

**For immediate release**

**5 Princes Gate  
London  
SW7 1QJ  
United Kingdom**

**Telephone: + 44 20 7808 0988  
Fax: + 44 20 7808 0986  
[info@antofagasta.co.uk](mailto:info@antofagasta.co.uk)**

**COMMENTS MADE BY MR. JEAN-PAUL LUKSIC, CHAIRMAN,  
AT THE 2009 ANNUAL GENERAL MEETING**

**London, 10 June 2009**

Good morning ladies and gentlemen, and welcome to you all.

The market conditions which we face today have changed significantly since we met a year ago, but I believe that your Company is well positioned to manage the challenges and benefit from the opportunities that we now face.

The Group's strong financial performance in recent years, together with prudent management of its resources, has resulted in a strong balance sheet, with a net cash position of US\$2.9 billion at the end of 2008. This financial position has been further strengthened by the agreement we signed last month for more than US\$1 billion of project financing for the Esperanza project, and we believe that we have achieved very attractive borrowing terms with this 12 year financing given the current conditions in the financial markets. Our ability to raise this funding in these difficult market conditions reflects both the robust nature of the Esperanza project, and the financial strength and reputation of the Group as a whole.

We also achieved solid results during 2008, with net earnings of just over US\$1.7 billion, compared with just under US\$1.4 billion in the previous year. This was partly due to the agreement we entered into with Marubeni Corporation, where they acquired a 30% stake in the El Tesoro mine and the Esperanza project for a consideration of US\$1.4 billion. Excluding this, and other exceptional items, net earnings for 2008 were US\$840 million, 39% below 2007 earnings, largely due to lower realised commodity prices.

The strength of our financial position and the results we have achieved have enabled us to continue to share the success of the Company with our shareholders, while retaining adequate funds for continuing development. We have been one of the few mining companies that has been able to continue as planned with all of our key projects, in accordance with our long-term strategic vision, while also increasing the total proposed dividend. We hope that you will agree later in this meeting to approve the proposed final dividend of 53.6 cents per ordinary share, resulting in a final dividend payout by the Company of US\$533 million. Along with the interim dividend paid in October 2008, this will give total ordinary dividends for the 2008 financial year of 9 cents and special dividends totalling 51 cents. This total dividends of 60 cents are a record for the Company, and represents an increase of more than 20% compared with 2007.

However, the economic crisis that developed in the second half of last year clearly had a major impact on the global economy, which according to the IMF is expected to experience negative growth for the first time since World War II. Copper intensive sectors such as construction, infrastructure and manufacturing have been severely affected, generally outpacing the decline in GDP. The main positive region has been China, where the economy has continued to grow, although at a slower pace than in previous years.

As a result of all this, we are in a period of weaker commodity prices compared with recent years. The LME copper price averaged US\$3.15 per pound during 2008, but the price fell sharply in the second half of the year, reaching US\$1.32 per pound at the end of the year. The copper price has since recovered somewhat, with an average price during the first five months of 2009 of US\$1.74 per pound but these prices still remain significantly below the 2008 average.

The molybdenum price experienced an even sharper fall, from an average of nearly US\$29 per pound during 2008 to US\$9.50 per pound at the end of the year, and averaging just below US\$9 per pound over the first five months of 2009.

Not surprisingly, much of the recent copper price recovery has been dependent upon China, where strong buying has exceeded earlier expectations. This partly reflects the impact of the government's stimulus package of 4 trillion yuan, or approximately US\$580 billion. There has also been a restocking process as China ended 2008 with minimal working stock levels, as well as significant buying by the State Reserve Bureau for China's strategic stockpile. Global demand for copper cathode has also been strengthened by the tightness of the scrap and copper concentrates markets.

Looking forward, some key leading economic indicators, especially around consumer and business confidence, are showing marginal improvements and some analysts already suggest that we have reached the bottom of the cycle. This, combined with improvements in the financial markets, provides grounds for optimism.

In the medium and longer term we remain positive on the outlook for the copper market. The industry, which continues to face the impact of declining ore grades, has not seen significant development of the supply-side in recent years, a situation which is likely to continue to be exacerbated by current market conditions. Many projects have been deferred due to financing difficulties or due to lower profitability forecasts. It is estimated that more than two million tonnes of new copper mine capacity originally planned to be constructed by 2012 have been postponed or cancelled. When worldwide demand recovers its normal rate of growth, a shortfall in mine supply could again develop. We believe that there could be strong support for the copper price in the years to come, and our growth projects mean that we are well-positioned to benefit from this.

In terms of the political environment in which we operate, I would note that presidential elections will take place in Chile in December of this year. Chile can now be regarded as having a mature democratic process, and we are confident that whatever the outcome of these elections, it will remain a stable and attractive place in which to invest and do business.

In the mining industry it is necessary to take a long-term perspective, and during 2008 we approved a new strategic plan for the mining division. This is based on three areas – firstly, strengthening and maximising the Group's existing operations and projects under construction; secondly, organic and sustainable growth of the Group's core business, particularly in the Sierra Gorda and Los Pelambres districts; and lastly, continuing to develop and look for further opportunities both within Chile and elsewhere. I would just like to note that across all of these areas, wherever the Group operates or is looking to grow, sustainability is at the heart of what we do. Our aim is to create better economic, social and environmental conditions, and to play a beneficial role in the communities where we operate, while seeking profitable returns on our investments. Large-scale mining projects are subject to increased analysis of their environmental and social impact, and these factors are critical in assessing the viability and likely timescale of potential projects.

In terms of the existing operations, we have taken actions to ensure that they are well positioned during these difficult times. At the end of 2008 we implemented stringent cost cutting measures, in order to ensure that all of our production is cash-positive. We are already seeing the benefits of this, with pre by-product cash costs in the first quarter of 2009 broadly in line with our target of a 15% reduction compared with 2008. Nevertheless, as seen in our recently issued first quarter financial results, the Group's profitability so far this year has clearly been impacted by lower commodity prices compared with the same period in 2008.

And while we are being successful in bringing down our costs, we should not forget that the mining industry has seen a significant, long-term upward trend in costs over recent years. We are forecasting that our average cash costs, before by-product credits, will decrease to 110 cents per pound in 2009, compared with almost 130 cents per pound in 2008. However, this compares with cash costs of around 50 cents per pound at the start of 2004, when the recent strong cycle for copper was just beginning. For example, energy costs at Los Pelambres have increased five-fold over this period. While the energy situation in Chile has improved from the critical position we saw last year, capacity still remains tight, and costs are not likely to fall significantly in the short or medium term. Similarly, while the costs of our annual

contracts for sulphuric acid and the price of oil have fallen sharply compared with the peaks seen during 2008, current prices are still approximately double the levels in early 2004. So while costs are decreasing, they still remain high by historical measures; and if copper prices remain at current levels, which are significantly higher than consensus forecasts at the start of the year, costs of key supplies for the industry could once again come under pressure.

The performance of the operations during 2008, and the outlook for our future production, are both positive. The Group produced 477,700 tonnes of payable copper in 2008, more than 10% higher than 2007. This was mainly due to increased production at the Los Pelambres mine, as a result of higher plant throughput and better ore grades. As we said in March, the Group's copper production for 2009 is forecast to fall to around 433,000 tonnes, again mainly due to the impact of Los Pelambres, where we are experiencing harder primary ore and lower grades.

Our actions to reduce significantly the cost base at Michilla, which included the closure of the higher cost Lince pit, have also allowed us to extend that mine's life through to at least the end of 2010, and we continue to review options for further extending Michilla's life.

At El Tesoro we are now utilising ore from the new Tesoro North East and Esperanza oxide deposits, as well as the existing open pit, to continue making full use of the Tesoro plant's capacity.

An important part of the Group's long-term production plans was the completion of the Mauro tailings dam at Los Pelambres, which entered into operation at full capacity in November 2008. The new dam has sufficient capacity to support the mine's existing 28 year life. As we have previously disclosed, there have been some legal claims relating to the dam, some of which have already been rejected by the local courts. We continue to deal with these cases, and we remain confident that these will not affect our operations.

From 2010 the Group should see significant production growth, with the completion of the Los Pelambres plant expansion, on schedule for the end of 2009, increasing annual production by an average of 90,000 tonnes.

Construction of the Esperanza project also remains on track, with production expected to start by the end of 2010. As I mentioned earlier, we have recently secured project financing for just over US\$1 billion of the project's total capital cost of US\$2.3 billion, with the balance being funded by ourselves and our partners, Marubeni Corporation. On average over the first 10 years the project is expected to produce 191,000 tonnes of payable copper per year, and 215,000 ounces of payable gold.

The Esperanza project and the Los Pelambres plant expansion should result in a major uplift in the Group's copper output, with production expected to increase from approximately 433,000 tonnes in 2009 to over 500,000 tonnes in 2010 and to almost 700,000 tonnes in 2011 – an increase of around 60%.

Both the transport and water distribution businesses had another strong year in 2008. FCAB's rail and road transport operations carried just under 7 million tonnes, a 10% increase on the 6.3 million tons carried in 2007. The water company increased its sales of water to domestic and industrial users by 7 per cent, to 42.7 million cubic metres. We expect that the volumes of these businesses will be maintained or marginally increased in 2009. While these remain a relatively small part of the overall Group, they represent a strong source of stable cash flow throughout the commodity cycle.

The Group's exploration activities have seen considerable success in Chile. The Sierra Gorda district, in which El Tesoro and Esperanza are situated, is an area of key focus for the Group. El Tesoro and Esperanza themselves have combined resources of 1.5 billion tonnes. The results of our exploration in this district include the discovery in 2007 of the Caracoles porphyry, which is just 10 kilometres south of Esperanza. In February of this year the Group bought out the 18% minority stake in this property for a consideration of US\$25 million, to consolidate further our position in this district. The mineral inventory in our Sierra Gorda district, over and above Tesoro and Esperanza's resources, is estimated at between 2.2 to 3.4 billion tonnes.

The conclusion of the drilling programme at Los Pelambres at the end of 2008 has resulted in an increase in the total mineral resources from 2.9 billion tonnes in 2007 to 4.9 billion tonnes, due to an increase in

resources at the existing open pit and the addition of the Frontera porphyry deposit. This could in the longer term provide significant opportunities for further future development at Los Pelambres beyond the current brownfield expansion.

And we continue to make progress in our search for further opportunities. The feasibility study at the Reko Diq joint venture in Pakistan is continuing, and we expect it to complete by the end of this year. We have also recently appointed a new CEO to the joint venture company. Negotiations are also continuing with the federal and regional governments for a foreign investment agreement, which is essential to move ahead with the project.

We are also progressing with the exploration work in Chile, Zambia, Mexico and elsewhere. We continue to examine both early stage projects as well as operating assets in areas of high-potential, in order to identify further opportunities for growth.

During 2008 the Group took a 60% stake in a joint venture with ENAP, the Chilean state oil company, to explore for geothermal energy resources in Chile. This makes good use of the Group's exploration expertise, and we believe this could be a promising new area for the Group given Chile's abundant geothermal resources.

It is fair to say that despite a difficult global economic environment the Group is doing well, and I look forward to the remainder of 2009 with confidence.

Finally, I would like to pay special thanks to our employees and management who make all this possible. They are totally focused on running this business in the most efficient and cost-effective way during these difficult times, and on identifying and capitalising on opportunities to continue to grow this Company in a sustainable, long-term manner.

### **Enquiries**

#### **Investor relations - Antofagasta plc**

Tel: +44 20 7808 0988

[www.antofagasta.co.uk](http://www.antofagasta.co.uk)

Desmond O'Conor

Email: [doconor@antofagasta.co.uk](mailto:doconor@antofagasta.co.uk)

Hussein Barma

Email: [hbarma@antofagasta.co.uk](mailto:hbarma@antofagasta.co.uk)

#### **Media enquiries - Bankside Consultants**

Tel: +44 20 7367 8874

Oliver Winters

Email: [oliver.winters@bankside.com](mailto:oliver.winters@bankside.com)