes of 5.6 million tons transported compared with 5.0 million tons in 2007, which itself had been a record year. This was driven by the continued ramp up of Apex Silver's San Cristobal mine in Bolivia which benefited both the Chilean and Bolivian rail networks and to a lesser extent the start-up of Codelco's Gaby mine which contributed to rail tonnages in the second half of the year. These helped offset minor variations from existing customers as a result of continuing production disruptions at mines in the early part of the year, and the loss of tonnages from some smaller contracts which ended in 2007. Train Ltda., FCAB's trucking subsidiary, maintained tonnages at 1.4 million tons, a marginal increase over the 1.3 million tons moved in 2007.

Combined turnover at the transport division increased by 29.1% in 2008 to US$151.0 million (2007 – US$117.0 million). This exceeded the increase in tonnages described above for a number of reasons, including an increase in average haulage distances due to the location of new customers, tariff adjustments in line with equivalent cost increases relating to inflation and fuel and to a lesser extent guaranteed payments under some contracts in the first half of the year where minimum tonnages were not met. As a result, operating profit increased to US$50.4 million (2007 – US$35.0 million).

The Antofagasta port, which is managed by the Group's 30% associate investment Antofagasta Terminal Internacional S.A. ("ATI") retained its cargo and increased tonnages despite continued competition from the port of Mejillones. It continued to perform well and contributed US$2.3 million to Group results compared with US$1.4 million in 2007. ATI is a strategic investment for FCAB and complements its principal business as the main transporter of cargo within Chile's Antofagasta Region.

In 2009, combined rail tonnages in Chile and Bolivia are expected to increase as the rail networks benefit from a full year's production at both San Cristobal and Gaby, together with marginal increases as other customers recover from disruptions and shortfalls experienced in 2008. The weaker commodity price environment has increased pricing pressures on FCAB as mining customers seek to control costs and consider production cuts. The Group nevertheless expects FCAB to continue to perform well in the medium term.

FCAB also holds Forestal S.A., which owns and manages the Group's forestry assets. Forestal's two properties, Releco-Punir and Huilo-Huilo, comprise 26,295 hectares of native forest near the Panguipulli and Neltume lakes, in Chile's Region de Los Lagos. During 2008, Forestal continued with its on-going forestation, fertilisation and thinning programme to maintain these assets.

Aguas de Antofagasta

Aguas de Antofagasta ("ADASA") operates a 30-year concession for the distribution of water in Chile's Antofagasta Region which it acquired from the state owned Empresa de Servicios Sanitarios de Antofagasta S.A. ("ESSAN") in 2003. ADASA's operation consists of two businesses, a regulated water business supplying approximately 138,000 domestic customers and an unregulated business serving mines and other industrial users. It also provides sewage and treatment services in a number of cities in the Region.

Combined domestic and industrial water sales in 2008 amounted to 42.7 million cubic metres compared with 39.9 million cubic metres in 2007, an increase of 7.1%. Domestic sales increased by 4.0% to 30.2 million cubic metres, broadly in line with the increased customer base over the year. Industrial sales increased 15.2% to 12.5 million cubic metres mainly as a recent of increased supplies to the Spence mine and a contract to supply the Esperanza project during construction until that project's seawater and desalination facilities are in place. ADASA expects these volumes to be maintained in 2009.

Turnover increased by 25.9% to US$84.5 million; in addition to the improved volumes, this was also due to tariff adjustments in line with inflation and sundry income from installation and construction services for water facilities provided by ADASA to its customers. Operating profit accordingly increased from US$30.4 million in 2007 to US$42.3 million in 2008. In 2009, ADASA expects to maintain or increase its volumes but reported revenues and profits, which are mainly earned in Chilean pesos, are expected to be impacted by the weakening of that currency against the US dollar, the currency in which the Group reports its results.

In March 2009, ADASA acquired the desalination plant located in the city of Antofagasta from the current owner, Desalant S.A. ("Desalant") for a purchase price of US$52.5 million. As part of this agreement, on-going arbitration proceedings between ADASA and Desalant were also terminated. Following the completion of the acquisition, ADASA will operate the plant but, as it is presently the sole customer, the acquisition will have no direct impact on water volumes or sales. Nevertheless, the acquisition will consolidate ADASA's position by placing it in full control of the plant, which provided it with 22.6% of its water for its distribution business in 2008 and which has further capacity to increase water supply by starting up two further modules in addition to the two currently in operation. The desalination plant, when acquired, will be held under the terms of the 30-year concession from ESSAN.

Corporate transactions

In April 2008 the Group announced that it had entered into an agreement with Marubeni Corporation ("Marubeni") under which Marubeni would enter as an investment partner in the Sierra Gorda district by acquiring a 30% interest in both the Esperanza project (including the Telegrafo deposit) and the El Tesoro mine (including the Tesoro North-East deposit) and would fund its 30% share of the development costs of the Esperanza project. Closing of this transaction was achieved on 25 August 2008 following satisfaction of all conditions precedent including receipt of environmental approvals for the Esperanza project and the completion of the transfer of certain mining properties to Minera Esperanza and Minera El Tesoro. The final cash consideration received by the Group from Marubeni was US$1,401 million, reflecting the base consideration of US$1,310 million plus interest thereon from signing to completion and other adjustments specified in the agreements signed on 24 April 2008. The profit attributable to this transaction was US$1,024.9 million.

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

During 2008, the Group also signed exploration agreements with TEAL Exploration & Mining Incorporated in Zambia and New Gold Inc. (formerly Metallica Resources Inc.) in Chile, as well as an agreement with Empresa Nacional del Petróleo for the exploration and exploitation of potential sources of geothermal energy in Chile through a newly formed joint-venture vehicle, Energia Andina S.A. Further details of these activities are given in "Projects, exploration and new opportunities" below.

Projects, exploration and new opportunities

Esperanza

The Esperanza project continues on schedule with first production expected by the end of 2010. Esperanza is a sulphide deposit located in Chile's Antofagasta Region approximately four kilometres south of the Group's El Tesoro mine. It will produce copper concentrate containing gold and silver by-product credits through a conventional milling and flotation process, with ore throughput expected to average approximately 98,000 tonnes per day. The Esperanza deposit includes an oxide resource that is part of the overburden being removed through pre-stripping and which will be processed by the El Tesoro plant starting in 2009.

Esperanza has updated its mine plan during 2008 with an increase in mine life to 16 years. Under this mine plan, in its first ten years of operation, Esperanza will produce on average per year approximately 714,000 tonnes of concentrate containing 191,000 tonnes of payable copper, 215,000 ounces of payable gold and 1,132,000 ounces of silver. Molybdenum production expected to start during 2015 at a rate of 2,000 tonnes per year over the following ten years. The adjacent Telégrafo deposit is expected to utilise the Esperanza plant and facilities well beyond Esperanza's mine life.

Development of the project received Board approval for its development in June 2007 and the environmental impact assessment was submitted in August of that year. Pre-stripping and other early works began in early 2008 following receipt of provisional environmental authorisation at the end of 2007. The full environmental impact assessment was received in June 2008 and the construction works were initiated in August 2008. The maritime concession has been recently issued.

Key contracts were awarded during 2008 and others are in progress, including engineering, procurement and construction management contract with Aker-Solutions. The power supply contract was awarded to Electro-Andina, a subsidiary of Suez Energy, both for the short term power supply during construction as well as for the period of commercial operation. Currently, overall physical completion of approximately one-third had been achieved, including prestripping, early work, and plant and infrastructure construction activities.

Cumulative capital expenditure to the end of 2008 are US$502 million (excluding amounts related to the acquisition of properties from Antomin Limited). As announced in January 2009, a detailed review of project costs was completed during the fourth quarter, with total development costs (excluding working capital and financing costs) estimated at US$2.2 billion, compared to the previous estimate of US$1.9 billion. Including working capital and possible financing costs, total costs are estimated at just over US$2.3 billion. . The Group is responsible for its 70% share of these development costs and its partner Marubeni Corporation is responsible for the remaining 30%. Options for obtaining project debt finance are currently being explored and a decision is expected to be taken in the course of 2009, although the Group expects that its solid financial position will enable it to progress with the project independently of any decisions taken in this regard.

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.

A feasibility study was initiated in February 2008 for an initial project of in the range of 100,000 tonnes per day of ore throughput. The feasibility contract was assigned to SNC-Lavalin of Toronto as lead engineer. By the end of 2008, the study was approximately 70% complete and is expected to be finalised in the second half of 2009. The study is examining a number of issues to determine the shape of any future project, including throughput capacity, water, energy, transport and port location.

As part of the feasibility process, an extensive drilling programme of approximately 146,000 metres was carried out during 2008 out of an overall programme of 210,000 metres. This included 65,000 metres of infill drilling to improve the categorisation of the existing resource estimate, 76,000 metres to support the feasibility study and 5,000 metres for new exploration. The resource estimate for the Western Porphyries has remained approximately the same at 4.1 billion tonnes, with 1.5 billion tonnes upgraded from Inferred to Measured & Indicated Resources compared to 2007. The average copper grade is 0.50% and the average gold grade is 0.298 g/t.

The Group's 50% share of expenditure relating to Tethyan during 2008 amounted to US$49.8 million. This comprises US$28.8 million relating to exploration and pre-feasibility costs which have been expensed, US$21.0 million relating to the costs of the feasibility study and the acquisition of additional surface rights which have been capitalised.

Negotiations continue with the Federal Government of Pakistan and the Government of Balochistan for a mineral agreement to establish a framework for future investment, and a shareholders' agreement with the Government of Balochistan for the exploration licence in which it has a 25% interest.

Antucoya

Antucoya is an oxide deposit located approximately 45 kilometres east of Michilla. Following additional drilling during 2008, the mineral inventory is currently estimated at between 480 million tonnes to 700 million tonnes of ore with a corresponding average copper grade of between 0.42% and 0.34%. Following the acquisition during 2008 of certain mining properties held through Antomin Limited as described above, the Antucoya deposit is now wholly owned by the Group.

A feasibility study for the Antucoya project was initiated in February 2008. This is examining a number of options including a run of mine operation to produce enriched copper solution which could be processed at Michilla's SX-EW plant as well as a stand-alone SX-EW project with possible cathode production of approximately 30,000 tonnes per year. As a low grade deposit, however, the viability and nature of any future project will remain highly sensitive to assumptions as to development and operating costs and future copper prices, as well as any decision as to the longer-term potential of Michilla. The feasibility study for Antucoya is expected to be completed in mid-2009.

Other exploration activities and opportunities

The Group spent US$54.9 million on exploration activities in 2008 (2007 – US$38.1 million). This included US$23.6 million (2007 – US$17.8 million) in Chile, mainly relating to the Sierra Gorda district; US$28.8 million (2007 – US$17.7 million) relating to the Group's share of exploration and pre-feasibility costs at Reko Diq in Pakistan; and US$2.5 million (2007 – US$2.6 million) relating to exploration activities in other countries. An initial budget of approximately US$27 million has been established for 2009.

Sierra Gorda district

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

Further drilling was carried out during the year at the Telegrafo deposit at a cost of US$3.2 million. Telegrafo is adjacent to Esperanza and which as explained above could extend the life of Esperanza beyond its current mine plan. An infill drilling programme of 24,800 metres was carried out at Telegrafo Sur to improve resource categorisation, with further drilling of 8,100 metres at Telegrafo Norte to examine its continuity with Esperanza and Telegrafo Sur as well to explore the deposit at greater depth. This programme has now been completed and the results of drilling are now being modelled. The existing mineral inventory for the combined deposits ranges from 1 billion tonnes to 1.6 billion tonnes, with a corresponding average copper grade between 0.49% and 0.40% and containing gold and molybdenum credits.

An extensive 51,000 metre drilling programe at a cost of US$9.0 million was also carried out at Caracoles, approximately 10 kilometres southeast of Esperanza. Caracoles was identified by the Group's exploration team in 2007 and forms part of the mining properties which the Group obtained through its acquisition of Equatorial Mining Limited in 2006. It was held through a joint venture with Compañía Minera Milpo of Peru, although in February 2009 the Group acquired Milpo's 18.5% interest for US$25 million to take its interest in Caracoles to 100%. Results of the drilling programme at Caracoles have been promising with prospects for a substantial porphyry copper-gold system containing both sulphides and oxides which could strengthen the Group's geological position in Sierra Gorda. The Group intends to continue evaluating this deposit during 2009 with a view to bring this to pre-feasibility stage.

A further prospect known as Mirador, located approximately 5 kilometres east of Tesoro North-East, was identified by the Group's exploration team during 2008. A 17,000 metre drilling programme was carried out in the year at a cost of US$1.0 million, with initial indications suggesting potential for identifying additional oxide resource. Further exploration is planned for 2009 to establish the mineralisation of this prospect and to assess its potential.

With combined resources Esperanza and El Tesoro of 1.5 billion tonnes and a mineral inventory for other prospects in the range of 2.2 to 3.4 billion tonnes, the Sierra Gorda district has good potential for consolidation of the Group's mining properties in the area and development as a single complex for oxide and sulphide deposits.

Los Pelambres district

During 2008, Los Pelambres completed the evaluation of a two-year exploration programme in order to identify additional resources in the area around the existing open pit through a 44,300 metre drilling programme. This resulted in an increase of the total mineral resource in the Los Pelambres area from 2.9 million tonnes with an average copper grade of 0.61% to 4.9 billion tonnes with an average copper grade of 0.56%. This includes 1.5 billion tonnes at Frontera, a newly discovered porphyry to the south-east of the existing pit and 0.4 billion tonnes identified by drilling the existing open pit resource to greater depth. While the increase in mineral resource has no immediate impact on the existing mine plan for Los Pelambres, it will present opportunities for longer-term planning either by providing additional material in future years when grades at the existing open pit decline or by enabling Los Pelambres to consider possibilities for long-term future growth.

Michilla district

The Group has continued with its on-going exploration programme in Michilla, spending US$4.9 million in 2008. A number of prospects within Michilla's land district have been identified through drilling, such as Aurora Central and Aurora East which could eventually supplement the existing resource at Michilla. Further drilling on various targets will continue into 2009.

Rio Figueroa – New Gold Inc.

As announced in June, the Group signed an agreement with Minera Metallica Resources Chile Limitada, a subsidiary of New Gold Inc., to acquire a 30% interest in Rio Figueroa, an exploration project located in Chile's Atacama Region, approximately 80 km east of Copiapo city, for a consideration of US$2.6 million payable in instalments. Under the agreement the Group has the right to increase its interest up to 70% in successive stages over a number of years by first incurring exploration expenditures of US$7 million and subsequently completing a feasibility study and making a further payment of US$5 million to Minera Metallica Resources Chile Limitada. Drilling on this prospect is expected to commence later in 2009.

Zambia – TEAL Exploration & Mining Incorporated

As announced in April, the Group has entered into an agreement with TEAL Exploration & Mining Incorporated ("TEAL") to acquire an initial 30% interest in two of TEAL's exploration licences on the Zambian Copperbelt covering an area of approximately 2,067 sq. km. for a consideration of US$5 million. The agreement gives the Group the right to earn an additional 20% interest by spending US$4.5 million on exploration (of which US$2 million is committed expenditure) over a period of four years. TEAL is a company listed on the Toronto Stock Exchange and the JSE Limited with exploration and project interests in Africa. Exploration commenced on these licences during 2008 with approximately 1,800 metres of drilling completed, with logging and sample preparation for assay results now in progress.

Opportunities in geothermal and coal exploration and generation

Despite recent weakening of energy markets, Chile continues to face structural shortages of energy in the medium to longer term, and in 2007 the Group decided to enter into the energy exploration business to search for and eventually develop geothermal and coal prospects.

In October 2008, the Group signed an agreement with Empresa Nacional del Petróleo ("ENAP") of Chile for the exploration and development of potential sources of geothermal energy in Chile following a Memorandum of Understanding signed earlier in the year. Under this agreement, a new company, Energía Andina S.A, has been formed with an initial capital of US$15 million and is owned 60% by the Group and 40% by ENAP. The Tinguiririca A and B concessions granted in 2007 have been contributed to this joint venture and further concessions Polloquere 1 and Lirima 1,2,3 and 4 have been applied for in 2008. Energía Andina S.A. intends to evaluate and apply for further concessions which may be offered by the Chilean Government during 2009 in order to build a portfolio of opportunities that can be examined through an exploration programme over the next five years, with the aim of eventually developing electric power generation capacity. The Group considers the medium and long-term potential for this form of renewable energy in Chile to be considerable.

In September 2008, the Group acquired an option in respect of Mulpun, a coalfield situated near Valdivia in southern Chile, with the potential to undertake a coal gasification project. The initial payment for the option was US$2.5 million, with potential further payments of up to US$9.5 million over the next four years.

Dividends

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

	US dollars				Percentage change		
	2008 cents	2007 cents	2006 cents	2005 [1] cents	**08 v 07 change**	07 v 06 change	06 v 05 change
Ordinary							
Interim	**3.4**	3.2	3.2	3.2			
Final	**5.6**	5.4	5.0	4.8			
	9.0	8.6	8.2	8.0	4.7%	4.9%	2.5%
Special							
Interim	**3.0**	3.0	2.0	-			
Final	**48.0**	38.0	38.0	14.0			
	51.0	41.0	40.0	14.0			
Total dividends to ordinary shareholders	**60.0**	49.6	48.2	22.0	21.0%	2.9%	119.1%
	Percentage						
Dividends as a percentage of profit attributable to equity shareholders	**35%**	35%	35%	30%			

[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 9 to this Preliminary Results Announcement.*

The Board recommends a final dividend of 53.6 cents per ordinary share payable on 11 June 2009 to shareholders on the Register at the close of business on 8 May 2009. The final dividend comprises an ordinary dividend of 5.6 cents and a special dividend of 48.0 cents. Including the interim dividend, this represents a distribution of approximately 35% of net earnings (profit attributable to equity holders of the Company).

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 continued to increase its ordinary dividend and has adjusted its total recommended dividends in line with profits by means of special dividends in the years of high copper prices.

The cost of the final dividend is $528.4 million and the cost of total dividends for the year is US$591.5 million. The board considers that this level of distribution retains adequate working capital and provides sufficient flexibility for the group to progress with capital projects and its portfolio of early-stage prospects as well as to take advantage of opportunities which may arise in the current economic environment.

Current trading prospects

Macro-economic conditions remain weak with a significant decline in copper demand during the second half of 2008 in both developed and emerging economies. LME copper prices have averaged 148.2 cents per pound in the first two months of 2009; while this shows some recovery from the end of 2008 when prices fell to round 130 cents, prices still remain well below the levels of recent years. The demand slowdown in refined copper has resulted in estimated production cutbacks to date of approximately 600,000 tonnes of copper across the whole industry, but this is not expected to be sufficient to balance the market in the short-term. Visible exchange inventories have increased to approximately 600,000 tonnes compared with a low point of 164,000 tonnes in July 2008. While there have been some recent signs of renewed buying in China and the government-led global fiscal stimulus packages may help support demand for commodities, a sustained recovery in prices is unlikely to materialise until economic conditions improve which most analysts believe will not be until the second half of 2009. Consensus estimates are for the copper price to average approximately 150 cents in 2009, increasing in 2010 as conditions improve.

The concentrate market remains in deficit, as current mine supply remains insufficient to meet smelting capacity. However, low utilisation rates at many smelters in response to weak cathode demand and increases in smelting cost structure due to sharp falls in smelting by-products such as sulphuric acid have helped to support tolling charges. This has resulted in improved terms for smelters with settlements for the annual negotiations for 2009 at the level of US$75 per dry metric tonne of concentrate for smelting and 7.5 cents per pound of copper for refining, compared with US$45 and 4.5 cents respectively agreed in 2008. Price participation has also been agreed at nil for both years. The increase in annual terms will be mitigated by the "brick system" whereby the benchmark is often averaged over two years. The concentrate imbalance is nevertheless expected to continue in favour of producers and this should help move market terms in favour of producers in the medium term.

The molybdenum market, which remained strong for most of 2008, weakened sharply in the third quarter with a price in December of US$9.5 per pound compared with an average of US$28.9 per pound for the 2008 full year. This decline was driven by a collapse in the steel market which represents the main consumer of molybdenum. The fall in prices has resulted in production cuts from primary mines as well as some secondary producers, and several projects that were due to come on stream in 2010 or 2011 have been postponed or suspended. However, with significant demand contraction, the molybdenum market is expected to remain in surplus is 2009, with prices fluctuating around current levels.

For 2009, Group copper production is expected to decrease by approximately 9% to 433,000 tonnes, mainly due to lower ore grades and throughput at Los Pelambres compared with 2008 and to a lesser extent the impact of closing the Lince open pit at Michilla. Molybdenum production at Los Pelambres, which provides a significant by-product credit even at current price levels, is expected to be 8,100 tonnes compared with 7,800 tonnes in 2007 due to higher molybdenum grades in the area mined. Cash costs are expected to ease as a result of the weaker market conditions and cost control measures across the Group which will help offset the effect of lower production volumes, and weighted average costs excluding by-product credits are forecast at approximately 110 cents per pound, a 15% reduction over 2008.

However, in the medium to longer-term prices are expected to recover when macro-economic conditions eventually improve. The Group's current strong financial position allows it to continue with its current development plans at Los Pelambres and Esperanza, which should deliver additional low-cost and profitable growth in 2010 and 2011 respectively. With these projects, Group copper production is expected to reach around 500,000 tonnes in 2010 and around 700,000 tonnes in 2011. The Group's exploration programmes also continue to show encouraging results, with increased resources and long-term prospects in both the Pelambres and Sierra Gorda districts. The Reko Diq and Antucoya projects could eventually contribute additional production in future years. The Group 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 2008

Results

Turnover

	Year ended 31.12.08	Year ended 31.12.07
	US$'m	US$'m
Turnover	**3,372.6**	3,826.7

Group turnover in 2008 was US$3,372.6 million, 11.9% below the US$3,826.7 million achieved in 2007. The decrease mainly reflected the impact of lower realised prices for copper and molybdenum and lower molybdenum volumes, partly offset by the effect of higher copper volumes and 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$2,702.9 million, compared with US$2,915.9 million in 2007. The Group's average realised copper price decreased by 18.3% to 266.7 cents per pound (2007 - 326.6 cents). This decrease in the realised price was significantly more pronounced than the 2.5% decrease in the average LME copper price to 315.3 cents per pound (2007 – 323.3 cents), reflecting the impact of adjustments to provisionally priced sales. Realised copper prices are determined by comparing turnover (gross of tolling charges for concentrate sales) with sales volumes in the year. 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 2008 there were significant negative close-out and mark-to-market adjustments to provisionally invoiced sales as a result of a significant decrease in the LME copper price during the second half of the year, particularly in the fourth quarter.

In the case of Los Pelambres, pricing adjustments reduced initially invoiced sales (before adjusting for tolling charges) by US$541.9 million in 2008, compared with a US$52.8 million increase to sales in 2007. The adjustments in 2008 comprised an uplift of US$131.1 million in respect of sales invoiced in 2007 (net of the reversal of mark-to-market adjustments made at the end of 2007) which were finally priced in 2008, outweighed by a deduction of US$673.0 million in respect of sales invoiced in 2008 (including a negative mark-to-market provision for open sales at the end of the year of US$257.6 million). Pricing adjustments in 2008 at El Tesoro and Michilla reduced revenues by US$27.9 million (2007 – reduced revenues by US$5.1 million) and US$12.2 million (2007 – reduced revenues by US$1.2 million) respectively. Further details of provisional pricing adjustments are given in Note 5(a) to the preliminary results announcement.

In 2008 turnover also included a gain of US$30.0 million (2007 – loss of US$14.0 million) on commodity derivatives at El Tesoro and Michilla which matured during the year.

Copper sales volumes increased by 11.8% from 428,500 tonnes in 2007 to 479,000 tonnes this year. The increase was mainly due to higher plant throughput and better ore grades 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$169.4 million in 2007 to US$113.1 million in 2008, reflecting the lower annual treatment and refining charges, and the further benefit of nil price participation, the introduction of which was averaged over 2007 and 2008 under the "brick" arrangement. 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 2007.

Turnover from by-products

Turnover from by-products at Los Pelambres decreased by 40.3% to US$434.2 million in 2008 compared with US$726.7 million in 2007, mainly due to lower molybdenum market prices and sales volumes.

Molybdenum revenues (net of roasting charges) were US$394.8 million (2007 – US$676.4 million). The realised molybdenum price decreased by 24.6% to US$23.9 per pound in 2008 (2007 - US$31.7 per pound), compared to a 4.3% decrease in the average market price to US$28.9 per pound (2007 - US$30.2 per pound). Molybdenum concentrate sales are also subject to provisional pricing with an average open period of approximately 90 days. As prices weakened sharply during the fourth quarter of 2008, realised prices were lower than the average market price. In contrast, during 2007 strengthening prices caused the realised price to be slightly higher than the market price. Molybdenum sales volumes decreased by 23.0% to 7,700 tonnes, compared with 10,000 tonnes in 2007. Small differences with production in each year reflected shipping and loading schedules.

Credits received from gold and silver contained in copper concentrate sold decreased to US$39.4 million (2007 – US$50.3 million). This was mainly due to the decrease in gold content from 37,800 ounces in 2007 to 19,700 ounces in 2008, partly offset by higher average gold prices this period.

Turnover from the transport and water divisions

Turnover from the transport division (FCAB) increased by US$34.0 million or 29.1% to US$151.0 million, mainly due to increased rail volumes, longer haulage distances, normal tariff adjustments under contracts in line with costs and guaranteed payments under certain contracts. Volume increases came mainly from the San Cristobal mine in Bolivia (which commenced production in late 2007) and the start-up of the Gaby mine in Chile.

Turnover at Aguas de Antofagasta, which operates the Group's water business, increased by US$17.4 million or 25.9% to US$84.5 million in 2008, reflecting increased volumes to both domestic and industrial customers, tariff adjustments in line with inflation and sundry income from installation and construction services.

EBITDA and operating profit from subsidiaries and joint ventures

	Year ended 31.12.08	Year ended 31.12.07
	US$'m	US$'m
EBITDA	**1,899.8**	2,824.0
Depreciation and amortisation	**(180.2)**	(162.2)
Loss on disposals	**(5.3)**	(8.4)
Operating profit from subsidiaries and joint ventures excluding exceptional items	**1,714.3**	2,653.4
Impairments	**(188.3)**	-
Operating profit from subsidiaries and joint ventures including exceptional items	**1,526.0**	2,653.4

EBITDA (earnings before interest, depreciation, tax and amortisation) from subsidiaries and joint ventures decreased by 32.7% to US$1,899.8 million (2007 – US$2,824.0 million).

EBITDA at the mining division decreased by 34.8% from US$2,734.4 million to US$1,781.8 million, due to the reduction in turnover as explained above (resulting mainly from the lower realised prices for copper and lower molybdenum prices and volumes, partly offset by the effect of higher copper volumes 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 90.6 cents per pound in 2007 to 117.2 cents per pound. This increase, which was in line with forecast, reflected the impact of higher input costs and specific factors at each mine as discussed in the review of operations above.

As noted above, during 2008 a gain of US$30.0 million (2007 – loss of US$14.0 million) relating to commodity derivatives which matured in the period has been recorded within turnover, along with losses of US$3.0 million (2007

– gain of US$0.7 million) recognised within other finance items as explained below and a mark-to-market gain of US$52.6 million (2007 – loss of US$0.2 million) deferred in equity.

At Los Pelambres, EBITDA decreased from US$2,178.0 million in 2007 to US$1,429.7 million this year. EBITDA at El Tesoro decreased by US$88.1 million to US$342.8 million. At Michilla EBITDA decreased by US$50.8 million to US$118.4 million.

Exploration costs increased from US$38.1 million in 2007 to US$54.9 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 higher at US$55.7 million (2007 – US$6.8 million). The 2007 net costs included a number of one-off gains totalling US$21.8 million.

EBITDA at the transport division increased by US$15.3 million to US$64.2 million, with the increased revenue as explained above partly offset by associated higher operating costs. Aguas de Antofagasta contributed US$53.8 million compared to US$40.7 million last year, mainly reflecting the increased revenues discussed above.

Depreciation and amortisation increased by US$18.0 million to US$180.2 million, mainly due to higher charges at El Tesoro and Michilla. The loss on disposal of property, plant and equipment in 2008 was US$5.3 million, compared with US$8.4 million in the prior year.

As a result of the above factors, operating profit from subsidiaries and joint ventures (excluding exceptional items) decreased by 35.4% to US$1.714.3 million (2007 – US$2,653.4 million). An impairment charge of US$188.3 million relating to property, plant and equipment at El Tesoro (US$160.0 million) and Michilla (US$28.3 million) has been recorded within operating profit, following an impairment review undertaken in light of the current commodity market environment. Including the impact of this exceptional item, operating profit from subsidiaries and joint ventures decreased by 42.4% to US$1,526.0 million (2007 – US$2,653.4 million). Further details of this exceptional item are set out in Note 3 to this preliminary results announcement.

Share of income from associate

	Year ended 31.12.08	Year ended 31.12.07
	US$'m	US$'m
Share of income from associate	**2.3**	1.4

The Group's share of net profit from its 30% investment in Antofagasta Terminal Internacional S.A. ("ATI") was US$2.3 million (2007 – US$1.4 million).

Profit on part disposal of subsidiaries

The Group's disposal of a 30% interest in both Esperanza and El Tesoro to Marubeni Corporation in August 2008 for a consideration of US$1,401.2 million resulted in a profit before tax of US$1,024.9 million. Further details of this exceptional profit are set out in Note 3 to this preliminary results announcement.

Net finance income

	Year ended 31.12.08	Year ended 31.12.07
	US$'m	US$'m
Investment income	**78.9**	113.4
Interest expense	**(13.7)**	(20.4)
Other finance items	**(8.9)**	2.4
Net finance income	**56.3**	95.4

Net finance income in 2008 was US$56.3 million, compared with US$95.4 million in 2007.

Interest receivable decreased from US$113.4 million in 2007 to US$78.9 million in 2008, reflecting the lower interest rates in the year, partly offset by the higher average cash balances held during the year. Interest expense decreased from US$20.4 million in 2007 to US$13.7 million, due to the lower interest rates and the repayment of existing borrowings during the year as planned.

Other finance items comprised a loss of US$8.9 million (2007 – gain of US$2.4 million). A loss of US$1.6 million (2007 – gain of US$0.7 million) has been recognised 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. A loss on foreign exchange derivatives of US$1.4 million (2007 - nil) is also included in finance items. Foreign exchange losses included in finance items were US$3.9 million in 2008, compared with a gain of US$2.9 million gains in the previous year.

Profit before tax

The resulting profit before tax for the period was US$2,609.5 million compared to US$2,750.2 million in 2007, reflecting the reduction in turnover, increased operating costs, and lower net finance income, partly offset by the profit on part disposal of subsidiaries.

Income tax expense

	Year ended 31.12.08 US$'m	Year ended 31.12.07 US$'m
Total tax charge (Income tax expense)	**(519.7)**	(638.4)

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

The tax charge for the year was $519.7 million and the effective tax rate was 19.9%. This rate varies from the standard rate principally due to the provision of withholding tax of $72.1 million, the effect of mining tax which resulted in a charge of $66.2 million, exchange losses of $66.3 million on Chilean peso denominated tax prepayments due to the weakening of the Chilean peso during the year, and the effect of items which are not subject to or deductible from first category tax.

Minority interests

	Year ended 31.12.08 US$'m	Year ended 31.12.07 US$'m
Minority interests	**383.3**	729.7

Profit for the financial year attributable to minority shareholders was US$383.3 million, compared with US$729.7 million in 2007. The decrease reflects the reduction in the Group's operating profit from subsidiaries and joint ventures in 2008 compared with 2007.

Earnings per share

	Year ended 31.12.08	Year ended 31.12.07
	US$'m	US$'m
Earnings per share including exceptional items	**173.1**	140.2
Earnings per share excluding exceptional items	**85.5**	140.2

Earnings per share calculations are based on 985,856,695 ordinary shares.

As a result of the factors set out above, profit for the 2008 financial year attributable to equity shareholders of the Company was US$1,706.5 million compared with US$1,382.1 million in 2007. Accordingly, basic earnings per share were 173.1 cents in 2008 compared with 140.2 cents for 2007, an increase of 23.5%. Basic earnings per share excluding exceptional items (detailed in Note 3 of this preliminary results announcement) were 85.5 cents in 2008 compared with 140.2 cents for 2007.

Dividends

Details of dividends proposed in relation to the 2008, and the Board's policy regarding dividends, are set out in the Directors' Comments on page 13.

Capital expenditure

Details of capital expenditure during the year are set out in the cash flow summary below on page 21.

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 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 5(b) to this preliminary results announcement.

The Group has applied the hedge accounting provisions of IAS 39 "Financial Instruments: Recognition and Measurement" to its commodity derivatives. 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.

At 31 December 2008, the Group had min/max instruments for 27,600 tonnes of copper production at El Tesoro covering a total period up to 31 December 2009. The weighted average remaining period covered by these hedges calculated with effect from 1 January 2009 is 7 months. The instruments have a weighted average floor of 224.3 cents per pound and a weighted average cap of 374.4 cents per pound. At 31 December 2008, 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 up to 31 January 2010. The remaining weighted average period covered by these instruments calculated with effect from 1 January 2009 is 7 months.

Details of the mark-to-market position of these instruments at 31 December 2008, together with details of any interest and exchange derivatives held by the Group, are given in Note 5(b) to this preliminary results announcement.

Between 31 December 2008 and 28 February 2009 the Group entered into further min/max instruments for 29,800 tonnes of copper production (of which 12,000 tonnes relate to El Tesoro and 17,800 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 2009 is 9 months. The instruments have a weighted average floor of 133.1 cents per pound and a weighted average cap of 176.5 cents per pound. The Group also has entered into further futures instruments for 18,050 tonnes of copper production (of which 7,850 tonnes relate to El Tesoro and 10,200 tonnes relate to Michilla) covering a total period up to 31 January 2010. The weighted average remaining period covered by these hedges calculated with effect from 1 January 2009 is 4 months. The instruments have a weighted average price of 151.5 cents per pound.

Including instruments in place at 31 December 2008 and those taken out subsequent to the year end, this represents approximately 70% of Michilla's forecast production for 2009 and 35% of El Tesoro's forecast production for 2009, and the Group's exposure to the copper price will be limited to the extent of these instruments.

The Group also periodically uses foreign exchange derivatives to reduce its exposure to fluctuations in the fair value of non US dollar denominated assets or liabilities. At 31 December 2008 the Group had cross currency swaps with a principal value of US$35.1 million, to swap Chilean pesos for US dollars, at an average rate of Ch$663.0 / US$, covering a total period up to 12 February 2009. The weighted average remaining period covered by these hedges calculated with effect from 1 January 2009 is 1 month.

Commodity price sensitivities

Based on 2008 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$10.5 million and earnings per share by 0.6 cents. Similarly, a one-dollar change in the average molybdenum price would affect turnover and profit before tax by US$17.2 million and earnings per share by 0.8 cents.

Cash flows

	Year ended 31.12.08	Year ended 31.12.07
	US$'m	US$'m
Cash flows from operations	**2,454.3**	2,817.7
Income tax paid	**(561.4)**	(806.0)
Net interest received	**66.3**	91.1
Acquisition of minority interest in subsidiary	**(243.1)**	-
Disposal and part-disposal of subsidiaries, joint venture interests and available for sale investments	**-**	27.5
Purchases of property, plant and equipment	**(1,135.0)**	(481.7)
Purchases of intangible assets	**(10.7)**	-
Dividends paid to equity holders of the Company	**(491.0)**	(485.0)
Dividends paid to minority interests	**(495.6)**	(681.2)
Part-disposal of subsidiaries	**1,401.2**	-
Capital increase from minority interest	**57.7**	-
Other items	**6.9**	11.0
Changes in net cash relating to cash flows	**1,049.6**	493.4
Exchange and other non-cash movements	**(77.0)**	6.3
Movement in net cash in the year	**972.6**	499.7
Net cash at the beginning of the year	**1,946.5**	1,446.8
Net cash at the end of the year (analysed on page 21)	**2,919.1**	1,946.5

Cash flows from operations were US$2,454.3 million in 2008 compared with US$2,817.7 million last year, reflecting the operating results adjusted for depreciation, amortisation, impairments and disposals gains and losses of US$373.8 million (2007 – US$150.5 million) and a net working capital decrease of US$554.5 million (2007 – decrease of US$13.8 million).

A dividend of US$1.8 million (2007 – US$2.4 million) was received from the Group's investment in ATI.

Cash tax payments in the year were US$561.4 million (2007 – US$806.0 million), comprising corporation tax of US$399.5 million (2007 – US$537.7 million), mining tax of US$41.7 million (2007 – US$133.0 million) and withholding tax of US$120.2 million (2007 – US$135.3 million). These amounts differ from the current tax charge in the consolidated income statement of US$541.7 million (2007 – US$598.7 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. In 2008 the cash outflow for the acquisition of the minority interest in Antomin Limited amounted to US$243.1 million. No acquisitions were made in 2007.

Cash proceeds from the part disposal of subsidiaries, relating to the disposal of a 30% interest in Esperanza and El Tesoro to Marubeni Corporation, amounted to US$1,401.2 million in 2008. In 2007, cash proceeds from disposals of subsidiaries, joint ventures and available for sale investments amounted to US$27.5 million.

Capital expenditure in 2008 was US$1,135.0 million compared with US$481.7 million in 2007. This included expenditure of US$460.6 million relating to the Esperanza project (2007 – US$43.7 million), US$272.7 million (2007 – US$49.3 million) relating to the plant expansion at Los Pelambres, US$107.2 million relating to the completion of the Mauro tailings dam (2007 – US$203.5 million), and US$69.3 million (2007 – nil) relating to pre-stripping at the Tesoro North-East deposit.

Purchase of intangibles in 2008 was US$10.7 million (2007 - nil) relating to exploration licences and related rights in Pakistan and Zambia.

Dividends (including special dividends) paid to ordinary shareholders of the Company this year were US$491.0 million (2007 – US$485.0 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 out during 2008 compared with 2007. Dividends paid by subsidiaries to minority shareholders were US$495.6 million (2007 – US$681.2 million), principally due to decreased distributions by Los Pelambres.

Repayments of borrowings and finance leasing obligations in the year, mainly at Los Pelambres and El Tesoro, were US$109.5 million (2007 – US$ 100.2 million). New borrowings in the year amounted to US$229.5 million (2007 – US$7.0 million), which almost entirely related to short term loans taken out by Los Pelambres towards the end of 2008.

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

Financial position

	At 31.12.08	At 31.12.07
	US$'m	US$'m
Cash and cash equivalents	**3,358.0**	2,212.5
Total borrowings	**(438.9)**	(266.0)
	2,919.1	1,946.5

At 31 December 2008, the Group had cash and cash equivalents of US$3,358.0 million (2007 – US$2,212.5 million). Excluding the minority share in each partly-owned operation, the Group's attributable share of total cash and cash equivalents was US$3,085.7 million (2007 – US$2,135.4 million). The cash balances are conservatively managed, with the majority held in US Treasury securities.

Total Group borrowings at 31 December 2008 were US$438.9 million (2007 – US$266.0 million). Of this, US$282.3 million (2007 – US$169.5 million) is proportionally attributable to the Group after excluding the minority shareholdings in partly-owned operations. The increase in debt is mainly due to the new short-term borrowing at Los Pelambres, offsetting further principal repayments on existing borrowings at Los Pelambres and El Tesoro as explained above.

Balance sheet

Net equity (i.e. equity attributable to ordinary shareholders of the Company) increased from US$4,065.0 million at 1 January 2008 to US$5,266.8 million at 31 December 2008, 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$841.5 million at 1 January 2008 to US$1,165.8 million at 31 December 2008. This principally reflected the minority's share of profit after tax and the increase in minority interests following the disposal of 30% of the net assets of El Tesoro and Esperanza as at 25 August 2008, 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.

Foreign currency exchange differences

The principal subsidiaries with a functional currency other than the US dollar are Chilean peso denominated, of which the most significant is Aguas de Antofagasta S.A. Exchange rates used to translate the results of such subsidiaries are given in Note 30 to the preliminary results announcement.

In 2008 the currency translation adjustment charge to net equity of US$41.8 million resulted mainly from the weakening in the Chilean peso during the year from Ch$497 = US$1 at the start of 2008 to Ch$636 = US$1 at the end of 2008. In 2007 the currency translation adjustment credit to net equity of US$13.5 million resulted mainly from the strengthening in the Chilean peso during the year from Ch$532 = US$1 at the start of 2007 to Ch$497 = US$1 at the end of 2007.

Going concern

The Group's business activities together with those factors likely to affect its future performance are set out in the Directors' Comments. Details of the cash flows of the Group during the year, along with its financial position at the year-end are set out in this Financial Commentary. The preliminary results announcement includes details of the Group's cash and cash equivalent balances in Note 23, and details of borrowings are set out in Note 17.

In assessing the Group's going concern status the Directors have taken into account the above factors, including the financial position of the Group and in particular its significant net-cash position, the current copper price and market expectations in the medium-term, and the Group's capital expenditure and financing plans.

After making appropriate enquiries, the Directors consider that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future and that it is appropriate to adopt the going concern basis in preparing the financial information contained in this preliminary results announcement.

Cautionary statement about forward looking statements

The preliminary results announcement contains certain forward looking statements with respect to the financial position, results of operations and business of the Group. Examples of forward looking statements include those regarding ore reserve and mineral resource estimates, anticipated production or construction commencement dates, costs, outputs, demand, trends in commodity prices, growth opportunities and productive lives of assets or similar factors. The words "intend", "aim", "project", "anticipate", "estimate", "plan", "believe", "expect", "may", "should", "will", "continue", or similar expressions, commonly identify such forward looking statements.

Forward looking statements involve known and unknown risks, uncertainties, assumptions and other factors that are beyond the Group's control. For example, future ore reserves will be based in part on long term price assumptions that may vary significantly from current levels. These may materially affect the timing and feasibility of particular developments. Other factors include the ability to produce and transport products profitably, demand for products, the effect of foreign currency exchange rates on market prices and operating costs, activities by governmental authorities, such as changes in taxation or regulation, and political uncertainty.

Given these risks, uncertainties and assumptions, actual results could be materially different from any future results expressed or implied by these forward looking statements which speak only as at the date of this report. Except as required by applicable regulations or by law, the Group does not undertake any obligation to publicly update or revise any forward looking statements, whether as a result of new information or future events. The Group cannot guarantee that its forward looking statements will not differ materially from actual results.

Consolidated Income Statement

	Notes	Year ended 31.12.08 US$'m	Year ended 31.12.07 US$'m
Group turnover	2,4	**3,372.6**	3,826.7
Total operating costs (including exceptional items *)		**(1,846.6)**	(1,173.3)
Operating profit from subsidiaries and joint ventures	2,4	**1,526.0**	2,653.4
Profit on part-disposal of subsidiaries (exceptional item *)	3	**1,024.9**	-
Share of income from associate	2,13	**2.3**	1.4
Total profit from operations and associates	2	**2,553.2**	2,654.8
Investment income		**78.9**	113.4
Interest expense		**(13.7)**	(20.4)
Other finance items		**(8.9)**	2.4
Net finance income	6	**56.3**	95.4
Profit before tax		**2,609.5**	2,750.2
Income tax expense	7	**(519.7)**	(638.4)
Profit for the financial year		**2,089.8**	2,111.8
Attributable to:			
Minority interests		**383.3**	729.7
Equity holders of the Company (net earnings)		**1,706.5**	1,382.1
		US cents	US cents
Basic earnings per share	8	**173.1**	140.2
Dividends to ordinary shareholders of the Company			
Per share		**US cents**	US cents
Dividends per share proposed in relation to the year	9		
- ordinary dividend (interim)		**3.4**	3.2
- ordinary dividend (final)		**5.6**	5.4
- special dividend (interim)		**3.0**	3.0
- special dividend (final)		**48.0**	38.0
		60.0	49.6
Dividends per share paid in the year and deducted from net equity			
- ordinary dividend (interim)		**3.4**	3.2
- ordinary dividend (final)		**5.4**	5.0
- special dividend (interim)		**3.0**	3.0
- special dividend (final)		**38.0**	38.0
		49.8	49.2
In aggregate		**US$'m**	US$'m
Dividends proposed in relation to the year	9	**591.5**	489.0
Dividends paid in the year and deducted from net equity		**491.0**	485.0

Turnover and operating profit are derived from continuing operations.

* Exceptional items included in the consolidated income statement in respect of 2008 comprise: (i) an impairment charge of US$188.3 million relating to property, plant and equipment at El Tesoro and Michilla, which has been recorded within "Total operating costs"; and (ii) a profit of US$1,024.9 million relating to the sale of a 30% interest in Esperanza and El Tesoro to Marubeni Corporation, which has been recorded within "Profit on part-disposal of subsidiaries". Excluding these items, operating profit from subsidiaries and joint ventures is US$1,714.3 million and profit before tax is US$1,772.9 million. Further details of these exceptional items are set out in Note 3.

Consolidated Balance Sheet

	Notes	At 31.12.08 US$'m	At 31.12.07 US$'m (restated *)
Non-current assets			
Intangible assets	10	**233.6**	263.6
Property, plant and equipment	11	**3,679.7**	2,623.9
Investment property	12	**2.7**	3.5
Investment in associate	13	**3.0**	2.5
Trade and other receivables		**34.1**	32.0
Derivative financial instruments	5	**-**	1.4
Available for sale investments	15	**0.7**	3.3
Deferred tax assets	20	**12.7**	14.7
		3,966.5	2,944.9
Current assets			
Inventories	16	**155.9**	130.3
Trade and other receivables		**313.8**	540.4
Current tax assets		**109.0**	26.9
Derivative financial instruments	5	**51.7**	0.5
Cash and cash equivalents	23	**3,358.0**	2,212.5
		3,988.4	2,910.6
Total assets		**7,954.9**	5,855.5
Current liabilities			
Short-term borrowings	17	**(319.0)**	(101.8)
Derivative financial instruments	5	**(1.4)**	(1.4)
Trade and other payables		**(594.4)**	(246.5)
Current tax liabilities		**(59.9)**	(16.9)
		(974.7)	(366.6)
Non-current liabilities			
Medium and long term borrowings	17	**(119.9)**	(164.2)
Trade and other payables		**(12.6)**	(2.6)
Post-employment benefit obligations	18	**(29.0)**	(29.1)
Long-term provisions	19	**(18.0)**	(10.9)
Deferred tax liabilities	20	**(368.1)**	(375.6)
		(547.6)	(582.4)
Total liabilities		**(1,522.3)**	(949.0)
Net assets		**6,432.6**	4,906.5
Equity			
Share capital	21	**89.8**	89.8
Share premium	21	**199.2**	199.2
Hedging, translation and fair value reserves		**11.4**	25.1
Retained earnings		**4,966.4**	3,750.9
Equity attributable to equity holders of the Company		**5,266.8**	4,065.0
Minority interests		**1,165.8**	841.5
Total equity		**6,432.6**	4,906.5

The preliminary information was approved by the Board of Directors on 9 March 2009.

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

Consolidated Cash Flow Statement

	Notes	Year ended 31.12.08 US$'m	Year ended 31.12.07 US$'m
Cash flows from operations	22	**2,454.3**	2,817.7
Interest paid		**(12.5)**	(20.2)
Dividends from associate	13	**1.8**	2.4
Income tax paid		**(561.4)**	(806.0)
Net cash from operating activities		**1,882.2**	1,993.9
Investing activities			
Part-disposal of subsidiaries	24	**1,401.2**	-
Disposal of subsidiaries	24	-	4.9
Disposal of joint-venture interest	14	**-**	6.0
Disposal of available for sale investments	15	**-**	16.6
Acquisition of minority interest in subsidiary	24	**(243.1)**	-
Recovery of Chilean VAT paid on purchase of water concession		**5.3**	8.8
Purchases of property, plant and equipment		**(1,135.0)**	(481.7)
Purchases of intangible assets		**(10.7)**	-
Interest received		**78.8**	111.3
Net cash used in investing activities		**96.5**	(334.1)
Financing activities			
Dividends paid to equity holders of the Company		**(491.0)**	(485.0)
Dividends paid to preference shareholders of the Company		**(0.2)**	(0.2)
Dividends paid to minority interests		**(495.6)**	(681.2)
Capital increase from minority interest	23	**57.7**	-
Net proceeds from issue of new borrowings	23	**229.5**	7.0
Repayments of borrowings	23	**(99.7)**	(99.3)
Repayments of obligations under finance leases		**(9.8)**	(0.9)
Net cash used in financing activities		**(809.1)**	(1,259.6)
Net increase in cash and cash equivalents		**1,169.6**	400.2
Cash and cash equivalents at beginning of the year		**2,212.5**	1,805.5
Net increase in cash and cash equivalents	23	**1,169.6**	400.2
Effect of foreign exchange rate changes	23	**(24.1)**	6.8
Cash and cash equivalents at end of the year	23	**3,358.0**	2,212.5

Consolidated Statement of Changes in Equity

For the years ended 31 December 2007 and 2008

	Notes	Share capital	Share premium	Hedging reserves	Fair value reserves	Translation reserves	Retained earnings	**Net equity**	Minority interests	**Total**
		US$'m	US$'m	US$'m	US$'m	US$'m	US$'m	**US$'m**	US$'m	**US$'m**
Balance at 1 January 2007		89.8	199.2	-	-	12.3	2,853.8	**3,155.1**	793.0	**3,948.1**
Profit for the financial 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	15	-	-	-	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)**
Dividends		-	-	-	-	-	(485.0)	**(485.0)**	(681.2)	**(1,166.2)**
Balance at 31 December 2007 and 1 January 2008		89.8	199.2	(0.2)	(0.5)	25.8	3,750.9	**4,065.0**	841.5	**4,906.5**
Profit for the financial year		-	-	-	-	-	1,706.5	**1,706.5**	383.3	**2,089.8**
Capital increase from minority interest		-	-	-	-	-	-	**-**	57.7	**57.7**
Currency translation adjustment		-	-	-	-	(41.8)	-	**(41.8)**	-	**(41.8)**
Gains in fair value of cash										**-**
flow hedges deferred in reserves		-	-	39.5	-	-	-	**39.5**	12.9	**52.4**
Losses in fair value of cash flow hedges transferred to the income statement		-	-	0.2	-	-	-	**0.2**	-	**0.2**
Loss in fair value of available for sale investments	15	-	-	-	(2.6)	-	-	**(2.6)**	-	**(2.6)**
Deferred tax effects arising from hedge accounting		-	-	(9.0)	-	-	-	**(9.0)**	-	**(9.0)**
Part-disposal of subsidiaries		-	-	-	-	-	-	**-**	366.0	**366.0**
Dividends		-	-	-	-	-	(491.0)	**(491.0)**	(495.6)	**(986.6)**
Balance at 31 December 2008		89.8	199.2	30.5	(3.1)	(16.0)	4,966.4	**5,266.8**	1,165.8	**6,432.6**

Notes

1. General information and accounting policies

a) General information

This preliminary results announcement is for the year ended 31 December 2008. 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 2009.

The financial information contained in this preliminary results announcement has been prepared on the going concern basis. Details of the factors which have been taken into account in assessing the Group's going concern status are set out on page 22 of the Financial Commentary.

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 2008 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 10 June 2009. The auditors have reported on those accounts and their report was unqualified, with no matters by way of emphasis, 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 2007 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, with no matters by way of emphasis, and did not contain statements under sections 237(2) or (3) of the Companies Act 1985.

The information contained in Notes 32 to 34 of this preliminary results announcement is not derived from the statutory accounts for the years ended 31 December 2007 and 2008 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 2008, which have been prepared on the basis of accounting policies consistent with those applied in the financial statements for the year ended 31 December 2007, except as set out below.

Change in accounting policies

In the current financial year the Group has adopted IFRIC 12 *Service Concession Arrangements*, which has resulted in a restatement of the comparative figures. This Interpretation requires all infrastructure assets relating to the Water concession to be recorded within intangible assets; previously, certain infrastructure assets were recorded within property, plant and equipment. Accordingly, the comparative figures have been restated to reclassify these infrastructure assets into the Concession right and assets category within intangible assets. This reclassification has no effect on net earnings or net equity in either period. Further details are set out in Note 10.

2. Total profit from operations and associates

	Year ended 31.12.08	Year ended 31.12.07
	US$'m	US$'m
Turnover	**3,372.6**	3,826.7
Cost of sales (including exceptional items)	**(1,496.8)**	(966.5)
Gross profit	**1,875.8**	2,860.2
Administrative and distribution expenses	**(274.1)**	(183.1)
Closure provision	**(5.0)**	(0.5)
Severance charges	**(10.6)**	(5.3)
Exploration costs	**(54.9)**	(38.1)
Other operating income	**9.8**	31.2
Other operating expenses	**(15.0)**	(11.0)
Operating profit from subsidiaries and joint ventures	**1,526.0**	2,653.4
Profit on part-disposal of subsidiaries (exceptional item)	**1,024.9**	-
Share of income from associate	**2.3**	1.4
Total profit from operations and associates	**2,553.2**	2,654.8

(i) In 2008, cost of sales includes an impairment charge of US$188.3 million relating to property, plant and equipment at El Tesoro and Michilla (see Note 3).

(ii) In 2008, profit on part-disposal of subsidiaries comprises a profit of US$1,024.9 million relating to the sale of a 30% interest in Esperanza and El Tesoro to Marubeni Corporation (see Note 3).

(iii) In 2007, cost of sales included an inventory write-off of US$18.8 million relating to high carbonate ore inventories at El Tesoro (see Note 16).

(iv) In 2007, other operating income included a gain of US$10.5 million relating to the disposal of shares held in Mercator Minerals Ltd (see Note 15), 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 14), and a gain of US$1.6 million from a settlement in respect of the remaining consideration receivable for the disposal of Minera Tamaya S.A. in 2002. These items totalled US$21.8 million.

3. Exceptional items

	Operating Profit		Profit before tax		Earnings per share	
	Year ended 31.12.08	Year ended 31.12.07	**Year ended 31.12.08**	Year ended 31.12.07	**Year ended 31.12.08**	Year ended 31.12.07
	US$'m	US$'m	**US$'m**	US$'m	**US cents**	**US cents**
Before exceptional items	**1,714.3**	2,653.4	**1,772.9**	2,750.2	**85.5**	140.2
Impairments	**(188.3)**	-	**(188.3)**	-	**(11.1)**	-
Marubeni transaction	**-**	-	**1,024.9**	-	**98.7**	-
After exceptional items	**1,526.0**	2,653.4	**2,609.5**	2,750.2	**173.1**	140.2

a) Total Operating Costs - Impairments

An impairment charge of US$188.3 million relating to property, plant and equipment at El Tesoro (US$160.0 million) and Michilla (US$28.3 million) has been recorded within total operating costs, following an impairment review undertaken in light of the current commodity market environment. The recoverable amounts in the impairment review were determined by a value in use calculation prepared using management's current forecasts as to future commodity prices, operating costs and production volumes. The present value of the forecast future cash flows was calculated using a discount rate of 9.9%.

b) Profit on part-disposal of subsidiaries - Marubeni transaction

As explained in Note 24, in August 2008 the Group disposed of a 30% interest in both Esperanza and El Tesoro to Marubeni Corporation for a consideration of US$1,401.2 million, resulting in a profit before tax of US$1,024.9 million.

4. 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 excluding exceptional items		Operating profit /(loss) from subsidiaries and joint ventures including exceptional items	
	Year ended 31.12.08	Year ended 31.12.07	**Year ended 31.12.08**	Year ended 31.12.07	**Year ended 31.12.08**	Year ended 31.12.07	**Year ended 31.12.08**	Year ended 31.12.07
	US$'m	US$'m	**US$'m**	US$'m	**US$'m**	US$'m	**US$'m**	US$'m
Los Pelambres	**2,172.0**	2,651.9	**1,429.7**	2,178.0	**1,347.7**	2,098.6	**1,347.7**	2,098.6
El Tesoro	**632.4**	673.9	**342.8**	430.9	**284.9**	380.3	**124.9**	380.3
Michilla	**332.7**	316.8	**118.4**	169.2	**99.6**	154.0	**71.3**	154.0
Exploration	-	-	**(54.9)**	(38.1)	**(54.9)**	(38.1)	**(54.9)**	(38.1)
Corporate and other items	-	-	**(54.2)**	(5.6)	**(55.7)**	(6.8)	**(55.7)**	(6.8)
Mining	**3,137.1**	3,642.6	**1,781.8**	2,734.4	**1,621.6**	2,588.0	**1,433.3**	2,588.0
Railway and other transport services	**151.0**	117.0	**64.2**	48.9	**50.4**	35.0	**50.4**	35.0
Water concession	**84.5**	67.1	**53.8**	40.7	**42.3**	30.4	**42.3**	30.4
Group turnover (segment revenue), EBITDA and operating profit from subsidiaries and joint ventures (segment result)	**3,372.6**	3,826.7	**1,899.8**	2,824.0	**1,714.3**	2,653.4	**1,526.0**	2,653.4

Notes to turnover by business segment (segment revenue)

(i) Turnover by business segment equates to segment revenue as defined by IAS 14. Turnover from the Railway and other transport services is stated after eliminating inter-segmental sales to the mining division of US$13.2 million (2007 – US$10.5 million). Turnover from the Water concession is stated after eliminating inter-segmental sales to the mining division of US$2.7 million (2007 – US$0.4 million) and after eliminating sales to the Railway and other transport services of US$0.2 million (2007 – US$0.2 million).

(ii) Turnover includes the effect of both final pricing and mark-to-market adjustments to provisionally priced sales of copper and molybdenum concentrates and copper cathodes. Further details of such adjustments are given in Note 5(a).

(iii) Turnover includes realised gains on commodity derivatives at El Tesoro of US$16.1 million (2007 - US$0.2 million) and realised gains at Michilla of US$13.9 million (2007 – losses of US$14.2 million). Further details of such gains or losses are given in Note 4(a)(viii) and Note 5(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$2,702.9 million (2007 – US$2,915.9 million) comprising copper concentrate sales at Los Pelambres of US$1,737.8 million (2007 – US$1,925.2 million) and copper cathode sales at El Tesoro and Michilla of US$965.1 million (2007 – US$990.7 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$2.3 million (2007 – US$1.4 million). Operating profit is shown before and after exceptional items (see Note 3).

(vii) EBITDA is calculated by adding back depreciation, amortisation and disposals of property, plant and equipment and impairment charges (see Note 4(b)) to operating profit from subsidiaries and joint ventures.

(viii) As explained in Note 4(a)(iii) above, in the current year EBITDA and operating profit include realised gains on commodity derivatives at El Tesoro of US$16.1 million (2007 - US$0.2 million) and realised gains at Michilla of US$13.9 million (2007 – losses of US$14.2 million).

(ix) Exploration costs relating to Tethyan Copper Company Limited ("Tethyan") (see Note 14) 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(iii) and Note 16, 2007 EBITDA and operating profit at El Tesoro include an inventory write-off of US$18.8 million.

(xi) As explained in Note 2(iv), 2007 EBITDA and operating profit in the Corporate and other items category includes gains of US$21.8 million relating to various items.

(xii) Exceptional items affecting operating profit relate to impairments at El Tesoro and Michilla (see Note 3).

Turnover at Los Pelambres by mineral

	Before deducting tolling charges		Tolling charges		Net of tolling charges	
	Year ended 31.12.08	Year ended 31.12.07	**Year ended 31.12.08**	Year ended 31.12.07	**Year ended 31.12.08**	Year ended 31.12.07
	US$'m	US$'m	**US$'m**	US$'m	**US$'m**	US$'m
Copper	**1,850.9**	2,094.6	**(113.1)**	(169.4)	**1,737.8**	1,925.2
Molybdenum	**407.0**	699.8	**(12.2)**	(23.4)	**394.8**	676.4
Gold and silver	**39.9**	51.0	**(0.5)**	(0.7)	**39.4**	50.3
Los Pelambres	**2,297.8**	2,845.4	**(125.8)**	(193.5)	**2,172.0**	2,651.9

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

	Depreciation and amortisation		Loss on disposals		Impairments		Capital expenditure	
	Year ended 31.12.08	Year ended 31.12.07	**Year ended 31.12.08**	Year ended 31.12.07	**Year ended 31.12.08**	Year ended 31.12.07	**Year ended 31.12.08**	Year ended 31.12.07
	US$'m	US$'m	**US$'m**	US$'m	**US$'m**	US$'m	**US$'m**	US$'m
Los Pelambres	**(81.5)**	(79.3)	**(0.5)**	(0.1)	**-**	-	**463.9**	323.4
El Tesoro	**(55.5)**	(49.3)	**(2.4)**	(1.3)	**(160.0)**	-	**125.7**	28.0
Michilla	**(17.6)**	(11.2)	**(1.2)**	(4.0)	**(28.3)**	-	**21.0**	11.4
Esperanza	**-**	-	**-**	-	**-**	-	**460.6**	43.7
Corporate and other items	**(1.5)**	(0.9)	**-**	(0.3)	**-**	-	**65.4**	15.2
Mining	**(156.1)**	(140.7)	**(4.1)**	(5.7)	**(188.3)**	**-**	**1,136.6**	421.7
Railway and other transport services	**(12.6)**	(11.3)	**(1.2)**	(2.6)	**-**	-	**38.5**	38.9
Water concession	**(11.5)**	(10.2)	**-**	(0.1)	**-**	-	**14.5**	5.4
	(180.2)	(162.2)	**(5.3)**	(8.4)	**(188.3)**	**-**	**1,189.6**	466.0

Capital expenditure represents purchases of property, plant and equipment stated on an accruals basis (see Note 11) and may therefore differ from the amount included in the cash flow statement.

Impairments relate to write-offs of property, plant and equipment (see Note 3).

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

c) Assets and liabilities by business segment

	Segment assets		Segment liabilities		Segment net assets	
	Year ended 31.12.08	Year ended 31.12.07	**Year ended 31.12.08**	Year ended 31.12.07	**Year ended 31.12.08**	Year ended 31.12.07
	US$'m	US$'m	**US$'m**	US$'m	**US$'m**	US$'m
Los Pelambres	**2,440.8**	2,338.4	**(419.5)**	(137.9)	**2,021.3**	2,200.5
El Tesoro	**603.0**	563.5	**(71.4)**	(61.1)	**531.6**	502.4
Michilla	**45.2**	77.2	**(46.2)**	(28.8)	**(1.0)**	48.4
Esperanza	**770.4**	92.8	**(41.5)**	(2.2)	**728.9**	90.6
Corporate and other items	**258.0**	155.1	**(38.4)**	(21.4)	**219.6**	133.7
Mining	**4,117.4**	3,227.0	**(617.0)**	(251.4)	**3,500.4**	2,975.6
Railway and other transport services	**209.1**	184.0	**(25.1)**	(27.7)	**184.0**	156.3
Water concession	**142.3**	181.1	**(13.3)**	(11.4)	**129.0**	169.7
	4,468.8	3,592.1	**(655.4)**	(290.5)	**3,813.4**	3,301.6

Assets and liabilities of Tethyan Copper Company Limited (see Note 14) have been included within corporate and other items.

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

	Segment assets		Segment liabilities		Segment net assets	
	Year ended 31.12.08	Year ended 31.12.07	**Year ended 31.12.08**	Year ended 31.12.07	**Year ended 31.12.08**	Year ended 31.12.07
	US$'m	US$'m	**US$'m**	US$'m	**US$'m**	US$'m
Segment assets/(liabilities)	**4,468.8**	3,592.1	**(655.4)**	(290.5)	**3,813.4**	3,301.6
Investment property	**2.7**	3.5	**-**	-	**2.7**	3.5
Investment in associate	**3.0**	2.5	**-**	-	**3.0**	2.5
Available for sale investments	**0.7**	3.3	**-**	-	**0.7**	3.3
Deferred tax assets/(liabilities)	**12.7**	14.7	**(368.1)**	(375.6)	**(355.4)**	(360.9)
Current tax assets/(liabilities)	**109.0**	26.9	**(59.9)**	(16.9)	**49.1**	10.0
Cash and cash equivalents/(borrowings)	**3,358.0**	2,212.5	**(438.9)**	(266.0)	**2,919.1**	1,946.5
Entity assets/(liabilities)	**7,954.9**	5,855.5	**(1,522.3)**	(949.0)	**6,432.6**	4,906.5

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

	Year ended 31.12.08	Year ended 31.12.07
	US$'m	US$'m
Europe		
- United Kingdom	**3.7**	0.1
- Switzerland	**373.9**	321.9
- Rest of Europe	**603.0**	742.1
Latin America		
- Chile	**419.6**	377.8
- Rest of Latin America	**250.6**	190.3
North America		
- USA	**382.3**	503.4
- Rest of North America	**16.5**	8.0
Asia		
- Japan	**707.5**	1,000.6
- China	**353.5**	416.8
- Rest of Asia	**262.0**	265.7
	3,372.6	3,826.7

5. Derivatives and embedded derivatives

a) Embedded derivatives – provisionally priced sales

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

Under IFRS, both gains and losses from the marking-to-market of open sales are recognised through adjustments to turnover in the income statement and to trade debtors in the balance sheet. The Group determines mark-to-market prices using forward prices at each period end for copper concentrate and cathode sales, and period-end month average prices for molybdenum concentrate sales due to the absence of a futures market for that commodity. The mark-to-market adjustments to the balance sheet at the end of each period are as follows:

	Balance sheet net mark to market effect on debtors	
	At 31.12.08	At 31.12.07
	US$'m	US$'m
Los Pelambres - copper concentrate	**(257.6)**	(72.8)
Los Pelambres - tolling charges for copper concentrates	**4.5**	2.6
Los Pelambres - molybdenum concentrate	**(13.3)**	0.1
El Tesoro - copper cathodes	**(0.8)**	(1.0)
Michilla - copper cathodes	**0.2**	0.1
	(267.0)	(71.0)

(i) Copper sales

	Year ended 31.12.08	**Year ended 31.12.08**	**Year ended 31.12.08**	Year ended 31.12.07	Year ended 31.12.07	Year ended 31.12.07
	US$'m	**US$'m**	**US$'m**	US$'m	US$'m	US$'m
	Los Pelambres	El Tesoro	Michilla	Los Pelambres	El Tesoro	Michilla
	Copper concentrate	Copper cathodes	Copper cathodes	Copper concentrate	Copper cathodes	Copper cathodes
Provisionally invoiced gross sales	**2,392.8**	**644.2**	**331.0**	2,041.8	678.8	332.2
Effects of pricing adjustments to previous year invoices						
Reversal of mark-to-market adjustments at the end of the previous year	**72.8**	**1.0**	**(0.1)**	110.1	(1.3)	0.6
Settlement of copper sales invoiced in the previous year	**58.3**	**1.9**	**1.0**	(88.1)	(6.5)	(3.3)
Total effect of adjustments to previous year invoices in the current year	**131.1**	**2.9**	**0.9**	22.0	(7.8)	(2.7)
Effects of pricing adjustments to current year invoices						
Settlement of copper sales invoiced in the current year	**(415.4)**	**(30.0)**	**(13.3)**	103.6	3.7	1.4
Mark-to-market adjustments at the end of the current year	**(257.6)**	**(0.8)**	**0.2**	(72.8)	(1.0)	0.1
Total effect of adjustments to current year invoices	**(673.0)**	**(30.8)**	**(13.1)**	30.8	2.7	1.5
Total pricing adjustments	**(541.9)**	**(27.9)**	**(12.2)**	52.8	(5.1)	(1.2)
Realised gains/(losses) on commodity derivatives	**-**	**16.1**	**13.9**	-	0.2	(14.2)
Turnover before deducting tolling charges	**1,850.9**	**632.4**	**332.7**	2,094.6	673.9	316.8
Tolling charges	**(113.1)**	**-**	**-**	(169.4)	-	-
Turnover net of tolling charges	**1,737.8**	**632.4**	**332.7**	1,925.2	673.9	316.8

Copper concentrate

Copper concentrate sales at Los Pelambres have an average settlement period of approximately four months from shipment date. At 31 December 2008, sales totalling 123,800 tonnes remained open as to price, with an average mark-to-market price of 138.9 cents per pound compared with an average provisional invoice price of 233.3 cents per pound. At 31 December 2007, sales totalling 99,400 tonnes remained open as to price, with an average mark-to-market price of 302.4 cents per pound compared with an average provisional invoice price of 335.7 cents per pound.

Tolling charges include a mark-to-market gain for copper concentrate sales open as to price at 31 December 2008 of US$1.9 million (31 December 2007 – mark-to-market loss of US$5.1 million).

Copper cathodes

Copper cathode sales at El Tesoro and Michilla have an average settlement period of approximately one month from shipment date. At 31 December 2008, sales totalling 13,200 tonnes remained open as to price, with an average mark-to-market price of 138.3 cents per pound compared with an average provisional invoice price of 140.3 cents per pound. At 31 December 2007, sales totalling 11,000 tonnes remained open as to price, with an average mark-to-market price of 301.7 cents per pound compared with an average provisional invoice price of 305.4 cents per pound.

(ii) Molybdenum sales

	Year ended 31.12.08	Year ended 31.12.07
	US$'m	US$'m
	Los Pelambres	Los Pelambres
	Molybdenum concentrate	Molybdenum concentrate
Provisionally invoiced gross sales	**508.2**	670.9
Effects of pricing adjustments to previous year invoices		
Reversal of mark-to-market adjustments at the end of the previous year	**(0.1)**	2.4
Settlement of molybdenum sales invoiced in the previous year	**2.7**	(1.0)
Total effect of adjustments to previous year invoices in the current year	**2.6**	1.4
Effects of pricing adjustments to current year invoices		
Settlement of molybdenum sales invoiced in the current year	**(90.5)**	27.4
Mark-to-market adjustments at the end of the current year	**(13.3)**	0.1
Total effect of adjustments to current year invoices	**(103.8)**	27.5
Total pricing adjustments	**(101.2)**	28.9
Turnover before deducting tolling charges	**407.0**	699.8
Tolling charges	**(12.2)**	(23.4)
Turnover net of tolling charges	**394.8**	676.4

Molybdenum sales at Los Pelambres have an average settlement period of approximately three months after shipment date. At 31 December 2008, sales totalling 2,000 tonnes remained open as to price, with an average mark-to-market price of US$9.5 per pound compared with an average provisional invoice price of US$12.5 per pound. At 31 December 2007, sales totalling 2,100 tonnes remained open as to price, with an average mark-to-market price of US$32.5 per pound compared with an average provisional invoice price of US$32.4 per pound.

b) Derivative financial instruments

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

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

	Balance sheet		Income statement	
	Net financial asset		Total effect	
	Year ended 31.12.08	Year ended 31.12.07	**Year ended 31.12.08**	Year ended 31.12.07
	US$'m	US$'m	**US$'m**	US$'m
El Tesoro	**51.7**	-	**15.0**	0.4
Michilla	**-**	0.5	**13.4**	(13.7)
Railway and other transport services	**(1.4)**	-	**(1.4)**	-
	50.3	0.5	**27.0**	(13.3)

Analysed between:		
Non-current assets	-	1.4
Current assets	51.7	0.5
Current liabilities	(1.4)	(1.4)
	50.3	0.5

(i) Commodity derivatives

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

The Group has applied the hedge accounting provisions of IAS 39 “Financial Instruments: Recognition and Measurement” to its commodity derivatives. 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.

During the year ended 31 December 2008 a gain of US$30.0 million was recognised within turnover, comprising a gain of US$16.1 million at El Tesoro and a gain of US$13.9 million at Michilla, in respect of derivative instruments which matured during the year. A loss of US$1.6 million was recognised within other finance items related to El Tesoro in respect of the time value element of the mark-to-market adjustments, which is excluded from the designated hedging relationship. A gain of US$52.6 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 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.

At 31 December 2008, the Group had min/max instruments for 27,600 tonnes of copper production at El Tesoro covering a total period up to 31 December 2009. The weighted average remaining period covered by these hedges calculated with effect from 1 January 2009 is 7 months. The instruments have a weighted average floor of 224.3 cents per pound and a weighted average cap of 374.4 cents per pound.

At 31 December 2008, the Group also had futures for 6,500 tonnes of copper production, 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 up to 31 January 2010. The remaining weighted average period covered by these instruments calculated with effect from 1 January 2009 is 7 months.

Between 31 December 2008 and 28 February 2009 the Group entered into further min/max instruments for 29,800 tonnes of copper production (of which 12,000 tonnes relate to El Tesoro and 17,800 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 2009 is 9 months. The instruments have a weighted average floor of 133.1 cents per pound and a weighted average cap of 176.5 cents per pound. The Group also has entered into further futures instruments for 18,050 tonnes of copper production (of which 7,850 tonnes relate to El Tesoro and 10,200 tonnes relate to Michilla) covering a total period up to 31 January 2010. The weighted average remaining period covered by these hedges calculated with effect from 1 January 2009 is 4 months. The instruments have a weighted average price of 151.5 cents per pound.

(ii) Exchange derivatives

The Group periodically uses foreign exchange derivatives to reduce its exposure to fluctuations in the fair value of non US dollar denominated assets or liabilities.

During the year ended 31 December 2008 a loss of US$1.4 million was recognised within other finance items, relating to the Railway and other transport services business (2007 - nil).

At 31 December 2008 the Group had cross currency swaps with a principal value of US$35.1 million, to swap Chilean pesos for US dollars, at an average rate of Ch$663.0 / US$1.0, covering a total period up to 12 February 2009. The weighted average remaining period covered by these hedges calculated with effect from 1 January 2009 is 1 month.

(iii) Interest derivatives

There were no outstanding interest derivative instruments at 31 December 2008 or 2007.

6. Net finance income

	Year ended 31.12.08	Year ended 31.12.07
	US$'m	US$'m
Investment income		
Interest receivable	**78.9**	113.4
Interest expense		
Interest payable	**(13.1)**	(19.8)
Amortisation of deferred finance costs	**(0.4)**	(0.4)
Preference dividends	**(0.2)**	(0.2)
	(13.7)	(20.4)
Other finance items		
Time value effect of derivatives	**(1.6)**	0.7
Foreign exchange derivatives	**(1.4)**	-
Unwinding of discount on provisions	**(2.0)**	(1.2)
Foreign exchange	**(3.9)**	2.9
	(8.9)	2.4
Net finance income	**56.3**	95.4

A gain of US$6.4 million relating to net interest income at Esperanza was capitalised within the development expenditure of that project during the year, and is consequently not included within the above table.

7. Taxation

The tax charge for the year comprised the following:

	Year ended 31.12.08 US$'m	Year ended 31.12.07 US$'m
Current tax charge		
Corporate tax (principally first category tax in Chile)	**(284.8)**	(441.3)
Mining tax (Royalty)	**(70.3)**	(50.6)
Withholding tax provision	**(120.3)**	(135.3)
Exchange (losses)/gains on corporate tax balances	**(66.3)**	28.5
	(541.7)	(598.7)
Deferred tax credit/(charge)		
Corporate tax (principally first category tax in Chile)	**(30.3)**	(8.1)
Mining tax (Royalty)	**4.1**	(0.8)
Withholding tax provision	**48.2**	(30.8)
	22.0	(39.7)
Total tax charge (Income tax expense)	**(519.7)**	(638.4)

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

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.

The tax charge for the year was $519.7 million and the effective tax rate was 19.9%. This rate varies from the standard rate principally due to the provision of withholding tax of $72.1 million, the effect of mining tax which resulted in a charge of $66.2 million, exchange losses of $66.3 million on Chilean peso denominated tax prepayments due to the weakening of the Chilean peso during the year, and the effect of items which are not subject to or deductible from first category tax. In 2007 the total tax charge was US$638.4 million and the effective tax rate was 23.2%. 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 strengthening of the US dollar during the year.

8. Basic earnings per share

Basic earnings per share is calculated on profit after tax and minority interest giving net earnings of US$1,706.5 million (2007 – US$1,382.1 million) and based on 985,856,695 ordinary shares. There was no potential dilution of ordinary shares in either year.

Basic earnings per share excluding exceptional items is calculated on profit after tax and minority interest giving net earnings excluding exceptional items of US$842.9 million.

9. Dividends

The Board will recommend a final dividend of 53.6 cents per ordinary share, which comprises an ordinary dividend of 5.6 cents per share and a special dividend of 48.0 cents per share. The interim dividend of 6.4 cents per share, which comprised an ordinary dividend of 3.4 cents per share and a special dividend of 3.0 cents per share, was paid on 9 October 2008. Together, this gives total dividends proposed in relation to 2008 of 60.0 cents per share.

The final dividend proposed in relation to 2007 was 43.4 cents, which comprised an ordinary dividend of 5.4 cents per share and a special dividend of 38.0 cents per share. Together with the interim dividend that year 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, this gave total dividends proposed in relation to 2007 of 49.6 cents per share.

Dividends per share actually paid in the year and recognised as a deduction from net equity under IFRS were 49.8 cents (2007 – 49.2 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 11 June 2009 to shareholders on the register at the close of business on 8 May 2009. Dividends are declared and paid gross. The conversion rate for the final dividend of 53.6 cents to be paid in sterling will be set on 13 May 2009.

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 close of business on the record date of 8 May 2009.

10. Intangible assets

	Concession right US$'m	**Exploration licenses** US$'m	**Year ended 31.12.08** US$'m	Year ended 31.12.07 US$'m (restated)*
Balance at the beginning of the period	148.6	115.0	**263.6**	262.7
Additions	-	10.7	**10.7**	-
Amortisation	(10.0)	-	**(10.0)**	(9.1)
Foreign currency exchange difference	(30.7)	-	**(30.7)**	10.0
Balance at the end of the period	107.9	125.7	**233.6**	263.6

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

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

At 31 December 2008, US$120.7 million of the exploration licences relate to the value attributed of US$115.0 million to the rights acquired in the Reko Diq area of south-west Pakistan on the purchase of Tethyan Copper Company Limited in 2006, and related rights of US$5.7 million acquired during 2008. The remaining US$5.0 million relate to the acquisition of an initial interest in prospecting licences in Zambia from TEAL Exploration & Mining Limited as disclosed in Note 25. This intangible asset will be amortised in accordance with the Group's policy for mining properties when the related mining properties enter into production.

11. Property, plant and equipment

	Mining	Railway and other transport	Water Concession	Year ended 31.12.08	Year ended 31.12.07
	US$'m	US$'m	US$'m	US$'m	US$'m (restated)*
Balance at the beginning of the year	2,455.5	152.0	16.4	**2,623.9**	2,316.3
Additions	1,136.6	38.5	14.5	**1,189.6**	466.0
Acquisition	243.1	-	-	**243.1**	-
Depreciation	(163.0)	(12.6)	(1.5)	**(177.1)**	(153.1)
Asset disposals	(4.1)	(1.2)	-	**(5.3)**	(8.4)
Impairments	(188.3)	-	-	**(188.3)**	-
Foreign currency exchange difference	-	(0.3)	(5.9)	**(6.2)**	3.1
Balance at the end of the year	3,479.8	176.4	23.5	**3,679.7**	2,623.9

* The comparative figures have been restated due to the adoption of IFRIC 12 *Service Concession Arrangements* during 2008 (see Note 10).

US$6.9 million of depreciation in respect of assets relating to the Esperanza project has been capitalised within the development expenditure of that project, and accordingly is excluded from the depreciation charge recorded in the income statement as shown in Note 4(b).

As explained in Note 3, the impairment loss of US$188.3 million arose as a result of a write-off of property, plant and equipment at El Tesoro (US$160.0 million) and Michilla (US$28.3 million) during 2008.

The acquisition relates to mining property assets acquired via the acquisition of the minority interest in Antomin Limited (see Note 24).

12. Investment property

	Year ended 31.12.08	Year ended 31.12.07
	US$'m	US$'m
Balance at the beginning of the year	**3.5**	3.2
Foreign currency exchange difference	**(0.8)**	0.3
Balance at the end of the year	**2.7**	3.5

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

13. Investment in associate

	Year ended 31.12.08	Year ended 31.12.07
	US$'m	US$'m
Balance at the beginning of the year	**2.5**	3.5
Share of profit before tax	**2.7**	1.7
Share of tax	**(0.4)**	(0.3)
Share of income from associate	**2.3**	1.4
Dividends received	**(1.8)**	(2.4)
Balance at the end of the year	**3.0**	2.5

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

14. Joint venture agreements

Tethyan Copper Company Limited

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

Energía Andina S.A.

In October 2008 Energía Andina S.A. was formed as a vehicle for the exploration and exploitation of potential sources of geothermal energy. The company is 60% owned by the Group and 40% owned by Empresa Nacional del Petróleo ("ENAP") of Chile. Control over the key operational and financial decisions in respect of the company are jointly exercised by the Group and ENAP, and accordingly the company is accounted for as a jointly controlled entity, with results included in the consolidated balance sheet and in the consolidated income statement of the Group under the proportionate consolidation method.

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 June 2007 the Group sold 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 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 resulted in a gain of US$9.7 million being recognised during 2007, recorded within other operating income.

15. Available for sale investments

	Year ended 31.12.08	Year ended 31.12.07
	US$'m	US$'m
Balance at the beginning of the year	**3.3**	6.2
Additions	**-**	3.7
Movements in fair value	**(2.6)**	10.0
Disposal	**-**	(16.6)
Balance at the end of the year	**0.7**	3.3

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

At 31 December 2008, the balance of US$0.7 million comprises mainly the market value of Panoro Minerals Limited's shares which were 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 14). The fair value of these shares decreased by US$2.6 million during the year (2007 – US$0.5 million).

During 2007 the shares in Mercator Minerals Limited, which had been acquired through the acquisition of Equatorial Mining Limited in 2006, were disposed of resulting in a gain of US$10.5 million recognised in the income statement.

The fair value of the remaining available for sale investments of less than US$0.1 million held by the Group at 31 December 2008 are mainly Chilean-peso denominated and did not differ materially from cost at the year end.

16. Inventories

	Year ended 31.12.08	Year ended 31.12.07
	US$'m	US$'m
Raw materials and consumables	**49.6**	41.1
Work in progress	**87.1**	71.1
Finished goods	**19.2**	18.1
	155.9	130.3

Work in progress includes US$6.6 million (2007 - US$9.6 million) related to high carbonate ore inventories at El Tesoro. All of this amount (2007 - US$5.3 million) is expected to be processed more than twelve months after the balance sheet date. During 2007 a write-off of US$18.8 million was recorded in respect of these inventories.

During 2008 a write-off of US$0.9 million was recorded at Michilla in order to reduce inventories to their expected net realisable value.

17. Borrowings

	At 31.12.08	At 31.12.07
	US$'m	US$'m
Los Pelambres		
Corporate loans	**(152.6)**	(229.0)
Other short term loans	**(224.0)**	-
Other loans	**-**	(4.7)
El Tesoro		
Corporate loans	**-**	(14.0)
Finance leases	**(0.4)**	(0.1)
Michilla		
Finance leases	**-**	(0.1)
Esperanza		
Finance leases	**(19.5)**	-
Corporate and other items		
Finance leases	**(32.4)**	-
Railway and other transport services		
Loans	**(7.1)**	(14.1)
Other		
Preference shares	**(2.9)**	(4.0)
Total (see Note 23)	**(438.9)**	(266.0)

Loans at 31 December 2008 are shown net of deferred financing costs of US$0.7 million (2007 – US$1.0 million). The amount in relation to Los Pelambres was US$0.7 million (2007 – US$1.0 million). The amount in relation to El Tesoro was nil (2007 – less than US$0.1 million).

Maturity of borrowings

	At 31.12.08	At 31.12.07
	US$'m	US$'m
Short-term borrowings	**(319.0)**	(101.8)
Medium and long-term borrowings	**(119.9)**	(164.2)
Total (see Note 23)	**(438.9)**	(266.0)

Loans are predominantly floating rate. However the Group periodically enters into interest rate derivative contracts to manage its exposure to interest rates. Details of any derivative instruments held by the Group are given in Note 5.

18. Post-employment benefit obligation

	Year ended 31.12.08	Year ended 31.12.07
	US$'m	US$'m
Balance at the beginning of the year	**(29.1)**	(24.1)
Charge to operating profit in the year	**(10.6)**	(5.3)
Release of discount to net interest in year	**(1.2)**	(0.7)
Charge capitalised	**(0.5)**	-
Utilised in the year	**3.0**	3.1
Foreign currency exchange difference	**9.4**	(2.1)
Balance at the end of the year	**(29.0)**	(29.1)

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

19. Long-term provisions

	Year ended 31.12.08	Year ended 31.12.07
	US$'m	US$'m
Balance at the beginning of the year	**(10.9)**	(9.8)
Charge to operating profit in the year	**(5.0)**	(0.5)
Release of discount to net interest in the year	**(0.8)**	(0.5)
Reclassification	**(0.7)**	-
Charge capitalised	**(0.7)**	-
Foreign currency exchange difference	**0.1**	(0.1)
Balance at the end of the year	**(18.0)**	(10.9)
Analysed as follows:		
Decommissioning and restoration	**(17.5)**	(10.4)
Termination of water concession	**(0.5)**	(0.5)
Balance at the end of the year	**(18.0)**	(10.9)

Decommissioning and restoration costs relate to the Group's mining operations. Costs are estimated on the basis of a formal closure plan and are subject to regular independent formal review. It is estimated that the provision will be utilised over a period of up to 28 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.

20. Deferred tax assets and liabilities

	Year ended 31.12.08	Year ended 31.12.07
	US$'m	US$'m
Net position at the beginning of the year	**(360.9)**	(320.1)
Charge/(credit) to tax on profit in year	**22.0**	(39.7)
Deferred tax recognised directly in reserves and minority interest	**(9.0)**	-
Deferred tax capitalised	**(12.2)**	-
Foreign currency exchange difference	**4.7**	(1.1)
Net position at the end of the year	**(355.4)**	(360.9)
Analysed between:		
Deferred tax assets	**12.7**	14.7
Deferred tax liabilities	**(368.1)**	(375.6)
Net position	**(355.4)**	(360.9)

21. Share capital and share premium

There was no change in share capital or share premium in the year ended 31 December 2008 or 2007.

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

	Year ended 31.12.08	Year ended 31.12.07
	US$'m	US$'m
Profit before tax	**2,609.5**	2,750.2
Depreciation and amortisation	**180.2**	162.2
Loss on disposal of property, plant and equipment	**5.3**	8.4
Asset impairments	**188.3**	-
Profit on part-disposal of subsidiaries	**(1,024.9)**	-
Profit on disposal of joint venture interest	**-**	(9.6)
Profit on disposal of available for sale investments	**-**	(10.5)
Net finance income	**(56.3)**	(95.4)
Share of profit of associate	**(2.3)**	(1.4)
Increase in inventories	**(26.0)**	(9.9)
Decrease/(increase) in debtors	**133.0**	(11.7)
Increase in creditors and provisions	**447.5**	35.4
Cash flows from operations	**2,454.3**	2,817.7

23. Analysis of changes in net cash

	At 1.1.08	Cash flows	Other	Exchange	**At 31.12.08**
	US$'m	US$'m	US$'m	US$'m	**US$'m**
Cash and cash equivalents	2,212.5	1,169.6	-	(24.1)	**3,358.0**
Bank borrowings due within one year	(101.6)	(129.8)	(74.8)	0.2	**(306.0)**
Bank borrowings due after one year	(160.2)	-	82.6	-	**(77.6)**
Finance leases due within one year	(0.2)	9.8	(22.6)	-	**(13.0)**
Finance leases due after one year	-	-	(38.2)	(1.2)	**(39.4)**
Preference shares	(4.0)	-	-	1.1	**(2.9)**
Total borrowings	(266.0)	(120.0)	(53.0)	0.1	**(438.9)**
Net cash	1,946.5	1,049.6	(53.0)	(24.0)	**2,919.1**

Net cash

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

	At 31.12.08	At 31.12.07
	US$'m	US$'m
Cash and cash equivalents	**3,358.0**	2,212.5
Total borrowings	**(438.9)**	(266.0)
	2,919.1	1,946.5

24. Acquisitions and disposals

2008

Sale of 30% interest in the Esperanza project and Minera El Tesoro to Marubeni Corporation

On 24 April 2008 the Group entered into an agreement with Marubeni Corporation ("Marubeni") under which Marubeni would enter as an investment partner in the Sierra Gorda district by acquiring a 30% interest in both the Esperanza project and Minera El Tesoro and agreeing to fund its 30% share of the development costs of the Esperanza project. Following completion of all conditions precedent, the transaction closed on 25 August 2008. The Group in turn is responsible for funding its retained share (70%) of the development costs of the Esperanza project after project financing.

The final cash consideration received by Antofagasta from Marubeni was US$1,401.2 million, reflecting the base consideration of US$1,310 million plus interest and other adjustments specified in the agreement signed on 24 April. The profit on the part-disposal was as follows:

	Year ended 31.12.08
	US$'m
Consideration received	1,401.2
Net assets disposed	(366.0)
Transaction costs (including taxes)	(62.1)
Net profit from transaction	**973.1**

Acquisition of minority interest in Antomin

On 24 April 2008, together with the Marubeni transaction, the Group announced that it had entered into an agreement with Mineralinvest Establishment ("Mineralinvest") in respect of Antomin Limited ("Antomin"). Under this agreement, the Group acquired the 49% minority stake in certain mining properties held through Antomin, for a consideration of US$243.1 million.

Completion of the Antomin transaction was achieved on closing of the Marubeni transaction, which was completed on 25 August 2008.

Prior to the completion of this transaction Mineralinvest owned approximately 49% of Antomin. The remaining approximately 51% of Antomin was owned indirectly by the Group. The Group acquired its interest in Antomin pursuant to an agreement in 2001 for a nominal consideration from Mineralinvest, which continued to hold the remaining approximately 49% of Antomin. Mineralinvest is a company which is controlled by the Luksic family. As explained in Note 29, Mineralinvest is a related party of Antofagasta.

Pursuant to this agreement, Antofagasta acquired Mineralinvest's interest in properties required for the Marubeni Transaction together with other properties including part of the Antucoya project. The Antomin properties acquired by Antofagasta principally included the Tesoro North-East properties, a portion of the Esperanza properties and the Buey Muerto properties, which form part of the Antucoya project.

The remaining properties formerly owned by Antomin were separated into newly created indirect subsidiaries of Antofagasta, which are owned approximately 51% by Antofagasta and approximately 49% by Mineralinvest. The Group has the exclusive right to acquire at fair value under certain conditions, the shareholding of Mineralinvest in those entities, or the underlying properties, for a period of five years from completion of the separation of the assets.

Under the terms of this agreement, Antofagasta Minerals S.A., a wholly owned subsidiary of the Group, following separation of the assets, acquired Mineralinvest's Antomin shares for a cash payment of US$243.1 million, an amount that reflected the portion of value to be paid to Antofagasta by Marubeni as part of the Marubeni transaction which can be ascribed to properties required by the Marubeni transaction, which are the subject of this transaction. This amount has been capitalised as a mining property asset within property, plant and equipment.

2007

No acquisitions, disposals or part-disposals of subsidiaries or associates were made during 2007.

25. Other transactions

2008

In April 2008 the Group entered into an agreement with TEAL Exploration & Mining Incorporated ("TEAL") to acquire an initial 30% interest in two of TEAL's exploration licences on the Zambian Copperbelt covering an area of approximately 2,067 sq. km. for a consideration of US$5.0 million. The agreement gives the Group the right to earn an additional 20% interest by incurring US$4.5 million of exploration expenditure (of which US$2.0 million is committed expenditure) over a period of 4 years. TEAL is a company listed on the Toronto Stock Exchange and the JSE Limited with exploration and project interests in Africa.

In June 2008 the Group signed an agreement with Minera Metallica Resources Chile Limitada, a subsidiary of New Gold Inc (formerly Metallica Resources Inc.), to acquire a 30% interest in Rio Figueroa, an exploration project located in Chile's Atacama Region, approximately 80 km east of Copiapo city, for consideration of US$2.6 million payable in instalments. Under the agreement the Group has the right to increase its interest up to 70% in successive stages over a number of years by first incurring exploration expenditures of US$7.0 million and subsequently completing a feasibility study and making a further payment of US$5.0 million to Minera Metallica Resources Chile Limitada.

In September 2008 the Group acquired an option in respect of Mulpun, a coalfield situated near Valdivia in southern Chile, with the potential to undertake a coal gasification project. The initial payment for the option was US$2.5 million, with potential further payments of up to US$9.5 million over the next four years.

2007

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.

26. 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 in existence either during or at the end of the year and their current status are set out below:

a) Los Pelambres - Mauro tailings dam

Litigation relating to the Mauro tailings dam which was pending at the beginning of 2008 was resolved during the year. On 7 May 2008, a case concerning the validity of a sectoral permit issued by the Chilean Water Authority (Direccion General de Aguas) and other cases relating to water rights was settled at a cost to Los Pelambres of US$23 million, and as part of this court-endorsed settlement Los Pelambres acquired an area of land and related water tights adjacent to the tailings dam belonging to one of the claimants. On 3 October 2008, a separate case concerning the validity of a purchase and sale agreement for land in the area of the Mauro tailings dam was settled at a cost to Los Pelambres of Ch$15 billion (approximately US$23 million). The settlement of these cases allowed construction to be completed and for the tailings dam to be put into operation in November 2008.

In December 2008, Los Pelambres became aware of further recent legal proceedings of which had been initiated in first instance courts in Santiago and in Los Vilos by certain members of the Caimanes community located near the Mauro valley. These claims, some of which have already been rejected by the relevant courts, sought to prevent the operation of the Mauro tailings dam. Los Pelambres is taking necessary steps to protect its position and remains confident of its rights to continue the operation of the dam.

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 December 2008 a deed of settlement was agreed between the Group and Errigal Limited ("Errigal"). Errigal had instigated a claim in July 2006 claiming that amounts were owed to it under the terms of the 1993 acquisition agreement between Errigal and Equatorial Mining Limited ("Equatorial"), which the Group acquired in August 2006. The Supreme Court of New South Wales issued the relevant consent orders in respect of this settlement on 6 January 2009.

27. Capital commitments

Future capital commitments at 31 December 2008 were US$447.0 million (2007 – US$432.6 million).

28. Post balance sheet events

Acquisition of minority interest in Compañía Contractual Minera Caracoles

In February 2009 the Group acquired the 18.5% minority interest in its subsidiary Compañía Contractual Minera Caracoles from Compañía Minera Milpo of Peru, for a consideration of US$25.0 million.

Acquisition of desalination plant by Aguas de Antofagasta ("ADASA")

In March 2009, ADASA acquired the desalination plant located in the city of Antofagasta from the current owner, Desalant S.A. ("Desalant") for a purchase price of US$52.5 million. As part of this agreement, on-going arbitration proceedings between ADASA and Desalant were also terminated. The desalination plant, when acquired, will be held under the terms of the 30-year concession from the previous state-owned operator Empresa de Servicios Sanitarios de Antofagasta S.A. ("ESSAN").

29. Related party transactions

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

As set out in Note 24, in August 2008 the Group acquired Mineralinvest Establishment's ("Mineralinvest") interest in mining properties required for the Marubeni transaction together with certain other properties. Prior to the completion of this transaction these properties were held in Antomin Limited ("Antomin"), in which the Group held an approximately 51% interest and Mineralinvest held an approximately 49% interest. The consideration payable by the Group to Mineralinvest under the terms of this agreement was US$243.1 million. Mineralinvest is an entity ultimately controlled by the Luksic family, and is a related party of Antofagasta for the purposes of the Listing Rules. Due to the size of the transaction it fell within the modified requirements for smaller related party transactions set out in Listing Rule 11.1.10. This transaction was approved by a committee of independent directors of Antofagasta.

The remaining properties owned by Antomin which were not to be 100% acquired by the Group under the terms of this agreement were separated into newly created indirect subsidiaries of Antofagasta (Antomin 2 Limited ("Antomin 2") and Antomin Investors Limited ("Antomin Investors")), which will continue to be owned approximately 51% by Antofagasta and approximately 49% by Mineralinvest. With respect to Antomin 2 and Antomin Investors, Antofagasta will have the exclusive right to acquire at fair value under certain conditions, the shareholding of Mineralinvest in those entities, or the underlying properties, for a period of five years from August 2008. The Group has also committed to meet in full any exploration costs relating to the properties held by these entities. No exploration expenditure was incurred in respect of these properties during year (2007 – nil). Further details of the mining properties held by Antomin 2 and Antomin Investors is included within the Ore Reserve and Mineral Resource Estimates.

The Group acquired its original interest in Antomin pursuant to an agreement in 2001 for a nominal consideration from Mineralinvest. Under the terms of the acquisition agreement, the Group committed to meet in full the exploration costs relating to those properties held by Antomin. During the year the Group did not incur any exploration costs (2007 – US$3.1 million) in respect of these properties (some of which, as explained above, were wholly acquired by the Group during 2008). The cumulative amount incurred to 31 December 2008 (including expenditure relating to those properties wholly acquired by the Group during the year) was US$11.8 million.

In September 2006 the Group entered into a joint venture agreement with Barrick Gold Corporation ("Barrick Gold") to establish a 50:50 joint venture over Tethyan's mineral interests in Pakistan. During the year the Group contributed US$46.1 million (2007 – 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$1.4 million (2007 – US$2.2 million).

In October 2008 Energía Andina S.A. was formed, a joint venture between the Group and Empresa Nacional del Petróleo ("ENAP") of Chile. During the year the Group contributed US$9.0 million to Energía Andina S.A. to provide funds for its operations (comprising US$8.5 million in cash and US$0.5 million relating to exploration licences and other expenses incurred by the Group). The balance due from Energía Andina S.A. to the Group at the end of the year was US$0.2 million.

The Group has a 30% interest in Antofagasta Terminal Internacional S.A. ("ATI"), which is accounted for as an associate. The Group received dividends during the period of US$1.8 million (2007 – US$2.4 million), as disclosed in the Consolidated Cash Flow Statement.

30. 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
31.12.08	US$1.4428 = £1; US$1 = Ch$636	US$1.8386 = £1; US$1 = Ch$522
31.12.07	US$1.9912 = £1; US$1 = Ch$497	US$2.0004 = £1; US$1 = Ch$523

31. Distribution

The Annual Report and Financial Statements for the year ended 31 December 2008, together with the Notice of the 2009 Annual General Meeting, will be posted to all shareholders in April 2009. 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, 10 June 2009.

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

(See notes following Note 32(b).)

a) Production and sales volumes for copper and molybdenum

	Production		Sales	
	Year ended 31.12.08	Year ended 31.12.07	**Year ended 31.12.08**	Year ended 31.12.07
	000 tonnes	000 tonnes	**000 tonnes**	000 tonnes
Copper				
Los Pelambres	**339.2**	289.9	**340.6**	289.4
El Tesoro	**90.8**	93.0	**90.9**	93.3
Michilla	**47.7**	45.1	**47.5**	45.8
Group total	**477.7**	428.1	**479.0**	428.5
Molybdenum				
Los Pelambres	**7.8**	10.2	**7.7**	10.0

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

	Cash costs		Realised prices	
	Year ended 31.12.08	Year ended 31.12.07	**Year ended 31.12.08**	Year ended 31.12.07
	US cents	US cents	**US cents**	US cents
Copper				
Los Pelambres	**57.3**	(10.8)	**246.5**	328.3
El Tesoro	**144.7**	109.8	**315.6**	327.6
Michilla	**191.1**	143.5	**317.7**	313.8
Group weighted average (net of by-products)	**87.3**	31.6	**266.7**	326.6
Group weighted average (before deducting by-products)	**129.3**	110.7		
Cash costs at Los Pelambres comprise:				
On-site and shipping costs	**99.5**	76.3		
Tolling charges for concentrates	**17.0**	29.6		
Cash costs before deducting by-product credits	**116.5**	105.9		
By-product credits (principally molybdenum)	**(59.2)**	(116.7)		
Cash costs (net of by-product credits)	**57.3**	(10.8)		
LME average			**315.3**	323.3
			US$	US$
Molybdenum				
Los Pelambres			**23.9**	31.7
Market average price			**28.9**	30.2

Notes to the production and sales statistics

(i) The production and sales figures represent the actual amounts produced and sold, not the Group's share of each mine. The Group owns 60% of Los Pelambres, 70% of El Tesoro (100% prior to 25 August 2008) 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 90.6 cents per pound in 2007 to 117.2 cents per pound in 2008.

(v) Realised copper prices are determined by comparing turnover from copper sales (grossing up for tolling charges for concentrates) with sales volumes for each mine in the period. Realised molybdenum prices at Los Pelambres are calculated on a similar basis. In the current year realised prices reflect gains and losses on commodity derivatives, which are included within turnover.

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

(vii) The production information in Note 32(a) and the cash cost information in Note 32(b) is derived from the Group's production report for the fourth quarter of 2008, published on 3 February 2009.

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

The Group's four mining companies, Los Pelambres, El Tesoro, Michilla and Esperanza, will file financial statements under Chilean GAAP for the year ended 31 December 2008 with the Chilean securities regulator, the Superintendencia de Valores y Seguros de Chile ("SVS") on 27 March 2009. 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 31.12.08 US$'m	Los Pelambres At 31.12.07 US$'m	**El Tesoro At 31.12.08 US$'m**	El Tesoro At 31.12.07 US$'m	**Michilla At 31.12.08 US$'m**	Michilla At 31.12.07 US$'m	**Esperanza At 31.12.08 US$'m**	Esperanza At 31.12.07 US$'m
Cash and cash equivalents	**325.9**	164.2	**171.6**	534.3	**36.7**	43.1	**272.8**	-
Trade and other receivables	**19.8**	323.0	**47.3**	67.0	**25.0**	32.1	**54.8**	45.3
Inventories	**85.5**	74.6	**44.1**	37.0	**16.6**	16.3	**8.5**	-
Current and deferred tax assets	**152.3**	93.1	**22.6**	4.9	**10.3**	3.5	**80.6**	4.7
Current assets	**583.5**	654.9	**285.6**	643.2	**88.6**	95.0	**416.7**	50.0
Fixed assets	**2,147.3**	1,753.7	**553.2**	261.7	**-**	43.1	**640.3**	7.7
Other non-current assets	**135.3**	148.4	**124.0**	38.7	**3.1**	1.7	**138.8**	39.9
TOTAL ASSETS	**2,866.1**	2,557.0	**962.8**	943.6	**91.7**	139.8	**1,195.8**	97.6
Short term borrowings	**(301.9)**	(82.0)	**(0.1)**	(14.1)	**-**	-	**-**	**-**
Trade and other payables	**(406.2)**	(167.1)	**(51.0)**	(51.9)	**(40.7)**	(25.7)	**(390.7)**	(21.2)
Current and deferred tax liabilities	**-**	-	**(0.4)**	(4.0)	**-**	(9.0)	**-**	-
Current liabilities	**(708.1)**	(249.1)	**(51.5)**	(70.0)	**(40.7)**	(34.7)	**(390.7)**	(21.2)
Medium and long term borrowings	**(76.7)**	(153.3)	**(0.3)**	-	**-**	-	**-**	-
Trade and other payables	**(16.0)**	(15.9)	**(8.6)**	(8.0)	**(8.2)**	(8.7)	**(101.0)**	-
Deferred tax liabilities	**(239.2)**	(153.5)	**(52.4)**	(34.0)	**-**	-	**(9.6)**	-
Non-current liabilities	**(331.9)**	(322.7)	**(61.3)**	(42.0)	**(8.2)**	(8.7)	**(110.6)**	-
Total liabilities	**(1,040.0)**	(571.8)	**(112.8)**	(112.0)	**(48.9)**	(43.4)	**(501.3)**	(21.2)
Share capital	**(373.8)**	(373.8)	**(91.0)**	(91.0)	**(78.4)**	(78.4)	**(694.5)**	(76.4)
Reserves	**(1,452.3)**	(1,611.4)	**(759.0)**	(740.6)	**35.6**	(18.0)	**-**	-
Total shareholders' equity	**(1,826.1)**	(1,985.2)	**(850.0)**	(831.6)	**(42.8)**	(96.4)	**(694.5)**	(76.4)
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**(2,866.1)**	(2,557.0)	**(962.8)**	(943.6)	**(91.7)**	(139.8)	**(1,195.8)**	(97.6)

(b) Income statements

	Los Pelambres Year ended 31.12.08 US$'m	Los Pelambres Year ended 31.12.07 US$'m	El Tesoro Year ended 31.12.08 US$'m	El Tesoro Year ended 31.12.07 US$'m	Michilla Year ended 31.12.08 US$'m	Michilla Year ended 31.12.07 US$'m	Esperanza Year ended 31.12.08 US$'m	Esperanza Year ended 31.12.07 US$'m
Turnover	**2,170.3**	2,656.9	**632.4**	673.9	**332.5**	323.9	-	-
Operating costs	**(676.2)**	(470.9)	**(292.5)**	(244.1)	**(223.0)**	(157.7)	-	-
Operating margin	**1,494.1**	2,186.0	**339.9**	429.8	**109.5**	166.2	-	-
Administrative and distribution expenses	**(148.2)**	(92.9)	**(35.7)**	(31.3)	**(19.1)**	(15.4)	-	-
Operating profit	**1,345.9**	2,093.1	**304.2**	398.5	**90.4**	150.8	-	-
Other income	**6.7**	7.8	**2.0**	2.3	**1.2**	10.3	-	-
Financial income	**10.8**	29.9	**15.4**	22.4	**1.9**	3.6	-	-
Financial expenses	**(11.7)**	(18.1)	**(0.8)**	(2.0)	**(0.1)**	(0.2)	-	-
Other expenses	**(5.5)**	(2.3)	**(2.1)**	(5.2)	**(37.6)**	(9.3)	-	-
Exchange difference	**(58.0)**	30.4	**(5.4)**	1.2	**(4.9)**	0.8	-	-
Net non-operating income	**(57.7)**	47.7	**9.1**	18.7	**(39.5)**	5.2	-	-
Profit before tax	**1,288.2**	2,140.8	**313.3**	417.2	**50.9**	156.0	-	-
Income tax expense	**(267.3)**	(399.4)	**(65.7)**	(77.7)	**(16.9)**	(29.3)	-	-
Profit for the financial year	**1,020.9**	1,741.4	**247.6**	339.5	**34.0**	126.7	-	-

(c) Cash flow statements

	Los Pelambres Year ended 31.12.08 US$'m	Los Pelambres Year ended 31.12.07 US$'m	El Tesoro Year ended 31.12.08 US$'m	El Tesoro Year ended 31.12.07 US$'m	Michilla Year ended 31.12.08 US$'m	Michilla Year ended 31.12.07 US$'m	Esperanza Year ended 31.12.08 US$'m	Esperanza Year ended 31.12.07 US$'m
Net cash flow from operating activities	**1,644.6**	1,662.8	**204.4**	359.5	**100.6**	135.0	**(45.2)**	8.7
Investing activities								
Additions to fixed assets	**(445.5)**	(303.4)	**(324.1)**	(30.2)	**(19.4)**	(11.4)	**(463.6)**	(8.7)
Disposals of fixed assets	**-**	7.3	**-**	-	**0.2**	0.3	**-**	-
Other loans to related companies	**-**	-	**-**	-	**-**	(0.9)	**-**	-
Net cash used in investing activities	**(445.5)**	(296.1)	**(324.1)**	(30.2)	**(19.2)**	(12.0)	**(463.6)**	(8.7)
Financing activities								
Issue of share capital	**-**	-	**-**	-	**-**	-	**350.3**	-
Intercompany loans	**-**	-	**-**	-	**-**	-	**340.9**	-
New Loans	**224.0**	-	**-**	-	**-**	-	**-**	-
Dividends paid	**(1,180.0)**	(1,606.4)	**(229.0)**	-	**(87.8)**	(149.4)	**-**	-
Loans repaid	**(81.4)**	(81.4)	**(14.0)**	(14.0)	**-**	-	**-**	-
Net cash used in financing activities	**(1,037.4)**	(1,687.8)	**(243.0)**	(14.0)	**(87.8)**	(149.4)	**691.2**	-
Net (decrease)/increase in cash and cash equivalents	**161.7**	(321.1)	**(362.7)**	315.3	**(6.4)**	(26.4)	**272.8**	-
Cash and cash equivalents at the beginning of the year	**164.2**	485.3	**534.3**	219.0	**43.1**	69.5	**-**	-
Cash and cash equivalents at the end of the year	**325.9**	164.2	**171.6**	534.3	**36.7**	43.1	**272.8**	-

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, Michilla and Esperanza for the year ended 31 December 2008 to be filed with the SVS in Chile on 27 March 2009. 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, 70% of El Tesoro (100% prior to 25 August 2008), 74.2% of Michilla and 70% of Esperanza.

(iv) All income and expenditure incurred in the development of Esperanza is capitalised as part of the mining property asset, and accordingly there are no income statement gains or losses in respect of Esperanza.

(v) 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.

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

(a) Turnover

	Notes	**Los Pelambres Year ended 31.12.08 US$'m**	Los Pelambres Year ended 31.12.07 US$'m	**El Tesoro Year ended 31.12.08 US$'m**	El Tesoro Year ended 31.12.07 US$'m	**Michilla Year ended 31.12.08 US$'m**	Michilla Year ended 31.12.07 US$'m	**Esperanza Year ended 31.12.08 US$'m**	Esperanza Year ended 31.12.07 US$'m
Chilean GAAP - Turnover		**2,170.3**	2,656.9	**632.4**	673.9	**332.5**	323.9	**-**	-
Mark-to-market of provisionally priced sales	34(i)	**1.7**	(5.0)	**-**	-	**0.2**	-	**-**	-
Reclassification of realised (gains)/losses on commodity derivatives to other operating expense/reserves	34(ii)	**-**	-	**-**	-	**-**	(7.1)	**-**	-
IFRS – Turnover		**2,172.0**	2,651.9	**632.4**	673.9	**332.7**	316.8	**-**	-

(b) EBITDA

	Notes	**Los Pelambres Year ended 31.12.08 US$'m**	Los Pelambres Year ended 31.12.07 US$'m	**El Tesoro Year ended 31.12.08 US$'m**	El Tesoro Year ended 31.12.07 US$'m	**Michilla Year ended 31.12.08 US$'m**	Michilla Year ended 31.12.07 US$'m	**Esperanza Year ended 31.12.08 US$'m**	Esperanza Year ended 31.12.07 US$'m
Chilean GAAP - Operating profit		**1,345.9**	2,093.1	**304.2**	398.5	**90.4**	150.8	**-**	-
Depreciation & amortisation		**81.0**	78.5	**42.3**	41.3	**27.1**	23.0	**-**	-
Chilean GAAP - EBITDA		**1,426.9**	2,171.6	**346.5**	439.8	**117.5**	173.8	**-**	-
Mark-to-market of provisionally priced sales	34(i)	**1.7**	(5.0)	**-**	-	**0.2**	-	**-**	-
Mark-to-market of financial derivatives	34(ii)	**-**	-	**-**	-	**-**	(7.1)	**-**	-
Other IFRS and consolidation adjustments	34(iii)	**1.1**	11.4	**(3.7)**	(8.9)	**0.7**	2.5	**-**	-
IFRS - EBITDA		**1,429.7**	2,178.0	**342.8**	430.9	**118.4**	169.2	**-**	-

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.

This results in a GAAP adjustment in cases where the mark-to-market prices are higher than the provisional invoice prices. For Los Pelambres this results in a credit of US$1.8 million in respect of copper concentrate sales (principally in respect of tolling charges), and a loss of US$0.1 million in respect of molybdenum concentrate sales. For Michilla this results in a credit of US$0.2 million. The adjustment in respect of El Tesoro 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.

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

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