

## Half yearly financial report for the six months ended 30 June 2009

26 August 2009

### HIGHLIGHTS

SIX MONTHS TO 30 JUNE		2009	2008	% Change
Group turnover	US\$'m	1,178.3	2,407.0	(51.0)
Cash flows from operations	US\$'m	52.8	1,512.9	(96.5)
Net earnings <sup>1</sup>	US\$'m	235.7	792.8	(70.3)
Earnings per share	cents	23.9	80.4	(70.3)
Net cash at period end	US\$'m	1,773.3	2,135.5	(17.0)
Dividend per share <sup>2</sup>	cents	3.4	6.4	(46.9)
<small>(2009 interim – ordinary 3.4 cents)</small>				
<small>(2008 interim – ordinary 3.4 cents; special 3.0 cents)</small>				
Average LME copper price (per pound)	cents	183.5	367.8	(50.1)
Group copper production	'000 tonnes	218.2	233.6	(6.6)
Group weighted average cash costs <sup>3</sup> (net of by-product credits)	cents	97.5	72.2	35.0
Group weighted average cash costs <sup>3</sup> (excluding by-product credits)	cents	116.0	130.6	(11.2)
Average market molybdenum price (per pound)	US\$	9.1	33.1	(72.5)
Group molybdenum production	'000 tonnes	3.7	3.8	(2.6)

See footnotes on following page.

- **Solid operating performance** with production slightly ahead of budget. Copper production was 218,200 tonnes, 6.6% below the 2008 half year as expected and molybdenum production was nearly unchanged at 3,700 tonnes. Full year production is expected to be approximately 447,000 tonnes for copper, ahead of previous forecasts, and 7,200 tonnes for molybdenum.
- **Reduced operating costs achieved** as a result of a rigorous cost reduction programme implemented from the start of 2009 complemented by the general easing of market pressures compared with 2008, including lower energy and acid prices and a weaker Chilean peso. Cash costs excluding by-product credits were 116.0 cents per pound, 11.2% and 9.4% below the first and second halves of 2008 respectively.
- **Strong financial position** with net cash position of US\$1.8 billion at 30 June 2009 enabling the Group to progress with the Strategic Plan it adopted last year.
- **Capital projects on track to deliver additional low-cost and profitable growth in 2010 and 2011.** 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. Group copper production in 2011 expected to be nearly 700,000 tonnes, more than 50% above the 2009 level.
- **Continued progress with other opportunities.** The Group progressed with its exploration programme with particular focus on the Sierra Gorda district in northern Chile. In March 2009, an earn-in agreement in respect of the Tuligtic project in Mexico was signed with Almaden Minerals Limited, complementing the Group's portfolio of early stage opportunities. The Reko Diq project in Pakistan has reached the pre-feasibility stage and the full feasibility study is expected to be completed in the first half of 2010.
- **Net earnings were US\$235.7 million, 70.3% below the 2008 half year.** This mainly reflected the impact of lower commodity prices compared with the 2008 half year and to a lesser extent the lower copper production. The Group benefited from positive pricing adjustments on provisional concentrate sales in both periods, in contrast to the significant negative second half of 2008 when prices fell sharply. Lower cash flow from operations results from the lower operating profit, and from the cash requirement resulting from the settlement, early in 2009, of provisionally invoiced sales in 2008 which had been marked down to market, as a result of the sharp fall in the copper price, at the end of that year.

- **Ordinary interim dividend of 3.4 cents declared**, which is unchanged from the 2008 ordinary dividend. This compares with a total interim dividend of 6.4 cents in 2008 when a special dividend of 3.0 cents was also paid. The Group's dividend policy remains unchanged.

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

“We had a very solid first half in 2009, with copper production ahead of budget and operating costs down on 2008 as planned. Commodity prices have improved strongly since March this year and whilst the short-term outlook remains uncertain, both copper and molybdenum prices appear to have found higher support levels at this time. Our financial position remains very strong and, in accordance with our Strategic Plan, we have made significant progress with our existing development projects. These should enable the Group to increase copper production by more than 50% from current levels to nearly 700,000 tonnes from 2011. We have continued with our exploration and evaluation programmes and we are very well placed to take advantage of opportunities for further growth.”

- 1 *Net earnings refer to profit for the financial year attributable to equity holders of the Company.*
- 2 *Dividends are paid in either sterling or US dollars. The conversion rate for dividends to be paid in sterling will be set on 23 September 2009.*
- 3 *Cash cost is a method used by the mining industry to express the cost of production in cents per pound of copper, and is further explained in Note 31(b)(iii).*

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## DIRECTORS' COMMENTS FOR THE HALF YEAR TO 30 JUNE 2009

### Overview

The Group delivered a solid operating performance in the first six months of 2009. With commodity prices for the period ahead of initial Group expectations, copper production was slightly above budget while operating costs were lower than 2008 as expected. Nevertheless, results as compared with the first six months of 2008 were significantly affected by the sharp deterioration of commodity prices in the second half of that year as well as expected lower copper production volumes in the first half of 2009. The Group's financial position remained strong, and at 30 June 2009 it had net cash of US\$1,773.3 million.

Net earnings in the first six months of 2009 were US\$235.7 million, a decrease of 70.3% compared with the US\$792.8 million in the first half of 2008, but above the US\$50.1 million achieved in the second half of that year. Cash flow from operations were US\$52.8 million (2008 half year – US\$1,512.9 million), mainly due to the combination of the lower operating profit as well as final cash settlements of provisionally priced concentrate sales which had been marked-to-market at the end of 2008 (and hence were reflected in the results for the second half of that year).

Metal prices during the first six months of 2009 improved substantially compared with the beginning of the year, but remained well below the 2008 comparative period. The LME copper price averaged 183.5 cents per pound, compared with 131.6 cents per pound at the beginning of the year and 231.7 cents per pound at 30 June 2009. The average price was 50.1% below the 2008 half year average of 367.8 cents per pound. During both the 2009 and 2008 half years, increasing copper prices compared with the start of each respective period meant that the Group benefited from positive pricing adjustments on provisionally invoiced copper sales, particularly at Los Pelambres. This contrasted with the second half of 2008 when the sharp fall in both copper and molybdenum prices resulted in significant negative adjustments. Molybdenum prices averaged US\$9.1 per pound, in line with the US\$9.5 per pound at the beginning of 2009 but 72.5% below the 2008 half year average of US\$33.1 per pound. As explained in "Current Trading Prospects" below, commodity prices have continued to strengthen since the end of the first half; however given the likelihood of significant stock-building in China so far this year, increased levels of financial investment in commodities compared with the second half of last year and weak demand to date in the developed world, the direction of commodity prices in the short-term remains uncertain.

Copper production was 218,200 tonnes, slightly ahead of budget but 6.6% below the first half of 2008. This was mainly due to expected lower ore throughput at Los Pelambres due to the increased level of harder primary ore, slightly lower production at El Tesoro until it fully benefits from the Tesoro North-East and Run-of-Mine ("ROM") projects and the decision to close the high-cost Lince open pit at Michilla at the start of the year. Molybdenum production at Los Pelambres was 3,700 tonnes, in line with budget and comparable to the first half of 2008. The transport and water divisions performed well with further volume increases at both divisions compared with the 2008 half year.

Weighted average cash costs were 97.5 cents per pound in the 2009 half year, compared with 72.2 cents in the same period last year. This mainly reflected lower by-product credits due to the lower molybdenum price as explained above. Excluding by-product credits, cash costs were 116.0 cents per pound compared with 130.6 cents per pound in the 2008 half year. This reduction reflected a rigorous cost reduction programme implemented from the start of 2009, complemented by a general easing of market cost pressures compared with 2008, including lower energy and acid prices and a weaker Chilean peso. The Group's overall cost targets in the first half were met even though some factors, such as energy prices and the Chilean peso, did not reduce to the full extent expected.

The Group also made continued progress with the Los Pelambres plant expansion and the Esperanza mine development which are scheduled to come on stream as planned at the end of 2009 and the end of 2010 respectively. When both these projects, which have combined capital costs of US\$3.3 billion, are fully on stream, they are expected to lift annual Group copper production to nearly 700,000 tonnes, an increase of more than 50% from expected 2009 level. In May 2009, Esperanza signed definitive agreements for a 12-year US\$1.05 billion project financing facility with a consortium of senior lenders including governmental agencies and commercial banks, and financial closing was achieved at the end of June with first drawdown in July. The financing, combined with the Group's net cash position, further enhances its financial flexibility in the current challenging economic environment.

At Los Pelambres, the Mauro tailings dam is now fully operational following completion of construction in November 2008 and settlement of outstanding litigation that year. As explained below, despite further on-going legal proceedings, the Group remains confident of Los Pelambres' rights to continue operation of the dam.

During the first six months of 2009 the Group also progressed with its active exploration programme to enhance the potential of the Sierra Gorda and Los Pelambres districts. In Chile, the primary focus is the Sierra Gorda district, where the Group has oxide and sulphide deposits in addition to El Tesoro and Esperanza. Further drilling has been carried out at a number of these prospects, including Telégrafo, Caracoles, Mirador and Polo Sur, and the district is considered to have good potential for development as a single complex for mining of oxide and sulphide ores. The Group also has a substantial resource at Los

Pelambres beyond the current mine plan following completion of its exploration programme in the area at the end of 2008. Studies are also in progress at Antucoya, a low grade oxide deposit to the east of Michilla.

The Group has also continued with its other early stage opportunities and prospects. At the Reko Diq joint venture in Pakistan the full feasibility study is expected to be completed in the first half of 2010. The Group has also progressed with early-stage earn-in agreements in Chile (Río Figueroa) and Zambia, and in March 2009 a further earn-in agreement was entered into in respect of the Tuligtic deposit in Mexico. The Group's geothermal joint venture, Energía Andina S.A., has also secured further concessions which it intends to explore. The Group is continuing with an active target generation programme to identify further opportunities.

The Board has declared an ordinary interim dividend of 3.4 cents per share for 2009. This is unchanged from the ordinary interim dividend for 2008, when, in view of the continued strong results driven by high copper prices in the first half of that year, the Board had also declared a special interim dividend of 3.0 cents giving a total interim dividend for 2008 of 6.4 cents. As in previous years, the Board intends to determine an appropriate level of final dividend when the full year results are announced in March 2010 taking into account the level of profits earned in the period under review, the cash position of the Group and significant known or expected funding commitments.

## Review of operations

### *Los Pelambres*

Los Pelambres produced 157,500 tonnes of payable copper in the first six months of 2009, 3.8% below the first half of last year but 3.5% ahead of budget. The decrease in production compared with the first half of 2008 was mainly due to lower plant throughput, partly offset by slightly higher ore grades and improved metallurgical recoveries. Ore throughput averaged 132,000 tonnes per day (2008 half year – 141,500 tonnes per day) mainly due to the higher level of harder primary ore, while ore grades and recoveries averaged 0.74% and 92.6% respectively (2008 half year – 0.72% and 91.5% respectively).

Molybdenum production was 3,700 tonnes in the first six months of 2009, in line with budget and comparable to the first six months of 2008, when 3,800 tonnes of molybdenum were produced. Molybdenum grades remained similar and higher molybdenum recoveries compensated for the lower ore throughput.

Realised copper prices at Los Pelambres were 238.6 cents per pound (2008 half year – 420.7 cents per pound), mainly reflecting the significantly lower LME copper price compared with the first half of 2008. Realised copper prices exceeded the average LME copper price in both periods due to the significant improvement in the copper price between the start and the end of each period, resulting in positive adjustments for the settlement of open sales as well as period-end mark-to-market adjustments of US\$188.4 million in the 2009 half year (2008 half year – US\$191.9 million). Realised molybdenum prices were US\$9.7 per pound compared with US\$33.6 per pound in the first half of 2008, also reflecting significantly lower molybdenum market prices. Realised molybdenum prices in both periods marginally exceeded average market prices, reflecting smaller changes in molybdenum prices over the course of both periods and resulting in positive adjustments of only US\$3.0 million in the 2009 half year (2008 half year – US\$3.8 million). The positive pricing adjustments for copper and molybdenum in both these periods contrasted with the second half of 2008 when the sharp fall in metal prices had resulted in significant negative adjustments for the settlement of open sales as well as year-end mark-to-market adjustments totalling US\$733.8 million for copper and US\$105.0 million for molybdenum. Further details of pricing adjustments for both copper and molybdenum are given in the Financial Commentary on page 12 and in Note 5(a) to the condensed financial statements.

Cash costs, which are stated net of by-product credits and include tolling charges, were 84.7 cents per pound in the 2009 half year. This was marginally below budget but 48.7 cents per pound higher than the 36.0 cents achieved in the first half of 2008 as the significantly reduced by-product credit offset the benefit of lower on-site and shipping costs. By-product credits decreased by 57.9 cents per pound to 25.6 cents per pound, mainly reflecting the impact of lower realised prices for molybdenum despite similar volumes as explained above, but remained slightly ahead of expectations. Excluding by-product credits, cash costs were therefore 110.2 cents per pound (2008 first half – 119.4 cents).

On-site and shipping costs decreased by 8.9 cents per pound to 90.8 cents per pound due to a reduction in shipping costs as well as a reduction in consumable costs, in particular energy and oil, reflecting lower price levels compared with the first half of 2008. These factors compensated for the impact of lower production on unit costs in this period. Certain costs, in particular energy and steel, have however not reduced as much as expected and consequently on-site and shipping costs were approximately 3 cents per pound in excess of budget. Tolling charges remained nearly unchanged at 19.4 cents (2008 half year – 19.7 cents), despite higher terms for the 2009 calendar year, as a result of the “brick system” under which annual terms agreed are often averaged over two years.

Depreciation charges at Los Pelambres increased to US\$62.8 million in the 2009 half year (2008 half year – US\$37.3 million), mainly as a result of the start-up of the Mauro tailings dam at the end of 2008 as further explained below.

Consequently, Los Pelambres achieved an operating profit of US\$441.8 million in the 2009 half year, 67.0% below the 2008 first half, as lower realised copper and molybdenum prices and lower copper production as well as higher depreciation charges offset the benefit of lower on-site and shipping costs.

Total borrowings at Los Pelambres at 30 June 2009 were US\$614.5 million, comprising short term facilities for US\$500.0 million and the remaining balance on its existing unsecured corporate term loan of US\$114.5 million. This compared with US\$376.6 million at the beginning of the year and US\$190.8 million at 30 June 2008. The increase in borrowings results mainly from the short-term facilities taken out from the end of 2008 and early 2009, to meet working capital requirements including repayments to smelters on final settlement of provisional invoices as well as part of the expenditures on the current plant expansion which is described further below. This was offset by regular repayments of the unsecured corporate term loan. Los Pelambres is currently examining options to refinance its short term facilities and to finance the remaining capital expenditures for its plant expansion.

Total capital expenditure during the first six months of 2009 was US\$216.0 million, mainly relating to the plant expansion of throughput capacity to 175,000 tonnes per day from the current level of approximately 130,000 tonnes per day.

The plant expansion project, which will increase throughput through additional infrastructure including a third SAG mill and sixth ball mill, was approved in July 2008 and has a total capital cost of approximately US\$1.0 billion including escalation. The project is within existing environmental permits and when completed is expected to increase production of payable copper by an annual average of approximately 90,000 tonnes over the first 15 years from 2010. Cumulative expenditure on the project to 30 June 2009 was US\$503.0 million, of which US\$178.7 million was incurred in the first half of this year, and physical progress was approximately 61% to this date. The project remains within budget and on schedule for completion at the end of 2009.

The Mauro tailings dam, which started up in November 2008, became fully operational in the first half of 2009. The tailings dam replaces the Quillayes tailings dam which has reached capacity. Cumulative expenditure on this project at 30 June 2009 was US\$644.4 million, including residual costs of US\$11.1 million during the first half of this year. As previously announced, following the settlement of litigation during 2008, Los Pelambres became aware of further legal proceedings in December 2008 which had been initiated in first instance courts in Santiago and 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 continuing to take those necessary steps to protect its position and remains confident of its rights to continue operation of the dam.

As a result of minor modifications to the mine plan during the year to maximise copper production, full year production of payable copper is expected to reach approximately 313,000 tonnes, slightly ahead of the budget of 300,000 tonnes. Molybdenum production for the year is expected to be approximately 7,200 tonnes compared with the budget of 8,100 tonnes as a consequence of the impact on the molybdenum grade in the areas to be mined as a consequence of these planned changes.

Cash costs before by-product credits for the full year are expected to be approximately 109 cents per pound, compared with the original budget of 104 cents per pound, mainly since the prices of consumables, in particular energy, steel and fuel, while below the levels of 2008, have not reduced to the extent expected. Based on a molybdenum price of US\$9.7 per pound for the year, by-product credits are expected to be around 26 cents per pound compared with original budget of 23 cents, as higher molybdenum prices could compensate for lower molybdenum volumes. On this basis, net cash costs for the full year are therefore expected to be approximately 83 cents, slightly above the budget at the start of the year of 81 cents per pound. As explained below, spot molybdenum prices have recently increased significantly and will further benefit Los Pelambres should these continue to hold.

As previously announced, from 2010, copper production is expected to be approximately 410,000 tonnes for a number of years from increased throughput when the plant expansion is completed, before reducing in line with the mine plan as grades eventually decline, with an ore reserve average grade of 0.66%.

### ***El Tesoro***

Cathode production at El Tesoro was 40,100 tonnes during the first six months of 2009, 14% below the 2008 half year production of 46,600 tonnes and 5.6% below budget. The lower production in the first six months of 2009 was mainly due to lower ore grades of 1.10% (2008 half year – 1.16%) and reduced metallurgical recoveries of 72.5% (2008 half year – 76.1%). Ore throughput averaged 27,900 tonnes per day (2008 half year – 28,800 tonnes per day).

Production in the first half of 2009 includes materials processed from the Tesoro North-East deposit which started production on schedule in April 2009 following completion of pre-stripping the previous month. Start-up of the ROM leaching of low-grade oxides from Esperanza was delayed from the second quarter of 2009 to the third quarter, which also explains the lower production in the first half of 2009 as compared with budget.

Realised copper prices at El Tesoro were 206.5 cents per pound compared with 386.2 cents per pound in the 2008 half year, mainly reflecting the lower average LME prices but also lower cathode premiums as well as lower positive pricing adjustments on provisionally priced sales. This decrease was partly offset by realised gains on commodity hedge instruments in the first half of 2009; such hedge instruments had no material effect on results in the first half of 2008. Further details of pricing adjustments are given in the Financial Commentary under “Turnover” and in Note 5(a) to the condensed financial statements; further details of the effects of commodity hedge instruments in place are given in the Financial Commentary under “Derivative Financial Instruments” and in Note 5(b) to the condensed financial statements.

Cash costs during the first half of 2009 of 122.8 cents were broadly in line with budget and decreased significantly compared with 138.5 cents per pound in the first half of 2008. This reduction was due to a number of cost reduction initiatives as well as a decrease in consumable costs including energy, fuel and sulphuric acid and the impact of the weaker Chilean peso.

Operating profit at El Tesoro was US\$50.2 million compared with US\$221.5 million in the 2008 half year, reflecting the lower realised copper prices and lower cathode production, partly offset by lower cash costs.

Capital expenditure in the first half of 2009 was US\$54.1 million, including US\$49.0 million relating to prestripping at Tesoro North-East and the ROM project. Cumulative expenditure to 30 June 2009 on these two projects, which are substantially complete, was US\$140.6 million. These projects, which have an estimated combined capital cost of approximately US\$160 million, mitigate the decline in grades that would otherwise occur from mining exclusively from the Tesoro open pit and ensure the mine life to 2020.

Full year cathode production is expected to be approximately 92,000 tonnes, below the budget of 95,000 tonnes, mainly due to the delayed start-up of the ROM project. Full year cash costs are expected to be approximately 129 cents per pound, compared with the forecast in March this year of 116 cents, due mainly to higher energy and fuel, and to a lesser extent acid, prices than originally forecast. Cash costs are nevertheless expected to be lower than the 2008 full year level of 144.7 cents per pound.

### ***Michilla***

Michilla produced 20,600 tonnes of copper cathodes during the first half of 2009, which was 3.9% ahead of budget. Production was nevertheless 10.8% below the 23,100 tonnes produced in the 2008 half year, with this expected reduction partly due to the decision in early 2009 to close the high cost Lince open pit during the first quarter of the year. Ore throughput was lower at 14,800 tonnes per day compared with 15,800 tonnes in the 2008 half year. Ore grades and recoveries were marginally lower at 0.99% and 78.3% respectively (2008 half year – 1.01% and 80.6% respectively).

Cash costs were 146.5 cents per pound in the first half of 2009, a 48.6 cents per pound reduction from the 2008 half year cash costs of 195.1 cents per pound. This was due to cost savings from the closure of the Lince open pit, reductions in consumable costs, including energy and sulphuric acid, the lower price of purchased ore given the lower average copper price and the weaker Chilean peso. Nevertheless, costs were above the budget of 136.0 cents partly because consumable prices and the exchange rate did not decline to the levels anticipated at the start of the year but also because Michilla has processed more low-grade stockpile material than originally planned to take advantage of higher copper prices and lower acid costs.

Realised copper prices in the period were 178.9 cents per pound compared with 372.9 cents per pound in the 2008 half year. This mainly reflected the lower average LME prices but also slightly lower cathode premiums and slightly greater realised losses on commodity hedge instruments in the first half of 2009 as compared with the 2008 half year. Positive pricing adjustments on provisionally priced sales were similar in both periods. Further details of pricing adjustments are given in the Financial Commentary under “Turnover” and in Note 5(a) to the condensed financial statements; further details of the effects of commodity hedge instruments in place are given in the Financial Commentary under “Derivative Financial Instruments” and in Note 5(b) to the condensed financial statements.

Operating profit at Michilla was US\$6.3 million compared with US\$75.3 million in the 2008 half year, reflecting the lower realised copper prices and lower cathode production, partly offset by lower cash costs. Capital expenditure in the period was US\$7.0 million, reflecting mainly minor investments for the current mine plan.

Forecast copper production for 2009 is expected to be approximately 42,000 tonnes compared with the budget of 38,000 tonnes, mainly due to increased processing of low grade stockpiles and third party ore in the course of the year to benefit from higher commodity prices. Cash costs are expected to be approximately 152 cents per pound compared with the budget of 137 cents, mainly reflecting the stronger Chilean peso, increased consumable prices including energy, oil and purchased ore compared with expectations at the start of the year as well as the higher marginal cost of the additional production. Cash costs are nevertheless expected to remain well below the 2008 full year level of 191.1 cents per pound.

As announced in April, Michilla now expects to continue in production until at least the end of 2010 and has hedged approximately 80% of its production for that year and it is seeking where possible to secure its costs. It is continuing to examine options to extend its life beyond this period.

### ***Railway and other transport services – Antofagasta Railway Company plc (FCAB)***

Rail and road volumes in the first half of 2009 were 3.1 million tons (2008 half year – 2.6 million tons) and 0.7 million tons (2008 half year – 0.6 million tons) respectively, representing a combined increase of 18.5%. This was mainly due to transport contracts with Apex Silver’s San Cristóbal mine in Bolivia and Codelco’s Gaby mine in Chile, which achieved full tonnages in the second half of 2008, combined with minor increases from other customers.

Turnover (net of sales to the mining division) decreased by 8.1% to US\$66.5 million (2008 half year – US\$72.4 million). This was due to a number of reasons including a reduction in average haulage distances due to the mix of tonnages from individual customers and downward tariff adjustments to contracts in line with costs including fuel, inflation and exchange. The 2008 half year also benefited from guaranteed tonnage payments under some contracts where minimum tonnages were not met; these were not repeated in the 2009 half year. The combination of lower fuel costs, inflation and exchange rates also reduced operating costs, with the result that operating profit only decreased marginally to US\$23.6 million, compared with US\$24.3 million the 2008 half year.

On 3 July 2009, the Group, through the FCAB, exercised an option to acquire a 40% interest in Inversiones Hornitos S.A. ("Inversiones Hornitos") from GDF SUEZ, which will continue to hold the remaining 60% interest. Inversiones Hornitos is the owner of the 150 MW Hornitos thermoelectric power plant which is being constructed in Mejillones, in Chile's Antofagasta Region. The Hornitos thermoelectric power plant, which is expected to begin commercial operation in 2011, will provide energy to Minera Esperanza to meet its requirements, under a long-term supply agreement signed at the end of 2007 between GDF SUEZ and Antofagasta Minerals S.A. ("Antofagasta Minerals"), the Group's mining division. The acquisition of the 40% interest in Inversiones Hornitos took place under an option granted to Antofagasta Minerals when the long-term supply agreement was signed. Under the acquisition, the Group is responsible for its 40% share of the estimated total US\$0.4 billion development costs of the Hornitos thermoelectric power plant. This includes an initial payment on 15 July 2009 of US\$80.9 million to GDF SUEZ, representing the Group's share of costs already incurred plus interest on such amounts from the grant of the option to date of acquisition. Further capital contributions of US\$11.2 million were made by the Group to Inversiones Hornitos between 15 July 2009 and the date of this report.

### ***Aguas de Antofagasta (“ADASA”)***

Combined domestic and industrial water sales in the 2009 half year were 22.1 million cubic metres (2008 half year - 21.0 million cubic metres), an increase of 5.1%, reflecting marginal increases in sales to domestic and industrial customers.

Turnover decreased by 8.0% to US\$41.5 million despite the increased volumes, mainly due to the impact of the weaker Chilean peso compared with the first half of 2008 (the peso being the currency in which the majority of sales are billed), which offset the impact of the higher volumes. The 2008 half year also benefited from sundry income from installation and construction services for water facilities provided by ADASA to its customers which did not recur in the 2009 half year. Operating profit was substantially unchanged at US\$22.9 million (2008 half year – US\$22.7 million) as reduced turnover was offset by lower operating costs, including the impact of exchange and energy.

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. ADASA now operates the plant but as it was previously the sole customer, the acquisition has had no direct impact on water volumes or sales. Nevertheless, the acquisition has consolidated 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. The desalination plant is held under the terms of the concession acquired from the stated owned Empresa de Servicios Sanitarios de Antofagasta S.A. for a 30-year period from 2003.

## 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, as explained above, is being processed by the El Tesoro plant from this year through ROM leaching.

Esperanza has sufficient ore reserves for 16 years of operation. 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 is expected to start during 2015 at a rate of 2,000 tonnes per year over the following ten years. The adjacent Telégrafo deposit, where infill drilling is being carried out is expected to utilise the Esperanza plant and facilities well beyond Esperanza's mine life.

Prestripping and other early works for this project began in early 2008 following receipt of provisional environmental approvals and full construction began in the third quarter of 2008 following approval of the full environmental impact assessment. Key contracts have since been awarded and are now in progress, including most recently the contract for the concentrate and water pipelines which were awarded in May 2009. Work is now in progress in developing the minesite, plant and infrastructure facilities for the future operation with 47% complete at 30 June 2009.

In May 2009, Esperanza reached a two-year collective agreement with its labour union, with the next labour negotiation not expected to be due until the mine is fully operational.

Cumulative capital expenditure on the project at 30 June 2009 was just under US\$800 million. Total development costs, including working capital and financing, remain estimated at US\$2.3 billion.

In May 2009, Esperanza signed definitive agreements for a 12-year US\$1.05 billion project financing facility with a consortium of senior lenders including governmental agencies and commercial banks. Financial closing was achieved in June 2009, and between 30 June and to the date of this report US\$540 million had been drawn down. The Group is responsible for its 70% share of the development costs not covered by this facility and its partner Marubeni is responsible for the remaining 30%.

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

The Group holds a 50% interest in Tethyan Copper Company Limited ("Tethyan"), its joint venture with Barrick Gold Corporation established in 2006. Tethyan's principal assets are a 75% interest in the exploration licence encompassing the Reko Diq prospects in the Chagai Hills region of South-West Pakistan (in which the Government of Balochistan holds the remaining 25%) including the Western Porphyries, and a 100% interest in certain other licences in the region. The resource estimate for the principal deposit, the Western Porphyries, is approximately 4.1 billion tonnes with an average copper grade of 0.50% and the average gold grade is 0.298 g/t.

A study to bring the project to feasibility stage was initiated in February 2008, with SNC-Lavalin of Toronto as lead engineer. The study is examining a number of issues to determine the scope and shape of any future project including throughput capacity, water, energy, transport and port location. By July 2009, the study had reached pre-feasibility stage, and contemplates an initial project of approximately 110,000 tonnes per day of ore throughput. The full feasibility study is expected to be substantially completed at the end of 2009, and finalised, together with an environmental and social impact study, in the first half of 2010.

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

The Group's 50% share of expenditure relating to Tethyan during the first six months of 2009 amounted to US\$21.9 million. This comprises US\$17.9 million relating to pre-feasibility costs including exploration which have been expensed, and US\$4.0 million relating to the costs of the feasibility study which have been capitalised.

## *Antucoya*

Antucoya is an oxide deposit wholly-owned by the Group and located approximately 45 kilometres east of Michilla. Following additional drilling during 2008, the mineral inventory was estimated at the end of 2008 at between 480 million tonnes to 700 million tonnes of ore with a corresponding average copper grade of between 0.42% and 0.34%.

Studies initially intended to bring the Antucoya project to feasibility stage were started in 2008, which to date have examined a number of options which included a ROM 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 to produce copper cathodes. In August 2009, a decision was taken to progress with a full feasibility study for a stand-alone project. This feasibility study could be completed by the end of 2010.

## *Other exploration activities and opportunities*

The Group spent US\$31.3 million on exploration and evaluation in the first six months of 2009 (2008 half year – US\$22.4 million), including US\$17.9 million (2008 half year – US\$13.6 million) relating to exploration and pre-feasibility costs at Reko Diq. The balance of US\$13.4 million (2008 half year - US\$8.8 million) was spent on the Group's exploration and evaluation programmes in Chile and the rest of the world.

In Chile, the Group's primary exploration focus remains the Sierra Gorda district, which has good potential for consolidating the Group's mining properties in the area for development as a single complex for oxide and sulphide deposits. In addition to El Tesoro and Esperanza, which have a combined mineral resource of 1.5 billion tonnes, the Group owns or controls a number of other prospects including Telégrafo (held through Minera Esperanza), Caracoles, Mirador, Polo Sur, Llano-Paleocanal and Centinela which have been identified by the Group's exploration efforts over a number of years and which at the end of 2008 were estimated to contain a mineral inventory of oxides and sulphides in the range of 2.2 to 3.4 billion tonnes. During the first half of 2009, further drilling was carried out at some of these properties at a cost of US\$6.1 million including infill drilling at Telégrafo. The Group intends to continue exploring these promising areas with a view to assessing their potential and eventually bringing a number of these to pre-feasibility stage. In February 2009, the Group increased its interest in Caracoles to 100% by acquiring the remaining 18.5% interest from Compañía Minera Milpo of Peru S.A.A. for a cash consideration of US\$25 million.

At Los Pelambres, the Group has a total mineral resource of 4.9 billion tonnes based on the estimate at the end of 2008, following completion of an exploration programme which had commenced in 2006. Year-end ore reserves were 1.45 billion tonnes at 0.66% copper. While the significant additional resource has no immediate impact on the existing mine plan, Los Pelambres is starting to examine the opportunities which this will present for longer-term planning either by providing additional material in future years when grades at the existing open pit decline or by enabling possibilities for long-term future growth.

The Group also progressed with its exploration programme in Chile and the rest of the world. It has early-stage earn-in agreements with New Gold Inc. in respect of the Río Figueroa deposit in Chile's Atacama Region and with TEAL Exploration & Mining Incorporated over prospecting licences in the Zambian copperbelt, where initial exploration is in progress.

In March the Group entered into an agreement with Almaden Minerals Ltd. ("Almaden") to acquire an interest in the Tuligtic copper-gold project in Mexico. The Group can earn a 60% interest in successive stages by incurring exploration expenditure and other payments of up to US\$8 million over a period of five years. The Group can further increase its interest to 75% by funding a feasibility study. Almaden is a company listed on the Toronto Stock Exchange and the NYSE Alternext Exchange with exploration and project interests in Mexico and Canada. The drilling programme commenced in June 2009.

The Group is also continuing to examine a range of other copper prospects to continue to enhance its portfolio of early-stage opportunities.

Following the decision by the Group in 2007 to enter into the energy exploration business in Chile, Energía Andina S.A. ("Energía Andina") was established during 2008 as a joint venture in which the Group has a 60% interest for the exploration and development of potential sources of geothermal energy in Chile with Empresa Nacional del Petróleo ("ENAP"), the state-owned petroleum company. Energía Andina now holds concessions in the Tinguiririca, Polloquere and Lirima areas which it intends to evaluate. It is currently looking for new opportunities through its own exploration programme and intends to examine and apply for further concessions which are being offered by the Chilean Government during 2009 in order to build a strong portfolio of opportunities that can be examined 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.

The Group is also continuing to evaluate the possibility of a coal gasification project at Mulpun, a coalfield situated near Valdivia over which it acquired an option in 2009.

## Dividends

The Board has declared an ordinary interim dividend of 3.4 cents per share for 2009. This is unchanged from the ordinary interim dividend for 2008, when, in view of the continued strong results driven by high copper prices in the first half of that year, the Board had also declared a special interim dividend of 3.0 cents giving a total interim dividend for 2008 of 6.4 cents.

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.

The interim dividend of 3.4 cents will be paid on 8 October 2009 to ordinary shareholders on the register at the close of business on 18 September 2009. Dividends are payable in either US dollars or sterling, and the exchange rate to be applied to dividends to be paid in sterling will be set on 23 September 2009.

## Current trading prospects

Following the sharp decline in the second half of 2008, LME copper prices have recovered steadily from 132 cents per pound at the start of 2009 to 232 cents at the end of June. Since then, prices have further strengthened, reaching over 290 cents in mid-August. Visible exchange inventories have also declined from a peak of 618,000 tonnes in February to a low point of 364,000 tonnes in May, with current visible inventory levels at around 420,000 tonnes following recent increases.

Demand so far this year from China has been robust, supported by the government-led fiscal stimulus package. Nevertheless, most commentators believe that the significant level of copper imports into China partly reflect a build-up of inventories either through State Reserve Bureau purchasing or through a re-stocking process by consumers, supported also by the lack of scrap availability particularly at the beginning of the year. It is also likely that there has been a greater level of interest in the market from financial investors, following the significant decline in such activity in the second half of 2008. Demand levels in the United States, Europe and Japan remain weak despite some recent tentative signs of improving economic activity, and overall consumption levels in the developed world are expected to remain well below 2008. Copper prices are likely to remain volatile in the second half of the year, and consensus estimates are for a second half average of approximately 250 cents per pound. Despite the considerable short-term uncertainty, longer-term market fundamentals are expected to remain sound, when demand eventually recovers and the supply response may be constrained by the production cuts and deferrals in industry growth plans that have occurred over the past year.

The concentrate market remains in deficit, as current mine supply remains insufficient to meet smelting capacity. Most mid-year negotiations have been agreed at around US\$49 per dry metric tonne for smelting and 4.9 cents per pound of copper for refining compared with US\$75 and 7.5 cents for the 2008 calendar year, with price participation remaining at nil. Most commentators now expect the concentrates deficit to remain for a number of years with a lack of sufficient additional mine supply to balance the market.

The molybdenum market remained weak during the first half, with poor demand offsetting the impact of production cuts in late 2008. Prices weakened from US\$9.5 per pound at the start of 2009 to a low of US\$7.8 in April, although these have recently recovered to around US\$18 per pound in mid-August with some signs of recovery in steel demand. Supply-side constraints and limited inventories could result in higher molybdenum prices as the stainless steel market continues to recover.

Group copper production for 2009 is expected to be approximately 447,000 tonnes compared with an original forecast at the beginning of the year of 433,000 tonnes, with higher expected production at Los Pelambres and Michilla offsetting a small shortfall at El Tesoro due to the delayed start-up of the ROM leaching project. Molybdenum production at Los Pelambres is expected to be approximately 7,200 tonnes compared with an original forecast of 8,100 tonnes, mainly due to the decision to maximise copper production at the mine.

Weighted average cash costs before by-product credits for the full year are expected to be approximately 117 cents compared with the original forecast of approximately 110 cents, mainly reflecting energy and fuel costs as compared with start-of-year expectations as well as the impact of the Chilean peso which has strengthened recently. Nevertheless, this still remains well

below the 129 cents per pound in 2008 due to the impact of the Group's cost reduction programme together with lower consumable prices compared with 2008.

The capital projects at Los Pelambres and Esperanza remain in progress, and these should deliver additional low-cost and profitable growth in 2010 and 2011 respectively. Once these projects are on stream, Group copper production is expected to be around 550,000 tonnes in 2010 and nearly 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 SIX MONTHS ENDED

## 30 JUNE 2009

### Results

#### Turnover

	<b>Six months ended 30.06.09</b>	Six months ended 30.06.08	Year ended 31.12.08
	US\$m	US\$m	US\$m
<b>Turnover</b>	<b>1,178.3</b>	2,407.0	3,372.6

Group turnover in the first half of 2009 was US\$1,178.3 million, 51.0% below the US\$2,407.0 million achieved in the first half of 2008. The decrease mainly reflected the impact of lower realised prices for copper and molybdenum, as well as reduced copper and molybdenum sales volumes.

#### Turnover from copper concentrate and copper cathodes

Turnover from copper concentrate and copper cathode sales from the Group's three mines decreased by 50.6% to US\$985.3 million, compared with US\$1,995.5 million in the first half of 2008. The Group's average realised copper price decreased by 44.7% to 226.6 cents per pound (first half of 2008 - 409.4 cents), mainly reflecting the 50.1% decrease in the average LME copper price to 183.5 cents per pound (first half of 2008 - 367.8 cents). 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). The realised copper price was higher than the LME copper price in the first half of both 2008 and 2009, as the price increased in the course of each period, resulting in positive pricing adjustments. This contrasted with the second half of 2008 when the sharp fall in the copper price resulted in significant negative pricing adjustments.

In the case of Los Pelambres, pricing adjustments increased initially invoiced sales (before adjusting for tolling charges) by US\$188.4 million in the first half of 2009, compared with a US\$191.9 million increase to sales in the first half of 2008. The adjustments in first half of 2009 comprised an uplift of US\$78.0 million in respect of sales invoiced in 2008 (net of the reversal of mark-to-market adjustments made at the end of 2008) which were finally priced in 2009, and an uplift of US\$110.4 million in respect of sales invoiced in 2009 (including a positive mark-to-market provision for open sales at the end of the period of US\$39.7 million). Pricing adjustments in the first half of 2009 at El Tesoro and Michilla increased revenues by US\$13.3 million (first half of 2008 - increased revenues by US\$22.0 million) and US\$6.5 million (first half of 2008 - increased revenues by US\$6.4 million) respectively. Further details of provisional pricing adjustments are given in Note 5(a) to the half yearly financial report.

In the first half of 2009 turnover also included a net loss of US\$2.8 million (first half of 2008 - loss of US\$7.1 million) on commodity derivatives at El Tesoro and Michilla which matured during the year.

Copper sales volumes decreased by 8.2% from 228,500 tonnes in the first half of 2008 to 209,800 tonnes in the first half of 2009. The decrease was mainly due to lower plant throughput at Los Pelambres due to the higher level of harder primary ore, partly offset by slightly higher ore grades and improved metallurgical recoveries. Sales volumes differed slightly from production in each period mainly due to differences in shipping and loading schedules.

Tolling charges for copper concentrate at Los Pelambres decreased from US\$66.9 million in the first half of 2008 to US\$62.6 million in the first half of 2009 mainly reflecting the reduced production. 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 2008.

*Turnover from by-products*

Turnover from by-products at Los Pelambres decreased by 71.1% to US\$85.0 million in the first half of 2009 compared with US\$294.0 million in the first half of 2008, mainly due to lower molybdenum market prices.

Molybdenum revenues (net of roasting charges) were US\$69.0 million (first half of 2008 – US\$267.3 million). The realised molybdenum price decreased by 71.1% to US\$9.7 per pound in the first half of 2009 (first half of 2008 - US\$33.6 per pound), compared to a 72.5% decrease in the average market price to US\$9.1 per pound (first half of 2008 - US\$33.1 per pound). Molybdenum concentrate sales are also subject to provisional pricing with an average open period of approximately 90 days. As prices increased during the both the first half of 2008 and 2009, realised prices were higher than the average market price in both periods. This contrasted with the second half of 2008 when the sharp fall in the molybdenum price resulted in significant negative adjustments. Molybdenum sales volumes decreased by 2.7% to 3,600 tonnes, compared with 3,700 tonnes in first half of 2008.

Credits received from gold and silver contained in copper concentrate sold decreased to US\$16.0 million (first half of 2008 – US\$26.7 million). This was mainly due to the decrease in gold content from 13,800 ounces in the first half of 2008 to 9,200 ounces in the current period.

*Turnover from the transport and water divisions*

Turnover from the transport division (FCAB) decreased by US\$5.9 million or 8.1% to US\$66.5 million, mainly due to normal tariff adjustments under contracts in line with reduced costs. The first half of 2008 also benefited from guaranteed minimum tonnage payments under some contracts where minimum tonnages were not met. This was partly offset by a 18.5% increase in transport volumes, primarily because of the San Cristóbal and Gaby contracts which achieved full tonnage volumes in the second half of 2008.

Turnover at Aguas de Antofagasta, which operates the Group's water business, decreased by US\$3.6 million or 8.0% to US\$41.5 million in the first half of 2009, despite a 5.1% increase in volumes. This mainly reflected the impact of the weaker Chilean peso on the company's peso denominated revenues. The first half of 2008 also benefited from sundry income from installation and construction services which were not received in the first half of 2009.

***EBITDA and operating profit from subsidiaries and joint ventures***

	<b>Six months ended 30.06.09</b>	Six months ended 30.06.08	Year ended 3.12.08
	US\$m	US\$m	US\$m
EBITDA	<b>603.1</b>	1,724.4	1,899.8
Depreciation and amortisation	<b>(103.2)</b>	(82.6)	(180.2)
Loss on disposals	<b>(5.0)</b>	(1.9)	(5.3)
<b>Operating profit from subsidiaries and joint ventures excluding exceptional items</b>	<b>494.9</b>	1,639.9	1,714.3
Impairments (See note 3)	-	-	(188.3)
<b>Operating profit from subsidiaries and joint ventures including exceptional items</b>	<b>494.9</b>	1,639.9	1,526.0

EBITDA (earnings before interest, tax, depreciation and amortisation) from subsidiaries and joint ventures decreased by 65.0% to US\$603.1 million (first half of 2008 – US\$1,724.4 million).

EBITDA at the mining division decreased by 67.5% from US\$1,664.7 million to US\$541.2 million, due to the reduction in turnover as explained above (resulting mainly from the lower realised prices for copper and molybdenum) partly offset by decreased 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) decreased from 116.9 cents per pound in the first half of 2008 to 101.9 cents per pound. This decrease was a result of a general easing of market cost pressures compared with 2008, complemented by the thorough cost reduction programme implemented from the start of 2009.

As noted above, during the first half of 2009 a loss of US\$2.8 million (first half of 2008 – loss of US\$7.1 million) relating to commodity derivatives which matured in the period has been recorded within turnover, along with losses of US\$12.0 million

(first half of 2008 – loss of US\$9.5 million) recognised within other finance items as explained below and a mark-to-market loss of US\$84.8 million (first half of 2008 – loss of US\$23.8 million) deferred in equity.

At Los Pelambres, EBITDA decreased from US\$1,377.6 million in the first half of 2008 to US\$504.6 million in the first half of 2009. EBITDA at El Tesoro decreased by US\$172.7 million to US\$74.6 million. At Michilla EBITDA decreased by US\$73.9 million to US\$9.2 million.

Exploration costs increased from US\$22.4 million in the first half of 2008 to US\$31.3 million, reflecting the increased level of exploration activity across the Group particularly in Chile and Pakistan. Net costs in respect of corporate and other items were lower at US\$15.9 million (first half of 2008 – US\$20.9 million).

EBITDA at the transport division increased slightly to US\$31.5 million from US\$31.0 million in the first half of 2008. Aguas de Antofagasta contributed US\$30.4 million compared to US\$28.7 million in the first half of 2008. At both the transport division and Aguas de Antofagasta the decreased revenues were more than offset by reduced costs.

Depreciation and amortisation increased by US\$20.6 million to US\$103.2 million, mainly due to higher charges at Los Pelambres resulting from the commencement of depreciation of the Mauro tailings dam. The loss on disposal of property, plant and equipment was US\$5.0 million, compared with a loss of US\$1.9 million in the first half of 2008.

As a result of the above factors, operating profit from subsidiaries and joint ventures (excluding exceptional items) decreased by 69.8% to US\$494.9 million (first half of 2008 – US\$1,639.9 million).

### *Share of income from associate*

	<b>Six months ended 30.06.09</b>	Six months ended 30.06.08	Year ended 3.12.08
	US\$m	US\$m	US\$m
<b>Share of income from associate</b>	<b>0.8</b>	1.0	2.3

The Group's share of net profit from its 30% investment in Antofagasta Terminal Internacional S.A. ("ATI") was US\$0.8 million (first half of 2008 – US\$1.0 million).

### *Net finance (expense)/ income*

	<b>Six months ended 30.06.09</b>	Six months ended 30.06.08	Year ended 3.12.08
	US\$m	US\$m	US\$m
Investment income	<b>6.6</b>	40.1	78.9
Interest expense	<b>(15.2)</b>	(6.9)	(13.7)
Other finance items	<b>(10.5)</b>	(17.5)	(8.9)
<b>Net finance (expense)/income</b>	<b>(19.1)</b>	15.7	56.3

Net finance expense in the first half of 2009 was US\$19.1 million, compared with a net finance income of US\$15.7 million in the first half of 2008.

Interest receivable decreased from US\$40.1 million in the first half of 2008 to US\$6.6 million in the first half of 2009, reflecting lower market interest rates and lower yields on securities held. Interest expense increased from US\$6.9 million in the first half of 2008 to US\$15.2 million, due to additional short-term loans taken out at Los Pelambres.

Other finance items comprised a loss of US\$10.5 million (first half of 2008 – loss of US\$17.5 million). A loss of US\$6.0 million (first half of 2008 – loss of US\$9.5 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\$6.0 million (first half of 2008 - nil) is also included in finance items. Foreign exchange gains included in finance items were US\$2.8 million in the first half of 2009, compared with a loss of US\$7.1 million in the first half of 2008.

Long-term provisions increased from US\$18.0 million at 31 December 2008 to US\$125.9 million at 30 June 2009. New assessments of the closure provisions for all mining operations have been performed by external consultants, resulting in a US\$105.1 million increase to the capitalised decommissioning and restoration provision. The increase in the provision balance is mainly due to the significant amount of construction work at Esperanza since the previous assessments.

### *Profit before tax*

The resulting profit before tax for the period was US\$476.6 million compared to US\$1,656.6 million in the first half of 2008, reflecting the significant reduction in turnover and the net finance expense compared with net finance income for the first half of 2008. This was partly offset by the decrease in operating costs.

### *Income tax expense*

	<b>Six months ended 30.06.09</b>	Six months ended 30.06.08	Year ended 3.12.08
	US\$m	US\$m	US\$m
<b>Total tax charge (Income tax expense)</b>	<b>(87.3)</b>	(431.2)	(519.7)

The rate of first category (i.e. corporation) tax in Chile was 17% for both 2009 and 2008. 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.

In addition to first category tax and the mining tax, the Group incurs withholding taxes on any 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 is approximately 18% of any amount remitted or expected to be remitted.

The tax charge for the year for the first half of 2009 was \$87.3 million and the effective tax rate was 18.3%. This rate varies from the standard rate principally due to exchange gains on tax prepayments.

### *Minority interests*

	<b>Six months ended 30.06.09</b>	Six months ended 30.06.08	Year ended 3.12.08
	US\$m	US\$m	US\$m
<b>Minority interests</b>	<b>153.6</b>	432.6	383.3

Profit for the period attributable to minority shareholders was US\$153.6 million, compared with US\$432.6 million in the first half of 2008. The decrease reflects the reduction in the Group's operating profit from subsidiaries and joint ventures in the first half of 2009 compared with the first half of 2008.

### *Earnings per share*

	<b>Six months ended 30.06.09</b>	Six months ended 30.06.08	Year ended 3.12.08
	US\$m	US\$m	US\$m
<b>Earnings per share including exceptional items</b>	<b>23.9</b>	80.4	173.1
<b>Earnings per share excluding exceptional items</b>	<b>23.9</b>	80.4	85.5

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

As a result of the factors set out above, profit for the first half of 2009 attributable to equity shareholders of the Company was US\$235.7 million compared with US\$792.8 million in the first half of 2008. Accordingly, basic earnings per share were 23.9 cents in the first half of 2009 compared with 80.4 cents for the first half of 2008, a decrease of 70.3%.

### **Dividends**

Details of dividends proposed in relation to the first half of 2009 are set out in Note 9.

### **Capital expenditure**

Details of capital expenditure during the year are set out in the cash flow summary below on page 17.

### **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 half-yearly financial report.

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 30 June 2009, the Group had min/max instruments for 61,550 tonnes of copper production (of which 25,800 tonnes relate to El Tesoro and 35,750 tonnes relate to Michilla) covering a total period up to 31 December 2010. The weighted average remaining period covered by these hedges calculated with effect from 1 July 2009 is 6.4 months. The instruments have a weighted average floor of 173.3 cents per pound and a weighted average cap of 243.6 cents per pound. At 30 June 2009, the Group had futures for 11,000 tonnes of copper production relating to Michilla covering a total period up to 31 December 2010. The weighted average remaining period covered by these hedges calculated with effect from 1 July 2009 is 10.5 months. The instruments have a weighted average price of 195.6 cents per pound. At 30 June 2009, the Group also had futures for 3,500 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 July 2009 is 4.0 months.

Details of the mark-to-market position of these instruments at 30 June 2009, together with details of any interest and exchange derivatives held by the Group, are given in Note 5(b) to this half yearly financial report.

Including instruments in place at 30 June 2009 and those taken out subsequent to the half year end, this represents approximately 69% and 80% of Michilla's forecast production for 2009 H2 and 2010 respectively, and approximately 50% of El Tesoro's forecast production for 2009 H2. The Group's exposure to the copper price will be limited to the extent of these instruments.

At 30 June 2009 the Group had cross-currency swaps with a principal value of US\$31.9 million, to swap Chilean pesos for US dollars, at an average rate of Ch\$608.1 / US\$1.0, covering a total period up to 5 March 2010. The weighted average remaining period covered by these hedges calculated with effect from 1 July 2009 is 5 months.

Between 30 June 2009 and 26 August 2009, the Group entered into further futures instruments 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 for 3,000 tonnes and covering a period from 1 February 2010 to 31 January 2011. The weighted average remaining period covered by these hedges calculated with effect from 1 July 2009 is 13 months.

## Cash flows

	Six months ended 30.06.09	Six months ended 30.06.08	Year ended 31.12.08
	US\$m	US\$m	US\$m
<b>Cash flows from operations</b>	<b>52.8</b>	1,512.9	2,454.3
Income tax paid	(40.0)	(230.7)	(561.4)
Net interest (paid)/received	(1.2)	35.5	66.3
Acquisition of minority interest in subsidiary	(25.0)	-	(243.1)
Disposal and part-disposal of subsidiaries, joint venture interests and available for sale investments	-	-	1,401.2
Purchases of property, plant and equipment	(579.8)	(434.3)	(1,135.0)
Purchases of intangible assets	(52.5)	(10.7)	(10.7)
Dividends paid to equity holders of the Company	(528.4)	(427.9)	(491.0)
Dividends paid to minority interests	-	(254.6)	(495.6)
Capital increase from minority interest	-	-	57.7
Other items	0.6	6.0	6.9
Changes in net cash relating to cash flows	<b>(1,173.5)</b>	<b>196.2</b>	<b>1,049.6</b>
Exchange and other non-cash movements	27.7	(7.2)	(77.0)
Movement in net cash in the year	<b>(1,145.8)</b>	<b>189.0</b>	<b>972.6</b>
Net cash at the beginning of the year	2,919.1	1,946.5	1,946.5
Net cash at the end of the year (analysed on page 18)	<b>1,773.3</b>	<b>2,135.5</b>	<b>2,919.1</b>

Cash flows from operations were US\$52.8 million compared with US\$1,512.9 million last year, reflecting the operating results adjusted for depreciation, amortisation, impairments and disposals gains and losses of US\$108.2 million (first half of 2008 – US\$84.5 million) and a net working capital increase of US\$550.3 million (first half of 2008 – increase of US\$211.5 million). The net increase in net working capital requirements reflected a number of factors, principally the cash requirement resulting from the settlement early in 2009, of provisionally invoiced sales in 2008 which had been marked down to market as a result of the sharp fall in the copper price at the end of that year.

A dividend of US\$0.7 million (first half of 2008 – US\$0.7 million) was received from the Group's investment in ATI.

Cash tax payments in the period were US\$40.0 million (first half of 2008 – US\$230.7 million), comprising corporation tax of US\$34.6 million (first half of 2008 – US\$224.2 million) and mining tax of US\$5.9 million (first half of 2008 – US\$6.5 million). These amounts differ from the current tax charge in the consolidated income statement of US\$6.3 million (first half of 2008 – US\$453.7 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.

The cash outflow for the acquisition of the minority interest in Minera Caracoles amounted to US\$25.0 million.

Cash disbursements relating to capital expenditure in the period was US\$579.8 million compared with US\$434.3 million in the first half of 2008. During the period there was US\$289.4 million of capital expenditure relating to the Esperanza project (first half of 2008 – US\$106.6 million), US\$178.7 million (first half of 2008 – US\$41.9 million) relating to the plant expansion at Los Pelambres, US\$36.4 million relating to the Tesoro North-East deposit (first half of 2008 – US\$32.6 million) and US\$12.6 million at El Tesoro relating to the project for the Run-of-Mine (RoM) leaching of low-grade oxides from Esperanza.

Purchase of intangibles in the period was US\$52.5 million (first half of 2008 - US\$10.7 million) relating to the acquisition of the desalination plant by ADASA.

Dividends (including special dividends) paid to ordinary shareholders of the Company in the first half of 2009 were US\$528.4 million (first half of 2008 – US\$427.9 million), which related to the final dividend declared and paid in respect of the previous year and reflected the increased final dividend per share declared during 2008 compared with 2007.

Repayments of borrowings and finance leasing obligations in the year, mainly at Los Pelambres, were US\$180.4 million (first half of 2008 – US\$ 61.9 million). New borrowings in the period amounted to US\$413.3 million (first half of 2008 – US\$5.3 million), which almost entirely related to short term loans taken out by Los Pelambres.

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

## Financial position

	<b>Six months ended 30.06.09</b>	Six months ended 30.06.08	Year ended 3.12.08
	US\$m	US\$m	US\$m
Cash and cash equivalents	<b>2,453.3</b>	2,349.1	3,358.0
Total borrowings	<b>(680.0)</b>	(213.6)	(438.9)
	<b>1,773.3</b>	2,135.5	2,919.1

At 30 June 2009, the Group had cash and cash equivalents of US\$2,453.3 million (30 June 2008 – US\$2,349.1 million). Excluding the minority share in each partly-owned operation, the Group's attributable share of total cash and cash equivalents was US\$2,254.8 million (31 December 2008 – US\$3,085.7 million).

Total Group borrowings at 30 June 2009 were US\$680.0 million (31 December 2008 – US\$213.6 million). Of this, US\$424.9 million (2007 – US\$438.9 million) is proportionally attributable to the Group after excluding the minority shareholdings in partly-owned operations. The increase in debt is mainly due to net additional short-term borrowings at Los Pelambres, offsetting further principal repayments on existing borrowings principally at Los Pelambres.

As described in Note 17 to the half yearly report on 15 May 2009 the Group signed an agreement for US\$1,050 million of project financing for Esperanza.

## Balance sheet

Net equity (i.e. equity attributable to ordinary shareholders of the Company) decreased from US\$5,266.8 million at 1 January 2009 to US\$4,962.3 million at 30 June 2009, relating mainly to profit after tax and minority interests for the period less ordinary dividends declared and paid in the period. 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 Comprehensive Income.

Long-term provisions increased from US\$18.0 million at 31 December 2008 to US\$125.9 million at 30 June 2009. New assessments of the closure provisions for all mining operations have been performed by external consultants, resulting in a US\$105.1 million increase to the capitalised decommissioning and restoration provision. The increase in the provision balance is mainly due to the significant amount of construction work at Esperanza since the previous assessments.

Minority interests increased from US\$1,165.8 million at 1 January 2009 to US\$1,300.7 million at 30 June 2009. This principally reflected the minority's share of profit after tax. 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 half yearly financial report.

In the first half of 2009 the currency translation adjustment credit to net equity of US\$37.1 million resulted mainly from the strengthening of the Chilean peso during the year from Ch\$636 = US\$1 at the start of 2009 to Ch\$532 = US\$1 at 30 June 2009.

## 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 period, along with its financial position at the period-end are set out in this Financial Commentary. The half yearly financial report 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 half-yearly financial report.

## **Risk factors**

The Group is exposed to a range of risks and uncertainties which may affect it. The principal risks and uncertainties facing the Group at the 2008 year end were set out in detail in the Financial Review section of the 2008 Annual Report, and remain appropriate in 2009. The principal risks identified were: financial risks; economic environment; exploration; ore reserve and mineral resource estimation; mining operations and new projects; decommissioning and restoration; acquisitions; political environment; health, safety and environment; and critical accounting judgements and key sources of estimation uncertainty. Details of any risks and uncertainties specific to this year are covered in the Directors' Comments in this half yearly financial report.

## **Cautionary statement about forward looking statements**

The half yearly financial report 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	Six months ended 30 June 2009 US\$m	Six months ended 30 June 2008 US\$m	Year ended 31 December 2008 US\$m
<b>Group turnover</b>	2,4	<b>1,178.3</b>	2,407.0	3,372.6
Total operating costs (including 2008 H2 exceptional items *)		<b>(683.4)</b>	(767.1)	(1,846.6)
<b>Operating profit from subsidiaries and joint ventures</b>	2,4	<b>494.9</b>	1,639.9	1,526.0
Profit on part-disposal of subsidiaries (2008 H2 exceptional item *)	3	-	-	1,024.9
Share of income from associate	2,13	<b>0.8</b>	1.0	2.3
<b>Total profit from operations and associates</b>	2	<b>495.7</b>	1,640.9	2,553.2
Investment income		<b>6.6</b>	40.1	78.9
Interest expense		<b>(15.2)</b>	(6.9)	(13.7)
Other finance items		<b>(10.5)</b>	(17.5)	(8.9)
<b>Net finance (expense)/income</b>	6	<b>(19.1)</b>	15.7	56.3
<b>Profit before tax</b>		<b>476.6</b>	1,656.6	2,609.5
Income tax expense	7	<b>(87.3)</b>	(431.2)	(519.7)
<b>Profit for the financial period</b>		<b>389.3</b>	1,225.4	2,089.8
Attributable to:				
Minority interests		<b>153.6</b>	432.6	383.3
<b>Equity holders of the Company (net earnings)</b>		<b>235.7</b>	792.8	1,706.5
		US cents	US cents	US cents
<b>Basic earnings per share</b>	8	<b>23.9</b>	80.4	173.1
<b>Dividends to ordinary shareholders of the Company</b>				
<b>Per share</b>		US cents	US cents	US cents
Dividends per share proposed in relation to the period	9			
- ordinary dividend (interim)		<b>3.4</b>	3.4	3.4
- ordinary dividend (final)		-	-	5.6
- special dividend (interim)		-	3.0	3.0
- special dividend (final)		-	-	48.0
		<b>3.4</b>	6.4	60.0
Dividends per share paid in the period and deducted from net equity				
- ordinary dividend (interim)		-	-	3.4
- ordinary dividend (final)		<b>5.6</b>	5.4	5.4
- special dividend (interim)		-	-	3.0
- special dividend (final)		<b>48.0</b>	38.0	38.0
		<b>53.6</b>	43.4	49.8
<b>In aggregate</b>		US\$m	US\$m	US\$m
Dividends proposed in relation to the period	9	<b>33.5</b>	63.1	591.5
Dividends paid in the period and deducted from net equity		<b>528.4</b>	427.9	491.0

Turnover and operating profit are derived from continuing operations.

\* There were no exceptional items in the six months ended 30 June 2009 or six months ended 30 June 2008. Exceptional items included in the consolidated income statement in respect of the year ended 31 December 2008 comprised: (i) an impairment charge of US\$188.3 million relating to property, plant and equipment at El Tesoro and Michilla, which was 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 was recorded within "Profit on part-disposal of subsidiaries". Excluding these items, operating profit from subsidiaries and joint ventures was US\$1,714.3 million and profit before tax was US\$1,772.9 million. Further details of these exceptional items are set out in Note 3.

## Consolidated Statement of Comprehensive Income

		Six months ended 30 June 2009	Six months ended 30 June 2008	Year ended 31 December 2008
	Notes	US\$m	US\$m	US\$m
<b>Profit for the financial period</b>		<b>389.3</b>	1,225.4	2,089.8
Gains in fair value of cash flow hedges deferred in reserves		(65.6)	(35.3)	82.6
Gains/(losses) in fair value of available for sale investments	15	1.4	-	(2.6)
Currency translation adjustment		37.1	(9.4)	(41.8)
Deferred tax effects arising on cash flow hedges deferred in reserves		14.9	5.6	(14.1)
<b>Total (expense)/ income recognised in equity</b>		<b>(12.2)</b>	(39.1)	24.1
Losses/(gains) in fair value of cash flow hedges transferred to the income statement		2.8	7.1	(30.0)
Gains in fair value of cash flow hedges transferred to the balance sheet		(22.0)	-	-
Deferred tax effects arising on cash flow hedges transferred to the income statement		(0.5)	(1.2)	5.1
<b>Total transferred to the income statement or balance sheet</b>		<b>(19.7)</b>	5.9	(24.9)
<b>Total comprehensive income for the period</b>		<b>357.4</b>	1,192.2	2,089.0
Attributable to:				
Minority interests		133.5	430.7	396.2
<b>Equity holders of the Company</b>		<b>223.9</b>	761.5	1,692.8

## Consolidated Statement of Changes in Equity

### For the six months ended 30 June 2009

	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 2009	89.8	199.2	30.5	(3.1)	(16.0)	4,966.4	5,266.8	1,165.8	6,432.6
Total comprehensive income for the period	-	-	(50.3)	1.4	37.1	235.7	223.9	133.5	357.4
Acquisition of minority interest	-	-	-	-	-	-	-	1.4	1.4
Dividends	-	-	-	-	-	(528.4)	(528.4)	-	(528.4)
Balance at 30 June 2009	89.8	199.2	(19.8)	(1.7)	21.1	4,673.7	4,962.3	1,300.7	6,263.0

### For the six months ended 30 June 2008

	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 2008	89.8	199.2	(0.2)	(0.5)	25.8	3,750.9	4,065.0	841.5	4,906.5
Total comprehensive income for the period	-	-	(21.9)	-	(9.4)	792.8	761.5	430.7	1,192.2
Dividends	-	-	-	-	-	(427.9)	(427.9)	(254.6)	(682.5)
Balance at 30 June 2008	89.8	199.2	(22.1)	(0.5)	16.4	4,115.8	4,398.6	1,017.6	5,416.2

### For the year ended 31 December 2008

	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 2008	89.8	199.2	(0.2)	(0.5)	25.8	3,750.9	4,065.0	841.5	4,906.5
Total comprehensive income for the period	-	-	30.7	(2.6)	(41.8)	1,706.5	1,692.8	396.2	2,089.0
Capital increase from minority interest	-	-	-	-	-	-	-	57.7	57.7
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

## Consolidated Balance Sheet

		Six months ended 30 June 2009	Six months ended 30 June 2008	Year ended 31 December 2008
	Notes	US\$m	US\$m	US\$m
<b>Non-current assets</b>				
Intangible assets	10	309.0	261.6	233.6
Property, plant and equipment	11	4,290.3	2,946.7	3,679.7
Investment property	12	3.2	3.3	2.7
Investment in associate	13	3.1	2.8	3.0
Trade and other receivables		34.2	37.0	34.1
Derivative financial instruments	5	-	0.5	-
Available for sale investments	15	2.1	3.3	0.7
Deferred tax assets	20	30.8	18.5	12.7
		<b>4,672.7</b>	<b>3,273.7</b>	<b>3,966.5</b>
<b>Current assets</b>				
Inventories	16	220.2	176.9	155.9
Trade and other receivables		485.8	717.4	313.8
Current tax assets		103.4	9.7	109.0
Derivative financial instruments	5	-	0.1	51.7
Cash and cash equivalents	23	2,453.3	2,349.1	3,358.0
		<b>3,262.7</b>	<b>3,253.2</b>	<b>3,988.4</b>
<b>Total assets</b>		<b>7,935.4</b>	<b>6,526.9</b>	<b>7,954.9</b>
<b>Current liabilities</b>				
Short-term borrowings	17	(589.2)	(89.6)	(319.0)
Derivative financial instruments	5	(36.0)	(14.9)	(1.4)
Trade and other payables		(285.0)	(232.6)	(594.4)
Current tax liabilities		(12.1)	(222.0)	(59.9)
		<b>(922.3)</b>	<b>(559.1)</b>	<b>(974.7)</b>
<b>Non-current liabilities</b>				
Medium and long-term borrowings	17	(90.8)	(124.0)	(119.9)
Derivative financial instruments	5	(7.2)	(21.0)	-
Trade and other payables		(13.8)	(14.2)	(12.6)
Post-employment benefit obligations	18	(36.5)	(30.2)	(29.0)
Long-term provisions	19	(125.9)	(12.0)	(18.0)
Deferred tax liabilities	20	(475.9)	(350.2)	(368.1)
		<b>(750.1)</b>	<b>(551.6)</b>	<b>(547.6)</b>
<b>Total liabilities</b>		<b>(1,672.4)</b>	<b>(1,110.7)</b>	<b>(1,522.3)</b>
<b>Net assets</b>		<b>6,263.0</b>	<b>5,416.2</b>	<b>6,432.6</b>
<b>Equity</b>				
Share capital	21	89.8	89.8	89.8
Share premium	21	199.2	199.2	199.2
Hedging, translation and fair value reserves		(0.4)	(6.2)	11.4
Retained earnings		4,673.7	4,115.8	4,966.4
<b>Equity attributable to equity holders of the Company</b>		<b>4,962.3</b>	<b>4,398.6</b>	<b>5,266.8</b>
Minority interests		1,300.7	1,017.6	1,165.8
<b>Total equity</b>		<b>6,263.0</b>	<b>5,416.2</b>	<b>6,432.6</b>

The interim financial information was approved by the Board of Directors on 25 August 2009.

## Consolidated Cash Flow Statement

		<b>Six months ended 30 June 2009</b>	Six months ended 30 June 2008	Year ended 31 December 2008
	Notes	US\$m	US\$m	US\$m
<b>Cash flows from operations</b>	22	<b>52.8</b>	1,512.9	2,454.3
Interest paid		<b>(10.4)</b>	(6.9)	(12.5)
Dividends from associate	13	<b>0.7</b>	0.7	1.8
Income tax paid		<b>(40.0)</b>	(230.7)	(561.4)
<b>Net cash from operating activities</b>		<b>3.1</b>	1,276.0	1,882.2
<b>Investing activities</b>				
Part-disposal of subsidiaries	24	-	-	1,401.2
Acquisition of minority interest in subsidiary	24	<b>(25.0)</b>	-	(243.1)
Recovery of Chilean VAT paid on purchase of water concession		-	5.4	5.3
Purchases of property, plant and equipment		<b>(579.8)</b>	(434.3)	(1,135.0)
Purchases of intangible assets		<b>(52.5)</b>	(10.7)	(10.7)
Interest received		<b>9.2</b>	42.4	78.8
<b>Net cash used in investing activities</b>		<b>(648.1)</b>	(397.2)	96.5
<b>Financing activities</b>				
Dividends paid to equity holders of the Company		<b>(528.4)</b>	(427.9)	(491.0)
Dividends paid to preference shareholders of the Company		<b>(0.1)</b>	(0.1)	(0.2)
Dividends paid to minority interests		-	(254.6)	(495.6)
Capital increase from minority interest		-	-	57.7
Net proceeds from issue of new borrowings	23	<b>413.3</b>	5.3	229.5
Repayments of borrowings	23	<b>(174.2)</b>	(61.7)	(99.7)
Repayments of obligations under finance leases	23	<b>(6.2)</b>	(0.2)	(9.8)
<b>Net cash used in financing activities</b>		<b>(295.6)</b>	(739.2)	(809.1)
Net (decrease)/increase in cash and cash equivalents		<b>(940.6)</b>	139.6	1,169.6
<b>Cash and cash equivalents at beginning of the period</b>		<b>3,358.0</b>	2,212.5	2,212.5
Net (decrease)/increase in cash and cash equivalents	23	<b>(940.6)</b>	139.6	1,169.6
Effect of foreign exchange rate changes	23	<b>35.9</b>	(3.0)	(24.1)
<b>Cash and cash equivalents at end of the period</b>	23	<b>2,453.3</b>	2,349.1	3,358.0

## Notes

### 1. General information and accounting policies

#### a) General information

These June 2009 interim consolidated financial statements (“the condensed financial statements”) are for the six months ended 30 June 2009. The condensed financial statements are unaudited.

The information for the year ended 31 December 2008 does not constitute statutory accounts as defined in section 240 of the Companies Act 1985. A copy of the statutory accounts for that year has been delivered to the Registrar of Companies. The auditors’ report on these accounts was unqualified and did not contain a statement under section 237(2) (regarding adequacy of accounting records and returns) or section 237(3) (regarding provision of necessary information and explanations) of the Companies Act 1985.

#### b) Accounting policies and adoption of new accounting standards

The annual financial statements of Antofagasta plc for the year ended 31 December 2008 were prepared in accordance with International Financial Reporting Standards (IFRS) adopted for use by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard (IAS) 34 *Interim Financial Reporting* and the requirements of the UK Disclosure and Transparency Rules (DTR) of the Financial Services Authority (FSA) in the United Kingdom as applicable to interim financial reporting.

The condensed financial statements represent a “condensed set of financial statements” as referred to in the DTR issued by the FSA. Accordingly, they do not include all of the information required for a full annual financial report and are to be read in conjunction with the Group’s financial statements for the year ended 31 December 2008.

The interim financial information has also been prepared on the basis of accounting policies consistent with those applied in the financial statements for the year ended 31 December 2008, except as set out below.

After making enquiries, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the half-yearly condensed financial statements. Detail of the factors that which have been taken into account in assessing the Group’s going concern status are set out on page 18 of the financial commentary.

#### Adoption of new standards

In the current financial year the Group has adopted the following new standards:

IFRS 8 “Operating Segments”. In the current period the group has adopted IFRS 8. The standard requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the Antofagasta plc board to allocate resources to the segments and to assess their performance. The adoption of IFRS 8 has not resulted in any changes to segments previously disclosed. The introduction of IFRS 8 has resulted in further disclosures on each of these segments and these are set out in Note 4.

IAS 1 “Revised Presentation of Financial Statements”. In the current period the group has adopted IAS 1 (revised), which separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with all non-owner changes in equity presented as a single line. In addition, the Standard introduces a statement of comprehensive income, which presents all items of income and expense which are not recognised in the income statement.

IAS 23 “Borrowing Costs (Revised)”. In the current period the group has adopted IAS 23 (revised). The standard requires that all borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset must be capitalised. The Group’s existing accounting policy is to capitalise such amounts, and so the adoption of the standard has not had a significant impact on the Group’s financial results.

There are no other Standards or Interpretations which apply or are expected to apply for the first time for the year ended 31 December 2009 which are expected to have any material impact on the Group.

## 2. Total profit from operations and associates

	Six months ended 30 June 2009	Six months ended 30 June 2008	Year ended 31 December 2008
	US\$m	US\$m	US\$m
<b>Turnover</b>	<b>1,178.3</b>	2,407.0	3,372.6
Cost of sales (including 2008 H2 exceptional items)	<b>(530.3)</b>	(609.5)	(1,496.8)
<b>Gross profit</b>	<b>648.0</b>	1,797.5	1,875.8
Administrative and distribution expenses	<b>(116.8)</b>	(133.4)	(274.1)
Closure provision	<b>(1.6)</b>	(0.2)	(5.0)
Severance charges	<b>(3.5)</b>	(4.7)	(10.6)
Exploration costs	<b>(31.3)</b>	(22.4)	(54.9)
Other operating income	<b>6.4</b>	7.9	9.8
Other operating expenses	<b>(6.3)</b>	(4.8)	(15.0)
<b>Operating profit from subsidiaries and joint ventures</b>	<b>494.9</b>	1,639.9	1,526.0
<b>Profit on part-disposal of subsidiaries (2008 H2 exceptional item)</b>	<b>-</b>	-	1,024.9
<b>Share of income from associate</b>	<b>0.8</b>	1.0	2.3
<b>Total profit from operations and associates</b>	<b>495.7</b>	1,640.9	2,553.2

- (i) In the year ended 31 December 2008, cost of sales included an impairment charge of US\$188.3 million relating to property, plant and equipment at El Tesoro and Michilla (see Note 3).
- (ii) In the year ended 31 December 2008, profit on part-disposal of subsidiaries comprised 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).

## 3. Exceptional items

	<u>Operating profit</u>			<u>Profit before tax</u>			<u>Earnings per share</u>		
	Six months ended 30 June 2009	Six months ended 30 June 2008	Year ended 31 December 2008	Six months ended 30 June 2009	Six months ended 30 June 2008	Year ended 31 December 2008	Six months ended 30 June 2009	Six months ended 30 June 2008	Year ended 31 December 2008
	US\$m	US\$m	US\$m	US\$m	US\$m	US\$m	US cents	US cents	US cents
Before exceptional items	<b>494.9</b>	1,639.9	1,714.3	<b>476.6</b>	1,656.6	1,772.9	<b>23.9</b>	80.4	85.5
Impairments	-	-	(188.3)	-	-	(188.3)	-	-	(11.1)
Marubeni transaction	-	-	-	-	-	1,024.9	-	-	98.7
<b>After exceptional items</b>	<b>494.9</b>	1,639.9	1,526.0	<b>476.6</b>	1,656.6	2,609.5	<b>23.9</b>	80.4	173.1

There were no exceptional items in the six months ended 30 June 2009 or six months ended 30 June 2008. Exceptional items in the year ended 31 December 2008 are set out below.

### a) Total Operating Costs - Impairments

In the year ended 31 December 2008 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) was recorded within total operating costs, following an impairment review undertaken in light of the 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

The Group's reportable segments are as follows:

- Los Pelambres
- El Tesoro
- Michilla
- Esperanza
- Exploration
- Railway and other transport services
- Water concession
- Corporate and other items

For management purposes, the Group is organised into three business divisions based on their products – Mining, Railway and other transport services and the Water concession. The mining division is split further for management reporting purposes to show results by mine and exploration activity. Los Pelambres, El Tesoro and Michilla are all operating mines and Esperanza is a mine currently under construction. Los Pelambres produces primarily copper concentrate and molybdenum as a by-product. El Tesoro and Michilla both produce copper cathodes. The transport division provides rail cargo (based in Chile and Bolivia) and road cargo (based in Chile) together with a number of ancillary services (based in Chile). The water division produces and distributes potable water to domestic customers and potable untreated water to industrial customers in Chile's Antofagasta Region. The Exploration segment incurs exploration expenses. Exploration costs relating to Tethyan Copper Company Limited ("Tethyan") are included within the Exploration segment, and all other Tethyan related costs are included within "Corporate and other items". "Corporate and other items" also comprise costs incurred by the Company and Antofagasta Minerals S.A., the Group's mining corporate centre, that are not allocated to any individual business segment. Consistent with its internal management reporting, the Group's corporate and other items are included within the mining division.

Management monitors the operating results of business segments separately for the purpose of making decisions about resources to be allocated and of assessing performance. Segment performance is evaluated based on the operating profit of each of the segments.

## a) Segment revenues and results

For the six months ended 30 June 2009

	Los Pelambres US\$'m	El Tesoro US\$'m	Michilla US\$'m	Esperanza US\$'m	Exploration US\$'m	Corporate and other items US\$'m	Mining US\$'m	Railway and other transport services US\$'m	Water concession US\$'m	Total US\$'m
<b>Revenue</b>	<b>803.4</b>	<b>185.3</b>	<b>81.6</b>	-	-	-	<b>1,070.3</b>	<b>66.5</b>	<b>41.5</b>	<b>1,178.3</b>
<b>EBITDA</b>	<b>504.6</b>	<b>74.6</b>	<b>9.2</b>	-	<b>(31.3)</b>	<b>(15.9)</b>	<b>541.2</b>	<b>31.5</b>	<b>30.4</b>	<b>603.1</b>
Depreciation and Amortisation	(62.8)	(23.2)	(2.2)	-	-	(1.2)	(89.4)	(6.7)	(7.1)	(103.2)
Loss on disposals	-	(1.2)	(0.7)	-	-	(1.5)	(3.4)	(1.2)	(0.4)	(5.0)
<b>Operating profit</b>	<b>441.8</b>	<b>50.2</b>	<b>6.3</b>	-	<b>(31.3)</b>	<b>(18.6)</b>	<b>448.4</b>	<b>23.6</b>	<b>22.9</b>	<b>494.9</b>
Share of income from associate	-	-	-	-	-	-	-	0.8	-	0.8
Investment income	0.9	2.2	0.1	-	-	2.5	5.7	0.7	0.2	6.6
Interest expense	(13.1)	(0.2)	-	-	-	(1.5)	(14.8)	(0.4)	-	(15.2)
Other finance items	(7.4)	14.4	(10.1)	-	-	(4.6)	(7.7)	(3.9)	1.1	(10.5)
<b>Profit before tax</b>	<b>422.2</b>	<b>66.6</b>	<b>(3.7)</b>	-	<b>(31.3)</b>	<b>(22.2)</b>	<b>431.6</b>	<b>20.8</b>	<b>24.2</b>	<b>476.6</b>
Tax	(81.9)	(14.6)	11.0	-	-	6.3	(79.2)	(3.7)	(4.4)	(87.3)
Minority interests	(136.1)	(15.9)	(1.7)	-	-	-	(153.7)	0.1	-	(153.6)
<b>Net earnings</b>	<b>204.2</b>	<b>36.1</b>	<b>5.6</b>	-	<b>(31.3)</b>	<b>(15.9)</b>	<b>198.7</b>	<b>17.2</b>	<b>19.8</b>	<b>235.7</b>
<b>Additions to non-current assets</b>										
Capital expenditure	216.0	54.1	7.0	307.9	-	34.8	619.8	9.2	5.4	634.4
Additions to intangibles	-	-	-	-	-	-	-	-	52.5	52.5
<b>Segment assets and liabilities</b>										
Segment assets	3,237.6	820.2	101.8	1,116.9	-	2,110.1	7,386.6	313.7	235.1	7,935.4
Segment liabilities	(1,051.0)	(101.2)	(75.8)	(148.2)	-	(212.2)	(1,588.4)	(38.3)	(45.7)	(1,672.4)

For the six months ended 30 June 2008

	Los Pelambres US\$'m	El Tesoro US\$'m	Michilla US\$'m	Esperanza US\$'m	Exploration US\$'m	Corporate and other items US\$'m	Mining US\$'m	Railway and other transport services US\$'m	Water concession US\$'m	Total US\$'m
<b>Revenue</b>	<b>1,729.5</b>	<b>385.7</b>	<b>174.3</b>	-	-	-	<b>2,289.5</b>	<b>72.4</b>	<b>45.1</b>	<b>2,407.0</b>
<b>EBITDA</b>	<b>1,377.6</b>	<b>247.3</b>	<b>83.1</b>	-	<b>(22.4)</b>	<b>(20.9)</b>	<b>1,664.7</b>	<b>31.0</b>	<b>28.7</b>	<b>1,724.4</b>
Depreciation and Amortisation	(37.3)	(24.5)	(7.6)	-	-	(0.9)	(70.3)	(6.3)	(6.0)	(82.6)
Loss on disposals	-	(1.3)	(0.2)	-	-	-	(1.5)	(0.4)	-	(1.9)
<b>Operating profit</b>	<b>1,340.3</b>	<b>221.5</b>	<b>75.3</b>	-	<b>(22.4)</b>	<b>(21.8)</b>	<b>1,592.9</b>	<b>24.3</b>	<b>22.7</b>	<b>1,639.9</b>
Share of income from associate	-	-	-	-	-	-	-	1.0	-	1.0
Investment income	5.8	9.9	1.0	-	-	19.6	36.3	3.5	0.3	40.1
Interest expense	(6.3)	(0.2)	-	-	-	(0.1)	(6.6)	(0.3)	-	(6.9)
Other finance items	(12.1)	(7.9)	(2.4)	-	-	5.0	(17.4)	-	(0.1)	(17.5)
<b>Profit before tax</b>	<b>1,327.7</b>	<b>223.3</b>	<b>73.9</b>	-	<b>(22.4)</b>	<b>2.7</b>	<b>1,605.2</b>	<b>28.5</b>	<b>22.9</b>	<b>1,656.6</b>
Tax	(286.6)	(49.5)	(15.8)	-	-	(71.9)	(423.8)	(4.1)	(3.3)	(431.2)
Minority interests	(416.4)	-	(14.5)	-	-	-	(430.9)	(1.7)	-	(432.6)
<b>Net earnings</b>	<b>624.7</b>	<b>173.8</b>	<b>43.6</b>	-	<b>(22.4)</b>	<b>(69.2)</b>	<b>750.5</b>	<b>22.7</b>	<b>19.6</b>	<b>792.8</b>
<b>Additions to non-current assets</b>										
Capital expenditure	189.4	55.7	11.9	112.5	-	14.6	384.1	14.1	5.9	404.1
Additions to intangibles	-	-	-	-	-	10.7	10.7	-	-	10.7
<b>Segment assets and liabilities</b>										
Segment assets	2,998.5	1,201.9	122.6	439.4	-	1,229.9	5,992.3	351.1	183.5	6,526.9
Segment liabilities	(551.2)	(144.2)	(44.5)	(10.4)	-	(281.9)	(1,032.2)	(48.7)	(29.8)	(1,110.7)

## For the year ended 31 December 2008

	Los Pelambres	El Tesoro	Michilla	Esperanza	Exploration	Corporate and other items	Mining	Railway and other transport services	Water concession	Total
	US\$'m	US\$'m	US\$'m	US\$'m	US\$'m	US\$'m	US\$'m	US\$'m	US\$'m	US\$'m
<b>Revenue</b>	<b>2,172.0</b>	<b>632.4</b>	<b>332.7</b>	-	-	-	<b>3,137.1</b>	<b>151.0</b>	<b>84.5</b>	<b>3,372.6</b>
<b>EBITDA</b>	<b>1,429.7</b>	<b>342.8</b>	<b>118.4</b>	-	<b>(54.9)</b>	<b>(54.2)</b>	<b>1,781.8</b>	<b>64.2</b>	<b>53.8</b>	<b>1,899.8</b>
Depreciation and Amortisation	(81.5)	(55.5)	(17.6)	-	-	(1.5)	(156.1)	(12.6)	(11.5)	<b>(180.2)</b>
Loss on disposals	(0.5)	(2.4)	(1.2)	-	-	-	(4.1)	(1.2)	-	<b>(5.3)</b>
Impairments	-	(160.0)	(28.3)	-	-	-	(188.3)	-	-	<b>(188.3)</b>
<b>Operating profit</b>	<b>1,347.7</b>	<b>124.9</b>	<b>71.3</b>	-	<b>(54.9)</b>	<b>(55.7)</b>	<b>1,433.3</b>	<b>50.4</b>	<b>42.3</b>	<b>1,526.0</b>
Profit on part- disposal of subsidiaries	-	-	-	-	-	1,024.9	1,024.9	-	-	<b>1,024.9</b>
Share of income from associate	-	-	-	-	-	-	-	2.3	-	<b>2.3</b>
Investment income	10.8	15.4	1.9	-	18.1	23.8	70.0	8.2	0.7	<b>78.9</b>
Interest expense	(11.1)	(0.6)	-	-	(0.2)	(1.1)	(13.0)	(0.7)	-	<b>(13.7)</b>
Other finance items	(1.3)	(9.7)	(0.8)	-	(4.9)	4.8	(11.9)	3.6	(0.6)	<b>(8.9)</b>
<b>Profit before tax</b>	<b>1,346.1</b>	<b>130.0</b>	<b>72.4</b>	-	<b>(41.9)</b>	<b>996.7</b>	<b>2,503.3</b>	<b>63.8</b>	<b>42.4</b>	<b>2,609.5</b>
Tax	(326.0)	(27.9)	(22.2)	-	-	(124.4)	(500.5)	(11.4)	(7.8)	<b>(519.7)</b>
Minority interests	(408.4)	37.5	(11.7)	-	-	1.4	(381.2)	(2.1)	-	<b>(383.3)</b>
<b>Net earnings</b>	<b>611.7</b>	<b>139.6</b>	<b>38.5</b>	-	<b>(41.9)</b>	<b>873.7</b>	<b>1,621.6</b>	<b>50.3</b>	<b>34.6</b>	<b>1,706.5</b>
<b>Additions to non-current assets</b>										
Capital expenditure	463.9	125.7	21.0	460.6	-	65.4	1,136.6	38.5	14.5	<b>1,189.6</b>
Additions to intangibles	-	-	-	-	-	10.7	10.7	-	-	<b>10.7</b>
<b>Segment assets and liabilities</b>										
Segment assets	2,830.1	788.0	88.8	1,055.6	-	2,722.5	7,485.0	322.0	147.9	<b>7,954.9</b>
Segment liabilities	(983.1)	(92.8)	(46.2)	(68.7)	-	(255.0)	(1,445.8)	(44.4)	(32.1)	<b>(1,522.3)</b>

## Notes to segment revenues and results

- (i) The accounting policies of the reportable segments are the same as the Group's accounting policies. Operating profit excludes the share of income from associate of US\$0.8 million (six months ended 30 June 2008 – US\$1.0 million; year ended 31 December 2008 - US\$2.3 million). Operating profit is shown before and after exceptional items (see Note 3).
- (ii) Inter-segment revenues are eliminated on consolidation. Turnover from the Railway and other transport services is stated after eliminating inter-segmental sales to the mining division of US\$5.6 million (six months ended 30 June 2008 – US\$7.0 million; year ended 31 December 2008 - US\$13.2 million). Turnover from the Water concession is stated after eliminating inter-segmental sales to the mining division of US\$3.4 million (six months ended June 2008 – US\$1.1 million; year ended 31 December 2008 - US\$2.7 million) and after eliminating sales to the Railway and other transport services of US\$0.1 million (six months ended June 2008 – US\$0.2 million; year ended 31 December 2008 - US\$0.2 million).
- (iii) 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).
- (iv) Turnover includes realised gain on commodity derivatives at El Tesoro of US\$6.2 million (six months ended 30 June 2008 – loss of US\$0.2 million, year ended 31 December 2008 – gain of US\$16.1 million) and realised loss at Michilla of US\$9.0 million (six months ended 30 June 2008 – loss of US\$6.9 million, year ended 31 December 2008 – gain of US\$13.9 million). Further details of such gains or losses are given in Note 5(b).
- (v) The copper and molybdenum concentrate sales are stated net of deductions for tolling charges. Tolling charges for copper and molybdenum concentrates are detailed in Note 5(a).
- (vi) Exceptional items affecting operating profit in H2 2008 relate to impairments at El Tesoro and Michilla (see Note 3).
- (vii) 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.
- (viii) The assets of the Railway and transport services segment includes US\$3.1 million relating to the Group's 30% interest in Antofagasta Terminal International S.S. ("ATI"), which operates a concession to manage installations in the port of Antofagasta.

## b) Entity wide disclosures

## Revenue by product

**Revenue by product**

	<b>Six months ended 30 June 2009</b>	Six months ended 30 June 2008	Year ended 31 December 2008
	US\$m	US\$m	US\$m
<b>Copper concentrate</b>			
- Los Pelambres	<b>718.4</b>	1,435.5	1,737.8
<b>Copper cathode</b>			
- El Tesoro	<b>185.3</b>	385.7	632.4
- Michilla	<b>81.6</b>	174.3	332.7
<b>Molybdenum</b>			
- Los Pelambres	<b>69.0</b>	267.3	394.8
<b>Silver</b>			
- Los Pelambres	<b>7.4</b>	13.7	21.8
<b>Gold</b>			
- Los Pelambres	<b>8.6</b>	13.0	17.6
<b>Total Mining</b>	<b>1,070.3</b>	2,289.5	3,137.1
<b>Railway and transport services</b>	<b>66.5</b>	72.4	151.0
<b>Water concession</b>	<b>41.5</b>	45.1	84.5
	<b>1,178.3</b>	2,407.0	3,372.6

## Revenue by location of customer

**Revenue**

	<b>Six months ended 30 June 2009</b>	Six months ended 30 June 2008	Year ended 31 December 2008
	US\$m	US\$m	US\$m
<b>Europe</b>			
- United Kingdom	<b>14.4</b>	-	3.7
- Switzerland	<b>93.7</b>	300.5	373.9
- Rest of Europe	<b>158.2</b>	405.8	603.0
<b>Latin America</b>			
- Chile	<b>132.1</b>	222.2	419.6
- Rest of Latin America	<b>71.3</b>	147.4	250.6
<b>North America</b>			
- United States	<b>53.5</b>	249.0	382.3
- Rest of North America	<b>2.4</b>	17.4	16.5
<b>Asia Pacific</b>			
- Japan	<b>347.9</b>	622.1	707.5
- China	<b>171.8</b>	275.1	353.5
- Rest of Asia	<b>133.0</b>	167.5	262.0
	<b>1,178.3</b>	2,407.0	3,372.6

## Non-current assets by location of asset

	<u>Non-current assets</u>		
	<b>Six months ended 30 June 2009</b>	Six months ended 30 June 2008	Year ended 31 December 2008
	US\$m	US\$m	US\$m
- Chile	<b>4,458.5</b>	3,083.4	3,774.2
- Bolivia	<b>33.6</b>	34.1	34.9
- Pakistan	<b>141.5</b>	127.3	137.8
- Other	<b>6.2</b>	6.6	6.2
	<b>4,639.8</b>	3,251.4	3,953.1

## Information about major customers

Included in revenues arising from Los Pelambres for the six months ended 30 June 2009 are revenues of approximately US\$337.9 million (six months ended 30 June 2008 - US\$ 613.8 million, year ended 31 December 2008 - US\$ 663.4 million) which arose from sales to two of the Group's largest customers, which are the only customers that individually account for more than 10% of the Group's revenues.

## Notes to geographical information

- (i) Non-current assets balance disclosed by location of asset excludes financial instruments and deferred tax assets.

## 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:

	<u>Balance sheet net mark to market effect on debtors</u>		
	<b>Six months ended 30 June 2009</b>	Six months ended 30 June 2008	Year ended 31 December 2008
	US\$m	US\$m	US\$m
Los Pelambres - copper concentrate	<b>39.7</b>	32.5	(257.6)
Los Pelambres - tolling charges for copper concentrates	<b>(0.3)</b>	(0.6)	4.5
Los Pelambres - molybdenum concentrate	<b>2.2</b>	1.4	(13.3)
El Tesoro - copper cathodes	<b>(0.6)</b>	1.5	(0.8)
Michilla - copper cathodes	<b>(0.2)</b>	0.5	0.2
	<b>40.8</b>	35.3	(267.0)

## (i) Copper sales

	Six months ended 30 June 2009			Six months ended 30 June 2008			Year ended 31 December 2008		
	US\$m	US\$m	US\$m	US\$m	US\$m	US\$m	US\$m	US\$m	US\$m
	Los Pelambres Copper concentrate	El Tesoro Copper cathodes	Michilla Copper cathodes	Los Pelambres Copper concentrate	El Tesoro Copper cathodes	Michilla Copper cathodes	Los Pelambres Copper concentrate	El Tesoro Copper cathodes	Michilla Copper cathodes
<b>Provisionally invoiced gross sales</b>	<b>592.6</b>	<b>165.8</b>	<b>84.1</b>	1,310.5	363.9	174.8	2,392.8	644.2	331.0
<b>Effects of pricing adjustments to previous period invoices</b>									
Reversal of mark-to-market adjustments at the end of the previous period	257.6	0.8	(0.2)	72.8	1.0	(0.1)	72.8	1.0	(0.1)
Settlement of copper sales invoiced in the previous period	(179.6)	0.6	1.3	58.3	1.9	1.1	58.3	1.9	1.0
<b>Total effect of adjustments to previous period invoices in the current year</b>	<b>78.0</b>	<b>1.4</b>	<b>1.1</b>	131.1	2.9	1.0	131.1	2.9	0.9
<b>Effects of pricing adjustments to current period invoices</b>									
Settlement of copper sales invoiced in the current period	70.7	12.5	5.6	28.3	17.6	4.9	(415.4)	(30.0)	(13.3)
Mark-to-market adjustments at the end of the current period	39.7	(0.6)	(0.2)	32.5	1.5	0.5	(257.6)	(0.8)	0.2
<b>Total effect of adjustments to current period invoices</b>	<b>110.4</b>	<b>11.9</b>	<b>5.4</b>	60.8	19.1	5.4	(673.0)	(30.8)	(13.1)
<b>Total pricing adjustments</b>	<b>188.4</b>	<b>13.3</b>	<b>6.5</b>	191.9	22.0	6.4	(541.9)	(27.9)	(12.2)
<b>Realised gains/(losses) on commodity derivatives</b>	-	6.2	(9.0)	-	(0.2)	(6.9)	-	16.1	13.9
<b>Turnover before deducting tolling charges</b>	<b>781.0</b>	<b>185.3</b>	<b>81.6</b>	1,502.4	385.7	174.3	1,850.9	632.4	332.7
<b>Tolling charges</b>	<b>(62.6)</b>	-	-	(66.9)	-	-	(113.1)	-	-
<b>Turnover net of tolling charges</b>	<b>718.4</b>	<b>185.3</b>	<b>81.6</b>	1,435.5	385.7	174.3	1,737.8	632.4	332.7

*Copper concentrate*

Copper concentrate sales at Los Pelambres have an average settlement period of approximately four months from shipment date. At 30 June 2009, sales totalling 77,800 tonnes remained open as to price, with an average mark-to-market price of 225.0 cents per pound compared with an average provisional invoice price of 201.9 cents per pound. At 30 June 2008, sales totalling 124,600 tonnes remained open as to price, with an average mark-to-market price of 387.5 cents per pound compared with an average provisional invoice price of 375.7 cents per pound. At 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.

Tolling charges include a mark-to-market loss for copper concentrate sales open as to price at 30 June 2009 of US\$4.8 million (30 June 2008 – loss of US\$3.2million, 31 December 2008 – gain of US\$1.9 million).

*Copper cathodes*

Copper cathode sales at El Tesoro and Michilla have an average settlement period of approximately one month from shipment date. At 30 June 2009, sales totalling 9,500 tonnes remained open as to price, with an average mark-to-market price of 224.7 cents per pound compared with an average provisional invoice price of 228.9 cents per pound. At 30 June 2008, sales totalling 7,800 tonnes remained open as to price, with an average mark-to-market price of 391.8 cents per pound compared with an average provisional invoice price of 380.2 cents per pound. At 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.

## (ii) Molybdenum sales

	Six months ended 30 June 2009	Six months ended 30 June 2008	Year ended 31 December 2008
	US\$m	US\$m	US\$m
	Los Pelambres	Los Pelambres	Los Pelambres
	Molybdenum concentrate	Molybdenum concentrate	Molybdenum concentrate
<b>Provisionally invoiced gross sales</b>	<b>72.1</b>	270.0	508.2
<b>Effects of pricing adjustments to previous period invoices</b>			
Reversal of mark-to-market adjustments at the end of the previous period	13.3	(0.1)	(0.1)
Settlement of molybdenum sales invoiced in the previous period	(15.5)	2.7	2.7
<b>Total effect of adjustments to previous period invoices in the current period</b>	<b>(2.2)</b>	2.6	2.6
<b>Effects of pricing adjustments to current period invoices</b>			
Settlement of molybdenum sales invoiced in the current period	3.0	(0.2)	(90.5)
Mark-to-market adjustments at the end of the current period	2.2	1.4	(13.3)
<b>Total effect of adjustments to current period invoices</b>	<b>5.2</b>	1.2	(103.8)
<b>Total pricing adjustments</b>	<b>3.0</b>	3.8	(101.2)
<b>Turnover before deducting tolling charges</b>	<b>75.1</b>	273.8	407.0
<b>Tolling charges</b>	<b>(6.1)</b>	(6.5)	(12.2)
<b>Turnover net of tolling charges</b>	<b>69.0</b>	267.3	394.8

Molybdenum sales at Los Pelambres have an average settlement period of approximately three months after shipment date. At 30 June 2009, sales totalling 1,100 tonnes remained open as to price, with an average mark-to-market price of US\$10.3 per pound compared with an average provisional invoice price of US\$9.3 per pound. At 30 June 2008, sales totalling 1,800 tonnes remained open as to price, with an average mark-to-market price of US\$33.3 per pound compared with an average provisional invoice price of US\$33.0 per pound. At 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.

**b) Derivative financial instruments**

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

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

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:

	<u>Balance sheet</u>			<u>Income statement</u>		
	<u>Net financial asset/(liability)</u>			<u>Total effect</u>		
	<b>Six months ended 30 June 2009</b>	Six months ended 30 June 2008	Year ended 31 December 2008	<b>Six months ended 30 June 2009</b>	Six months ended 30 June 2008	Year ended 31 December 2008
US\$m	US\$m	US\$m	US\$m	US\$m	US\$m	
		-				
El Tesoro	(7.2)	(26.3)	51.7	8.9	(9.5)	15.0
Michilla	(31.9)	(9.0)	-	(17.7)	(7.1)	13.4
Railway and other transport services	-	-	(1.4)	(1.9)	-	(1.4)
Water Concession	(4.1)	-	-	(4.1)	-	-
	<b>(43.2)</b>	<b>(35.3)</b>	<b>50.3</b>	<b>(14.8)</b>	<b>(16.6)</b>	<b>27.0</b>

**Analysed between:**

Non-current assets	-	0.5	-
Current assets	-	0.1	51.7
Current liabilities	(36.0)	(14.9)	(1.4)
Non-current liabilities	(7.2)	(21.0)	-
	<b>(43.2)</b>	<b>(35.3)</b>	<b>50.3</b>

**(i) Commodity derivatives**

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

During the six months ended 30 June 2009 a net loss of US\$2.8 million was recognised within turnover, comprising a gain of US\$6.2 million at El Tesoro and a loss of US\$9.0 million at Michilla, in respect of derivative instruments which matured during the period. A loss of US\$6.0 million was recognised within other finance items, comprising a gain of US\$2.7 million at El Tesoro and a loss of US\$8.7 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\$32.2 million was recognised within reserves, US\$9.0 million relating to El Tesoro and US\$23.2 million 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 six months ended 30 June 2008 a loss of US\$7.1 million was recognised within turnover, comprising a loss of US\$0.2 million at El Tesoro and a loss of US\$6.9 million at Michilla, in respect of derivative instruments which matured in the period. A loss of US\$9.5 million was recognised within other finance items in respect of the time value element of the mark-to-market adjustments, which is excluded from the designated hedging relationship. A loss of US\$28.2 million (on a pre-tax basis) was recognised directly within reserves and minority interests, in respect of the intrinsic value element of the mark-to-market adjustments, which forms part of the designated effective hedging relationship.

During the 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, comprising a loss of US\$1.1 million at El Tesoro and a loss 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 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.

At 30 June 2009, the Group had min/max instruments for 61,550 tonnes of copper production (of which 25,800 tonnes relate to El Tesoro and 35,750 tonnes relate to Michilla) covering a total period up to 31 December 2010. The weighted average remaining period covered by these hedges calculated with effect from 1 July 2009 is 6.4 months. The instruments have a weighted average floor of 173.3 cents per pound and a weighted average cap of 243.6 cents per pound.

At 30 June 2009, the Group had futures for 11,000 tonnes of copper production relating to Michilla covering a total period up to 31 December 2010. The weighted average remaining period covered by these hedges calculated with effect from 1 July 2009 is 10.5 months. The instruments have a weighted average price of 195.6 cents per pound.

At 30 June 2009, the Group also had futures for 3,500 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 July 2009 is 4.0 months.

Between 30 June 2009 and 26 August 2009, the Group entered into further futures instruments 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 for 3,000 tonnes and covering a period from 1 February 2010 to 31 January 2011. The weighted average remaining period covered by these hedges calculated with effect from 1 July 2009 is 13 months.

## (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 six months ended 30 June 2009 a loss of US\$6.0 million was recognised within other finance items, comprising a loss of US\$1.9 million relating to the Railway and other transport services business and a loss of US\$4.1 million relating to the Water concession (30 June 2008 – nil, 31 December 2008 – loss of US\$1.4 million relating to the railway and other transport services).

At 30 June 2009 the Group had cross currency swaps with a principal value of US\$31.9 million, to swap Chilean pesos for US dollars, at an average rate of Ch\$608.1 / US\$1.0, covering a total period up to 5 March 2010. The weighted average remaining period covered by these hedges calculated with effect from 1 July 2009 is 5 months.

## (iii) Interest derivatives

There were no outstanding interest derivative instruments at 30 June 2009, 30 June 2008 and 31 December 2008.

## 6. Net finance (expense)/income

	<b>Six months ended 30 June 2009</b>	Six months ended 30 June 2008	Year ended 31 December 2008
	US\$m	US\$m	US\$m
<b>Investment income</b>			
Interest receivable	<b>6.6</b>	40.1	78.9
<b>Interest expense</b>			
Interest payable	<b>(14.9)</b>	(6.6)	(13.1)
Amortisation of deferred finance costs	<b>(0.2)</b>	(0.2)	(0.4)
Preference dividends	<b>(0.1)</b>	(0.1)	(0.2)
	<b>(15.2)</b>	(6.9)	(13.7)
<b>Other finance items</b>			
Time value effect of derivatives	<b>(6.0)</b>	(9.5)	(1.6)
Foreign exchange derivatives	<b>(6.0)</b>	-	(1.4)
Unwinding of discount on provisions	<b>(1.3)</b>	(0.9)	(2.0)
Foreign exchange	<b>2.8</b>	(7.1)	(3.9)
	<b>(10.5)</b>	(17.5)	(8.9)
<b>Net finance (expense)/income</b>	<b>(19.1)</b>	15.7	56.3

## 7. Taxation

The tax charge for the period comprised the following:

	<b>Six months ended 30 June 2009</b>	Six months ended 30 June 2008	Year ended 31 December 2008
	US\$m	US\$m	US\$m
<b>Current tax charge</b>			
Corporate tax (principally first category tax in Chile)	<b>(17.0)</b>	(251.8)	(284.8)
Mining tax (Royalty)	<b>(4.5)</b>	(59.8)	(70.3)
Withholding tax provision	<b>(0.2)</b>	(120.3)	(120.3)
Exchange gains/(losses) on corporate tax balances	<b>15.4</b>	(21.8)	(66.3)
	<b>(6.3)</b>	(453.7)	(541.7)
<b>Deferred tax credit/(charge)</b>			
Corporate tax (principally first category tax in Chile)	<b>(66.8)</b>	(23.1)	(30.3)
Mining tax (Royalty)	<b>(14.2)</b>	(2.6)	4.1
Withholding tax provision	<b>-</b>	48.2	48.2
	<b>(81.0)</b>	22.5	22.0
<b>Total tax charge (Income tax expense)</b>	<b>(87.3)</b>	(431.2)	(519.7)

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

The rate of first category (i.e. corporation) tax in Chile was 17% for both 2009 and 2008. 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. Production from the Tesoro North East deposit is subject to the mining tax at a rate of 5% of tax-adjusted operating profit.

In addition to first category tax and the mining tax, the Group incurs withholding taxes on any 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 is approximately 18% of any amount remitted or expected to be remitted.

The tax charge for the six months ended 30 June 2009 was \$87.3 million and the effective tax rate was 18.3%. This rate varies from the standard rate (comprising first category tax and mining tax) principally due to exchange gains on Chilean peso denominated tax prepayments due to the strengthening of the Chilean peso against the US dollar in the 2009 half year.

## 8. Basic earnings per share

Basic earnings per share is calculated on profit after tax and minority interest giving net earnings of US\$235.7 million (six months ended 30 June 2008 – US\$792.8 million, year ended 31 December 2008 - US\$1,706.5 million) and based on 985,856,695 ordinary shares. There was no potential dilution of ordinary shares in any period.

## 9. Dividends

The Board has declared an interim dividend of 3.4 cents per ordinary share (2008 half year – 6.4 cents) for payment on 8 October 2009 to shareholders on the register at the close of business on 18 September 2009. The 2009 interim dividend comprises an ordinary dividend of 3.4 cents per share (2008 half year – ordinary dividend of 3.4 cents and special dividend of 3.0 cents). Dividends are declared and paid gross.

Dividends per share actually paid in the period and recognised as a deduction from net equity under IFRS were 53.6 cents (2008 half year – 43.4 cents), representing the final dividend (including the special dividend) declared in respect of the previous year.

Dividends are declared in US dollars but may be paid in either dollars or sterling. Shareholders on the register of members with an address in the United Kingdom receive dividend payments in sterling, unless they elect to be paid in dollars. All other shareholders are paid by cheque in dollars, unless they have previously instructed the Company's registrar to pay dividends by bank transfer to a sterling bank account, or they elect for payment by cheque in sterling. The Company's registrar must receive any such election before the close of business on the record date of 18 September 2009. The exchange rate to be applied to dividends to be paid in sterling will be set on 23 September 2009.

## 10. Intangible assets

	<b>Concession right</b>	<b>Exploration licenses</b>	<b>Six months ended 30 June 2009</b>	Six months ended 30 June 2008	Year ended 31 December 2008
	US\$m	US\$m	US\$m	US\$m	US\$m
Balance at the beginning of the period	107.9	125.7	<b>233.6</b>	263.6	263.6
Additions	52.5	-	<b>52.5</b>	10.7	10.7
Amortisation	(5.7)	-	<b>(5.7)</b>	(5.2)	(10.0)
Foreign currency exchange difference	28.6	-	<b>28.6</b>	(7.5)	(30.7)
<b>Balance at the end of the period</b>	<b>183.3</b>	<b>125.7</b>	<b>309.0</b>	261.6	233.6

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.

The US\$52.5 million addition to the concession right represents the desalination plant which was acquired by Aguas de Antofagasta S.A. Further details are set out in Note 24.

At 30 June 2009, 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 Incorporated 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	Six months ended 30 June 2009	Six months ended 30 June 2008	Year ended 31 December 2008
	US\$m	US\$m	US\$m	US\$m	US\$m	US\$m
Balance at the beginning of the period	3,479.8	176.4	23.5	<b>3,679.7</b>	2,623.9	2,623.9
Additions	619.8	9.2	5.4	<b>634.4</b>	404.1	1,188.8
Acquisition	-	-	-	-	-	243.1
Provisions capitalised	105.1	-	-	<b>105.1</b>	-	0.8
Depreciation	(89.4)	(6.7)	(1.4)	<b>(97.5)</b>	(77.4)	(170.2)
Depreciation capitalised	(33.1)	-	-	<b>(33.1)</b>	(1.1)	(6.9)
Asset disposals	(3.4)	(1.2)	(0.4)	<b>(5.0)</b>	(1.9)	(5.3)
Impairments	-	-	-	-	-	(188.3)
Foreign currency exchange difference	-	3.0	3.7	<b>6.7</b>	(0.9)	(6.2)
<b>Balance at the end of the period</b>	<b>4,078.8</b>	<b>180.7</b>	<b>30.8</b>	<b>4,290.3</b>	<b>2,946.7</b>	<b>3,679.7</b>

US\$11.6 million of depreciation in respect of assets relating to the Esperanza project has been capitalised within the development expenditure of that project, and US\$21.5 million of depreciation in respect of assets relating to El Tesoro has been included in work in progress and accordingly is excluded from the depreciation charge recorded in the income statement as shown in Note 4(a).

As explained in Note 19, US\$105.1 million was capitalised in the period as a result of new assessments of the closure provisions at Los Pelambres, Esperanza, El Tesoro and Michilla.

As explained in Note 3, the impairment loss of US\$188.3 million in H2 2008 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).

## 12. Investment property

	Six months ended 30 June 2009	Six months ended 30 June 2008	Year ended 31 December 2008
	US\$m	US\$m	US\$m
Balance at the beginning of the period	2.7	3.5	3.5
Foreign currency exchange difference	0.5	(0.2)	(0.8)
<b>Balance at the end of the period</b>	<b>3.2</b>	<b>3.3</b>	<b>2.7</b>

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

## 13. Investment in associate

	Six months ended 30 June 2009	Six months ended 30 June 2008	Year ended 31 December 2008
	US\$m	US\$m	US\$m
Balance at the beginning of the year	3.0	2.5	2.5
Share of profit before tax	1.0	1.2	2.7
Share of tax	(0.2)	(0.2)	(0.4)
Share of income from associate	0.8	1.0	2.3
Dividends received	(0.7)	(0.7)	(1.8)
<b>Balance at the end of the period</b>	<b>3.1</b>	<b>2.8</b>	<b>3.0</b>

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

## 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.

## 15. Available for sale investments

	<b>Six months ended 30 June 2009</b>	Six months ended 30 June 2008	Year ended 31 December 2008
	US\$m	US\$m	US\$m
Balance at the beginning of the period	<b>0.7</b>	3.3	3.3
Movements in fair value	<b>1.4</b>	-	(2.6)
<b>Balance at the end of the period</b>	<b>2.1</b>	3.3	0.7

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

At 30 June 2009, the balance of US\$2.1 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. in 2007.

## 16. Inventories

	<b>Six months ended 30 June 2009</b>	Six months ended 30 June 2008	Year ended 31 December 2008
	US\$m	US\$m	US\$m
Raw materials and consumables	<b>56.4</b>	56.5	49.6
Work in progress	<b>130.1</b>	82.8	87.1
Finished goods	<b>33.7</b>	37.6	19.2
	<b>220.2</b>	176.9	155.9

Work in progress includes US\$4.2 million (30 June 2008 – 5.7 million, 31 December 2008 - US\$6.6 million) related to high carbonate ore inventories at El Tesoro. All of this amount is expected to be processed more than twelve months after the balance sheet date.

During the year ended 31 December 2008 a write-off of US\$0.9 million (30 June 2008 – nil) was recorded at Michilla in order to reduce inventories to their expected net realisable value. No adjustment to record inventory at net realisable value was required at 30 June 2009.

## 17. Borrowings

	At 30.06.09	At 30.06.08	At 31.12.08
	US\$m	US\$m	US\$m
<b>Los Pelambres</b>			
Corporate loans	(114.5)	(190.8)	(152.6)
Other short term loans	(500.0)	-	(224.0)
<b>El Tesoro</b>			
Finance leases	(0.4)	-	(0.4)
<b>Michilla</b>			
Finance leases	(2.2)	-	-
<b>Esperanza</b>			
Finance leases	(14.8)	(4.1)	(19.5)
<b>Corporate and other items</b>			
Finance leases	(36.3)	-	(32.4)
<b>Railway and other transport services</b>			
Loans	(8.5)	(14.7)	(7.1)
<b>Other</b>			
Preference shares	(3.3)	(4.0)	(2.9)
<b>Total (see Note 23)</b>	<b>(680.0)</b>	<b>(213.6)</b>	<b>(438.9)</b>

- (i) Corporate loans at Los Pelambres are unsecured and US dollar denominated. The balance of US\$114.5 million represents syndicated loans of US\$115.0 million less deferred financing costs of US\$0.5 million. These loans are repayable in semi-annual instalments with 1.5 years remaining and carry interest at approximately LIBOR six-month rate plus 0.24%.
- (ii) Short term loans at Los Pelambres have an average duration of 4 months and a weighted average interest rate average of 3.6%.
- (iii) Finance leases at El Tesoro are US dollar denominated, and are fixed rate with an average interest rate of 1.09%.
- (iv) Finance leases at Michilla are US dollar denominated, and are fixed rate with an average interest rate of 6.25%.
- (v) Finance leases at Esperanza are denominated in US dollars, Chilean Pesos and Unidades de Fomento (i.e. inflation-linked Chilean pesos) with a maximum duration of 5 years and fixed rate with an average interest rate at approximately LIBOR three-month rate plus 2.8%.
- (vi) Finance leases at Corporate and other items are denominated in Unidades de Fomento (i.e. inflation-linked Chilean pesos) and have a duration of 20 years and a fixed rate of 5.29%.
- (vii) Railway and other transport services includes a balance of US\$8.3 million denominated in US dollars with a weighted average floating interest rate (Bolivian Reference Interest Rate Index) of 7.8% which is repayable over 1.1 years. The balance at 30 June 2009 also includes US dollar customer advances of US\$0.2 million. The Railway and other transport services balance includes two new loans taken out during the first six months of 2009 for a total of US\$3.3 million with a duration of 0.8 years and an average interest rate of 7.9%.
- (viii) The preference shares are sterling-denominated and issued by the Company. There were 2,000,000 shares of £1 each authorised, issued and fully paid at 30 June 2009. The preference shares are non-redeemable and are entitled to a fixed cumulative dividend of 5% per annum. On winding up they are entitled to repayment and any arrears of dividend in priority to ordinary shareholders, but are not entitled to participate further in any surplus. Each preference share carries 100 votes in any general meeting of the Company.
- (ix) On 15 May 2009 the Group signed an agreement for US\$1,050 million of project financing for Esperanza. The project financing facility is being provided by a consortium of senior lenders including Japan Bank for International Cooperation (US\$400 million), Export Development Canada (US\$200 million), KfW IPEX-Bank (US\$50 million) and a commercial bank syndicate (US\$400 million). The financing is for a term of approximately 12 years and over the life of the loan the borrowing interest is payable at an interest rate of LIBOR six-month rate plus margins of between 1.375% - 3.000%. Financial closing and satisfaction of conditions to borrowing for this facility were achieved on 29 June 2009, and the first drawdown made on 9 July 2009. In total US\$540.4 million was drawn down between 29 June 2009 and the date of this report.

**Maturity of borrowings**

	At 30.06.09	At 30.06.08	At 31.12.08
	US\$m	US\$m	US\$m
Short-term borrowings	(589.2)	(89.6)	(319.0)
Medium and long-term borrowings	(90.8)	(124.0)	(119.9)
<b>Total (see Note 23)</b>	<b>(680.0)</b>	<b>(213.6)</b>	<b>(438.9)</b>

Loans are predominantly floating rate. However the Group periodically enters into interest rate derivative contracts to manage its exposure to interest rates; no such instruments were held at 30 June 2009.

**18. Post-employment benefit obligation**

	Six months ended 30 June 2009	Six months ended 30 June 2008	Year ended 31 December 2008
	US\$m	US\$m	
Balance at the beginning of the period	(29.0)	(29.1)	(29.1)
Charge to operating profit in the period	(3.5)	(4.7)	(10.6)
Release of discount to net interest in period	(0.6)	(0.6)	(1.2)
Charge capitalised	0.2	-	(0.5)
Reclassification	(0.4)	-	-
Utilised in the period	3.1	1.7	3.0
Foreign currency exchange difference	(6.3)	2.5	9.4
<b>Balance at the end of the period</b>	<b>(36.5)</b>	<b>(30.2)</b>	<b>(29.0)</b>

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

**19. Long-term provisions**

	Six months ended 30 June 2009	Six months ended 30 June 2008	Year ended 31 December 2008
	US\$m	US\$m	US\$m
Balance at the beginning of the period	(18.0)	(10.9)	(10.9)
Charge to operating profit in the period	(1.6)	(0.2)	(5.0)
Release of discount to net interest in the period	(0.7)	(0.3)	(0.8)
Charge capitalised	(0.7)	-	(0.7)
Capitalised adjustment to provision	(105.1)	-	-
Reclassification	0.4	(0.6)	(0.7)
Foreign currency exchange difference	(0.2)	-	0.1
<b>Balance at the end of the period</b>	<b>(125.9)</b>	<b>(12.0)</b>	<b>(18.0)</b>

Analysed as follows:

Decommissioning and restoration	(125.2)	(11.5)	(17.5)
Termination of water concession	(0.7)	(0.5)	(0.5)
<b>Balance at the end of the period</b>	<b>(125.9)</b>	<b>(12.0)</b>	<b>(18.0)</b>

Decommissioning and restoration costs relate to the Group's mining operations. Costs are estimated on the basis of a formal closure plan and are subject to regular independent formal review. The provision will be utilised at the end of each of the mines' lives, which is estimated to cover a period of up to 28 years based on current mine plans.

New assessments of the closure provisions for all mining operations have been performed by external consultants, resulting in a US\$105.1 million increase to the capitalised decommissioning and restoration provision. The capitalised provision balances are depreciated over the life of the corresponding asset or mine life if shorter. The increase in the provision balance is mainly due to the significant amount of construction work at Esperanza since the previous assessments.

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

	<b>Six months ended 30 June 2009</b>	Six months ended 30 June 2008	Year ended 31 December 2008
	US\$m	US\$m	US\$m
Net position at the beginning of the period	(355.4)	(360.9)	(360.9)
Charge to tax on profit in the period	(81.0)	22.5	22.0
Deferred tax recognised directly in reserves and minority interest	14.4	4.4	(9.0)
Deferred tax capitalised	(19.7)	0.9	(12.2)
Foreign currency exchange difference	(3.4)	1.4	4.7
<b>Net position at the end of the period</b>	<b>(445.1)</b>	<b>(331.7)</b>	<b>(355.4)</b>
<b>Analysed between:</b>			
Deferred tax assets	30.8	18.5	12.7
Deferred tax liabilities	(475.9)	(350.2)	(368.1)
<b>Net position</b>	<b>(445.1)</b>	<b>(331.7)</b>	<b>(355.4)</b>

## 21. Share capital and share premium

There was no change in share capital or share premium in the six months ended 30 June 2009 or the comparative periods.

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

	<b>Six months ended 30 June 2009</b>	Six months ended 30 June 2008	Year ended 31 December 2008
	US\$m	US\$m	US\$m
Profit before tax	476.6	1,656.6	2,609.5
Depreciation and amortisation	103.2	82.6	180.2
Loss on disposal of property, plant and equipment	5.0	1.9	5.3
Asset impairment	-	-	188.3
Profit on part-disposal of subsidiaries	-	-	(1,024.9)
Net finance expense/(income)	19.1	(15.7)	(56.3)
Share of profit of associate	(0.8)	(1.0)	(2.3)
Increase in inventories	(64.3)	(46.6)	(26.0)
(Increase)/decrease in debtors	(170.4)	(144.5)	133.0
(Decrease)/increase in creditors and provisions	(315.6)	(20.4)	447.5
<b>Cash flows from operations</b>	<b>52.8</b>	<b>1,512.9</b>	<b>2,454.3</b>

## 23. Analysis of changes in net cash

	At 1.1.09	Cash flows	Other	Exchange	At 30.06.09
	US\$m	US\$m	US\$m	US\$m	US\$m
Cash and cash equivalents	3,358.0	(940.6)	-	35.9	<b>2,453.3</b>
Bank borrowings due within one year	(306.0)	(237.6)	(39.0)	-	<b>(582.6)</b>
Bank borrowings due after one year	(77.6)	(1.5)	38.7	-	<b>(40.4)</b>
Finance leases due within one year	(13.0)	6.2	(0.4)	0.6	<b>(6.6)</b>
Finance leases due after one year	(39.4)	-	(2.9)	(4.8)	<b>(47.1)</b>
Preference shares	(2.9)	-	-	(0.4)	<b>(3.3)</b>
Total borrowings	(438.9)	(232.9)	(3.6)	(4.6)	<b>(680.0)</b>
<b>Net cash</b>	<b>2,919.1</b>	<b>(1,173.5)</b>	<b>(3.6)</b>	<b>31.3</b>	<b>1,773.3</b>

### Net cash

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

	At 30.06.09	At 30.06.08	At 31.12.08
	US\$m	US\$m	US\$m
Cash and cash equivalents	<b>2,453.3</b>	2,349.1	3,358.0
Total borrowings	<b>(680.0)</b>	(213.6)	(438.9)
	<b>1,773.3</b>	2,135.5	2,919.1

## 24. Acquisitions and disposals

### 2009

#### 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 Perú, 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 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").

#### Acquisition of interest in Inversiones Hornitos S.A.

On 3 July 2009, the Group, through its wholly-owned subsidiary Antofagasta Railway Company plc, exercised an option to acquire a 40% interest in Inversiones Hornitos S.A. ("Inversiones Hornitos") from GDF SUEZ, which will continue to hold the remaining 60% interest. Inversiones Hornitos is the owner of the 150 MW Hornitos thermoelectric power plant which is being constructed in Mejillones, in Chile's Antofagasta Region. The Hornitos thermoelectric power plant, which is expected to begin commercial operation in 2011, will provide energy to Minera Esperanza to meet its energy requirements, under a long-term supply agreement signed at the end of 2007 between GDF SUEZ and Antofagasta Minerals S.A. ("Antofagasta Minerals"), the Group's mining division. The acquisition of the 40% interest in Inversiones Hornitos took place under an option granted to Antofagasta Minerals when the long-term supply agreement was signed. Under the acquisition, the Group is responsible for its 40% share of the estimated total US\$0.4 billion development costs of the Hornitos thermoelectric power plant. This include an initial payment on 15 July 2009 of US\$80.9 million to GDF SUEZ, representing the Group's share of costs already incurred plus interest to date of acquisition. Further capital contributions of US\$11.2 million were made by the Group to Inversiones Hornitos between 15 July 2009 and the date of this report.

**2008****Sale of 30% interest in the Minera Esperanza and Minera El Tesoro to Marubeni Corporation**

During 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 Minera Esperanza and Minera El Tesoro and agreeing to fund its 30% share of the development costs of the Esperanza project. The cash consideration received by Antofagasta from Marubeni was US\$1,401.2 million and the profit after tax on the part-disposal was \$973.1 million.

**Acquisition of minority interest in Antomin Limited**

During 2008 the Group acquired the 49% minority stake from Mineralinvest Establishment (“Mineralinvest”) in certain mining properties held through Antomin Limited (“Antomin”) for a consideration of US\$243.1 million. 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. Mineralinvest is a company which is controlled by the Luksic family and is a related party of Antofagasta.

**25. Other transactions****2009**

In March 2009 the Group entered into an agreement with Almaden Minerals Ltd (“Almaden”) to acquire an interest in the Tuligtic copper-gold project in Mexico. The Group can earn a 60% interest in successive stages by incurring exploration expenditure and other payments of up to US\$8 million over a period of five years. The Group can further increase its interest to 75% by funding a feasibility study. Almaden is a company listed on the Toronto Stock Exchange and the NYSE Alternext Exchange with exploration and project interests in Mexico and Canada.

**2008**

During 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 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 million is committed expenditure) over a period of 4 years.

During 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 Río Figueroa, an exploration project located in Chile’s Atacama Region for consideration of US\$2.6 million payable in installments. 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.

During 2008 the Group acquired an option in respect of Mulpún, 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.

**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**

As previously announced, during 2008 Los Pelambres entered into binding settlements in respect of litigation relating to the Mauro tailings dam. In December 2008, Los Pelambres became aware of further legal proceedings of which had been initiated in first instance courts in Santiago and 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 continuing to take necessary steps to protect its position and remains confident of its rights to continue 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.

## 27. Capital commitments

Future capital commitments at 30 June 2009 were US\$490.2 million (30 June 2008 – US\$574.6 million, 31 December 2008 - US\$447.0 million).

## 28. Post balance sheet events

### a) Exercise of option agreement with GDF Suez

On 3 July 2009, the Group, through its wholly-owned subsidiary Antofagasta Railway Company plc exercised an option to acquire a 40% interest in Inversiones Hornitos S.A. ("Inversiones Hornitos") from GDF SUEZ, which will continue to hold the remaining 60% interest. Inversiones Hornitos is the owner of the 150 MW Hornitos thermoelectric power plant which is being constructed in Mejillones, in Chile's Antofagasta Region. Further details are set out in note 24.

### b) First drawdown of Esperanza project finance

On 15 May 2009 the Group signed an agreement for US\$1,050 million project financing for Esperanza. Further details are set out in Note 17. On 9 July 2009 the first drawdown was made under this facility. Total drawdowns to the date of this annual report amount to US\$540.4 million.

## 29. Related party transactions

The immediate 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, during 2008 the Group acquired Mineralinvest Establishment's ("Mineralinvest") interest in certain mining properties held through Antomin Limited ("Antomin"). Mineralinvest is an entity ultimately controlled by the Luksic family. The remaining properties owned by Antomin which were not 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 continue to be owned approximately 51% by Antofagasta and approximately 49% by Mineralinvest. With respect to Antomin 2 and Antomin Investors, Antofagasta 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 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 the six months ended 30 June 2009 (30 June 2008 – nil, 31 December 2008 - nil).

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 six months ended 30 June 2009 the Group contributed US\$12.8 million. (30 June 2008 – US\$22 million, 31 December 2008 - US\$46.1 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 period was US\$2.4 million. (30 June 2008 – US\$3.2 million., 31 December 2008 - US\$1.4 million).

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. During the six months ended 30 June 2009 the Group contributed US\$nil (30 June 2008 – US\$nil, 31 December 2008 – US\$9.0 million) to Energía Andina S.A. to provide funds for its operations. The balance due from Energía Andina S.A. to the Group at 30 June 2009 was US\$0.2 million (30 June 2008 – US\$nil, 31 December 2008 – 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\$0.7 million (six months ended 30 June 2008 – US\$0.7 million, year ended 31 December 2008 – US\$1.8 million) as disclosed in the Consolidated Cash Flow Statement.

In July 2009, the Group, through its wholly-owned subsidiary Antofagasta Railway Company plc exercised an option to acquire a 40% interest in Inversiones Hornitos S.A. ("Inversiones Hornitos") from GDF SUEZ. The payment made to GDF SUEZ and further contributions to Inversiones Hornitos are set out in Note 24 above.

### 30. Currency translation

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

	<b>Period end rates</b>	<b>Average rates</b>
Six months ended 30 June 2009	US\$1.6458 = £1; US\$1 = Ch\$532	US\$1.4865 = £1; US\$1 = Ch\$588
Six months ended 30 June 2008	US\$1.9912 = £1; US\$1 = Ch\$526	US\$1.9743 = £1; US\$1 = Ch\$467
Year ended 31 December 2008	US\$1.4428 = £1; US\$1 = Ch\$636	US\$1.8386 = £1; US\$1 = Ch\$522

## RESPONSIBILITY STATEMENT

We confirm to the best of our knowledge:

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

By order of the Board

J-P Luksic  
Chairman

CH Bailey  
Director

## INDEPENDENT REVIEW REPORT TO ANTOFAGASTA PLC

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2009 which comprises the condensed consolidated income statement, the condensed consolidated statement of comprehensive income, the condensed consolidated statement of changes in equity, the condensed consolidated balance sheet, the condensed consolidated cash flow statement and related Notes 1 to 30. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

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

### Directors' responsibilities

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

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

### Our responsibility

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

### Scope of review

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

### Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2009 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

### Deloitte LLP

Chartered Accountants  
London, UK  
25 August 2009

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

(See notes following Note 31(b).)

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

	<u>Production</u>			<u>Sales</u>		
	Six months ended 30 June 2009 000 tonnes	Six months ended 30 June 2008 000 tonnes	Year ended 31 December 2008 000 tonnes	Six months ended 30 June 2009 000 tonnes	Six months ended 30 June 2008 000 tonnes	Year ended 31 December 2008 000 tonnes
<b>Copper</b>						
Los Pelambres	157.5	163.8	339.2	148.4	162.0	340.6
El Tesoro	40.1	46.6	90.8	40.7	45.3	90.9
Michilla	20.6	23.1	47.7	20.7	21.2	47.5
<b>Group total</b>	<b>218.2</b>	<b>233.6</b>	<b>477.7</b>	<b>209.8</b>	<b>228.5</b>	<b>479.0</b>
<b>Molybdenum</b>						
Los Pelambres	3.7	3.8	7.8	3.6	3.7	7.7

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

	<u>Cash costs</u>			<u>Realised prices</u>		
	Six months ended 30 June 2009 US cents	Six months ended 30 June 2008 US cents	Year ended 31 December 2008 US cents	Six months ended 30 June 2009 US cents	Six months ended 30 June 2008 US cents	Year ended 31 December 2008 US cents
<b>Copper</b>						
Los Pelambres	84.7	36.0	57.3	238.6	420.7	246.5
El Tesoro	122.8	138.5	144.7	206.5	386.2	315.6
Michilla	146.5	195.1	191.1	178.9	372.9	317.7
<b>Group weighted average (net of by-products)</b>	<b>97.5</b>	<b>72.2</b>	<b>87.3</b>	<b>226.6</b>	<b>409.4</b>	<b>266.7</b>
<b>Group weighted average (before deducting by-products)</b>	<b>116.0</b>	<b>130.6</b>	<b>129.3</b>			
<b>Cash costs at Los Pelambres comprise:</b>						
On-site and shipping costs	90.8	99.7	99.5			
Tolling charges for concentrates	19.4	19.7	17.0			
<b>Cash costs before deducting by-product credits</b>	<b>110.2</b>	<b>119.4</b>	<b>116.5</b>			
By-product credits (principally molybdenum)	(25.6)	(83.5)	(59.2)			
<b>Cash costs (net of by-product credits)</b>	<b>84.7</b>	<b>36.0</b>	<b>57.3</b>			
<b>LME average</b>				<b>183.5</b>	<b>367.8</b>	<b>315.3</b>
				<b>US\$</b>	<b>US\$</b>	<b>US\$</b>
<b>Molybdenum</b>						
Los Pelambres				<b>9.7</b>	<b>33.6</b>	<b>23.9</b>
<b>Market average price</b>				<b>9.1</b>	<b>33.1</b>	<b>28.9</b>

#### 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 period.
- (iv) Excluding by-product credits (which are reported as part of turnover) and tolling charges for concentrates (which are deducted from turnover), weighted average cash costs for the Group (comprising on-site and shipping costs in the case of Los Pelambres and cash costs in the case of the other two operations) decreased from 117.2 cents per pound in 2008 to 101.9 cents per pound in the first half of 2009.
- (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 31(a) and the cash cost information in Note 31(b) is derived from the Group's production report for the second quarter of 2009, published on 30 July 2009.

### 32. 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 six month period ended 30 June 2009 with the Chilean securities regulator, the Superintendencia de Valores y Seguros de Chile ("SVS").

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

#### (a) Balance sheets

	Los Pelambres At 30.06.09	Los Pelambres At 30.06.08	El Tesoro At 30.06.09	El Tesoro At 30.06.08	Michilla At 30.06.09	Michilla At 30.06.08	Esperanza At 30.06.09	Esperanza At 30.06.08
	US\$m	US\$m	US\$m	US\$m	US\$m	US\$m	US\$m	US\$m
Cash and cash equivalents	302.0	359.3	186.1	583.0	21.2	35.5	63.6	136.1
Trade and other receivables	236.5	463.3	83.1	152.7	17.3	22.4	23.5	113.2
Inventories	106.4	89.0	88.4	52.3	21.9	28.4	1.1	-
Current and deferred tax assets	53.4	17.3	23.2	6.2	13.3	5.5	39.5	31.1
<b>Current assets</b>	<b>698.3</b>	<b>928.9</b>	<b>380.8</b>	<b>794.2</b>	<b>73.7</b>	<b>91.8</b>	<b>127.7</b>	<b>280.4</b>
<b>Fixed assets</b>	<b>2,342.4</b>	<b>1,909.1</b>	<b>473.0</b>	<b>302.7</b>	<b>15.1</b>	<b>42.0</b>	<b>944.5</b>	<b>103.8</b>
<b>Other non-current assets</b>	<b>134.0</b>	<b>143.2</b>	<b>169.2</b>	<b>45.6</b>	<b>8.9</b>	<b>2.3</b>	<b>185.9</b>	<b>58.0</b>
<b>TOTAL ASSETS</b>	<b>3,174.7</b>	<b>2,981.2</b>	<b>1,023.0</b>	<b>1,142.5</b>	<b>97.7</b>	<b>136.1</b>	<b>1,258.1</b>	<b>442.2</b>
Short term borrowings	(581.4)	(76.9)	(0.1)	-	-	-	-	-
Trade and other payables	(107.2)	(178.0)	(42.5)	(57.1)	(22.1)	(31.0)	(432.1)	(272.2)
Current and deferred tax liabilities	(1.7)	(30.3)	(5.9)	(11.8)	-	(0.6)	-	-
<b>Current liabilities</b>	<b>(690.3)</b>	<b>(285.2)</b>	<b>(48.5)</b>	<b>(68.9)</b>	<b>(22.1)</b>	<b>(31.6)</b>	<b>(432.1)</b>	<b>(272.2)</b>
Medium and long term borrowings	(38.3)	(115.0)	(0.2)	(11.9)	-	-	-	-
Trade and other payables	(58.4)	(15.9)	(16.7)	(8.7)	(21.6)	(8.8)	(104.4)	(93.6)
Deferred tax liabilities	(250.3)	(161.1)	(59.4)	(35.1)	-	-	(27.1)	-
<b>Non-current liabilities</b>	<b>(347.0)</b>	<b>(292.0)</b>	<b>(76.3)</b>	<b>(55.7)</b>	<b>(21.6)</b>	<b>(8.8)</b>	<b>(131.5)</b>	<b>(93.6)</b>
<b>Total liabilities</b>	<b>(1,037.3)</b>	<b>(577.2)</b>	<b>(124.8)</b>	<b>(124.6)</b>	<b>(43.7)</b>	<b>(40.4)</b>	<b>(563.6)</b>	<b>(365.8)</b>
Share capital	(373.8)	(373.8)	(91.0)	(91.0)	(42.6)	(78.4)	(694.5)	(76.4)
Reserves	(1,763.6)	(2,030.2)	(807.2)	(926.9)	(11.4)	(17.3)	-	-
<b>Total shareholders' equity</b>	<b>(2,137.4)</b>	<b>(2,404.0)</b>	<b>(898.2)</b>	<b>(1,017.9)</b>	<b>(54.0)</b>	<b>(95.7)</b>	<b>(694.5)</b>	<b>(76.4)</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>(3,174.7)</b>	<b>(2,981.2)</b>	<b>(1,023.0)</b>	<b>(1,142.5)</b>	<b>(97.7)</b>	<b>(136.1)</b>	<b>(1,258.1)</b>	<b>(442.2)</b>

**(b) Income statements**

	Los Pelambres	Los Pelambres	El Tesoro	El Tesoro	Michilla	Michilla	Esperanza	Esperanza
	Six months ended 30 June 2009	Six months ended 30 June 2008	Six months ended 30 June 2009	Six months ended 30 June 2008	Six months ended 30 June 2009	Six months ended 30 June 2008	Six months ended 30 June 2009	Six months ended 30 June 2008
	US\$m	US\$m	US\$m	US\$m	US\$m	US\$m	US\$m	US\$m
<b>Turnover</b>	<b>766.3</b>	1,698.9	<b>185.3</b>	384.3	<b>81.8</b>	173.8	-	-
Operating costs	<b>(306.2)</b>	(319.9)	<b>(119.8)</b>	(137.9)	<b>(69.6)</b>	(98.0)	-	-
Operating margin	<b>460.1</b>	1,379.0	<b>65.5</b>	246.4	<b>12.2</b>	75.8	-	-
Administrative and distribution expenses	<b>(53.5)</b>	(71.6)	<b>(17.0)</b>	(17.7)	<b>(10.4)</b>	(8.9)	-	-
<b>Operating profit</b>	<b>406.6</b>	1,307.4	<b>48.5</b>	228.7	<b>1.8</b>	66.9	-	-
Other income	<b>0.9</b>	5.0	<b>0.7</b>	1.6	<b>6.0</b>	0.9	-	-
Financial income	<b>1.6</b>	5.8	<b>2.2</b>	9.9	<b>0.1</b>	1.0	-	-
Financial expenses	<b>(13.7)</b>	(6.5)	<b>(1.2)</b>	(0.7)	-	-	-	-
Other expenses	<b>(3.4)</b>	(1.6)	<b>11.9</b>	(3.6)	<b>(1.9)</b>	-	-	-
Exchange difference	<b>5.2</b>	(27.3)	<b>(0.3)</b>	1.7	<b>(0.1)</b>	(3.8)	-	-
<b>Net non-operating income</b>	<b>(9.4)</b>	(24.6)	<b>13.3</b>	8.9	<b>4.1</b>	(1.9)	-	-
<b>Profit before tax</b>	<b>397.2</b>	1,282.8	<b>61.8</b>	237.6	<b>5.9</b>	65.0	-	-
Income tax expense	<b>(85.8)</b>	(264.1)	<b>(13.5)</b>	(51.0)	<b>5.3</b>	(12.9)	-	-
<b>Profit for the financial period</b>	<b>311.4</b>	1,018.7	<b>48.3</b>	186.6	<b>11.2</b>	52.1	-	-

**(c) Cash flow statements**

	Los Pelambres	Los Pelambres	El Tesoro	El Tesoro	Michilla	Michilla	Esperanza	Esperanza
	Six months ended 30 June 2009	Six months ended 30 June 2008	Six months ended 30 June 2009	Six months ended 30 June 2008	Six months ended 30 June 2009	Six months ended 30 June 2008	Six months ended 30 June 2009	Six months ended 30 June 2008
	US\$m	US\$m	US\$m	US\$m	US\$m	US\$m	US\$m	US\$m
<b>Net cash flow from operating activities</b>	<b>(51.5)</b>	1,023.7	<b>60.9</b>	115.5	<b>(8.9)</b>	57.0	<b>87.7</b>	(89.6)
<b>Investing activities</b>								
Additions to fixed assets	<b>(210.1)</b>	(185.5)	<b>(46.4)</b>	(53.0)	<b>(7.0)</b>	(11.9)	<b>(303.0)</b>	(110.8)
Disposals of fixed assets	-	-	-	-	<b>0.4</b>	-	-	-
Other loans to related companies	-	-	-	-	-	0.1	<b>6.1</b>	336.5
<b>Net cash used in investing activities</b>	<b>(210.1)</b>	(185.5)	<b>(46.4)</b>	(53.0)	<b>(6.6)</b>	(11.8)	<b>(296.9)</b>	225.7
<b>Financing activities</b>								
New Loans	<b>410.0</b>	-	-	-	-	-	-	-
Dividends paid	-	(600.0)	-	-	-	(52.8)	-	-
Loans repaid	<b>(172.3)</b>	(43.1)	-	(14.0)	-	-	-	-
<b>Net cash used in financing activities</b>	<b>237.7</b>	(643.1)	-	(14.0)	-	(52.8)	-	-
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(23.9)</b>	195.1	<b>14.5</b>	48.5	<b>(15.5)</b>	(7.6)	<b>(209.2)</b>	136.1
Cash and cash equivalents at the beginning of the period	<b>325.9</b>	164.2	<b>171.6</b>	534.5	<b>36.7</b>	43.1	<b>272.8</b>	-
<b>Cash and cash equivalents at the end of the period</b>	<b>302.0</b>	359.3	<b>186.1</b>	583.0	<b>21.2</b>	35.5	<b>63.6</b>	136.1

**Note 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 six months ended 30 June 2009 to be filed with the SVS in Chile on 26 August 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](http://www.antofagasta.co.uk) after these have been filed.

**33. Reconciliation of Chilean GAAP results to Turnover and EBITDA under IFRS for individual business segments****(a) Turnover**

		Los Pelambres Six months ended 30 June 2009	Los Pelambres Six months ended 30 June 2008	El Tesoro Six months ended 30 June 2009	El Tesoro Six months ended 30 June 2008	Michilla Six months ended 30 June 2009	Michilla Six months ended 30 June 2008	Esperanza Six months ended 30 June 2009	Esperanza Six months ended 30 June 2008
	Notes	US\$m	US\$m	US\$m	US\$m	US\$m	US\$m	US\$m	US\$m
<b>Chilean GAAP - Turnover</b>		<b>766.3</b>	1,698.9	<b>185.3</b>	384.3	<b>81.8</b>	173.8	-	-
Mark-to-market of provisionally priced sales	34(i)	<b>37.1</b>	30.6	-	1.4	<b>(0.2)</b>	0.5	-	-
<b>IFRS - Turnover</b>		<b>803.4</b>	1,729.5	<b>185.3</b>	385.7	<b>81.6</b>	174.3	-	-

**(b) EBITDA**

		Los Pelambres Six months ended 30 June 2009	Los Pelambres Six months ended 30 June 2008	El Tesoro Six months ended 30 June 2009	El Tesoro Six months ended 30 June 2008	Michilla Six months ended 30 June 2009	Michilla Six months ended 30 June 2008	Esperanza Six months ended 30 June 2009	Esperanza Six months ended 30 June 2008
	Notes	US\$m	US\$m	US\$m	US\$m	US\$m	US\$m	US\$m	US\$m
<b>Chilean GAAP - Operating profit</b>		<b>406.6</b>	1,307.4	<b>48.5</b>	228.7	<b>1.8</b>	66.9	-	-
Depreciation & amortisation		<b>62.7</b>	36.8	<b>25.4</b>	21.3	<b>2.8</b>	13.0	-	-
<b>Chilean GAAP - EBITDA</b>		<b>469.3</b>	1,344.2	<b>73.9</b>	250.0	<b>4.6</b>	79.9	-	-
Mark-to-market of provisionally priced sales	34(i)	<b>37.1</b>	30.6	-	1.5	<b>(0.2)</b>	0.4	-	-
Other IFRS and consolidation adjustments	34(iii)	<b>(1.8)</b>	2.8	<b>0.7</b>	(4.2)	<b>4.8</b>	2.8	-	-
<b>IFRS - EBITDA</b>		<b>504.6</b>	1,377.6	<b>74.6</b>	247.3	<b>9.2</b>	83.1	-	-

**Notes to reconciliation of turnover and EBITDA**

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

Under Chilean GAAP, the Group's accounting treatment is to value sales, which remain open as to final pricing at the period end, in aggregate at the lower of provisional invoice prices and mark-to-market prices at the balance sheet date. 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 either at the opening or closing periods. For Los Pelambres this results in a credit of US\$34.9 million in respect of copper concentrate sales and a credit of US\$2.2 million in respect of molybdenum concentrate sales. For Michilla this results in a loss 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.