

**For immediate release**

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## **Annual Financial Report 2009**

London, 26 April 2010

Antofagasta plc (the "**Company**") will today post its 2009 annual report and financial statements (the "**2009 Annual Report and Financial Statements**") and notice of the Annual General Meeting of the Company (the "**2010 AGM Notice** ") to shareholders.

The 2009 Annual Report and Financial Statements, which was approved by the Board of Directors on 8 March 2010, constitute the Company's statutory accounts for the purposes of section 434 of the Companies Act 2006 and the Annual Financial Report for the purposes of DTR 4.1.

The Annual General Meeting to be held at Church House Conference Centre, Dean's Yard, Westminster, London SW1P 3NZ on 9 June 2010 from 10.30 a.m.

In compliance with LR 9.6.1, the Company has submitted to the Financial Services Authority two copies of each of the following documents:

- 2009 Annual Report and Financial Statements;
- 2010 AGM Notice;
- Form of Proxy for Ordinary Shareholders for Annual General Meeting;
- Form of Proxy for Preference Shareholders for Annual General Meeting; and
- Letter to Shareholders regarding Electronic Communications.

These documents will shortly be available for inspection at the UK Listing Authority's Document Viewing Facility, which is situated at Financial Services Authority, 25 The North Colonnade, London E14 5HS. Each of these documents (other than the forms of proxy) is also available on the Company's website at [www.antofagasta.co.uk](http://www.antofagasta.co.uk).

In compliance with DTR 6.3.5, the following information is extracted from the 2009 Annual Report and Financial Statements and should be read in conjunction with the Company's Preliminary Results Announcement issued on 9 March 2010. Together, these constitute the material required by DTR 6.3.5 to be communicated to the media in full unedited text through a Regulatory Information Service. This material is not a substitute for reading the full 2009 Annual Report and Financial Statements and page numbers and cross-references in the extracted

information below refer to page numbers and cross-references in the 2009 Annual Report and Financial Statements.

The information contained in this announcement and in the Preliminary Results Announcement does not constitute the Group's statutory accounts as defined in section 434 of the Companies Act 2006 but is derived from those accounts. The statutory accounts for the year ended 31 December 2009 have been approved by the Board and will be delivered to the Registrar of Companies following the Company's Annual General Meeting which will be held on 9 June 2010. The auditors have reported on those accounts and their report was unqualified, with no matters by way of emphasis, and did not contain statements under section 498(2) of the Companies Act 2006 (regarding adequacy of accounting records and returns) or under section 498(3) (regarding provision of necessary information and explanations).

### **Directors' Responsibility Statement**

The following information is extracted from page 62 of the 2009 Annual Report and Financial Statements.

#### ***“Directors' Responsibility Statement***

*We confirm to the best of our knowledge:*

- the Group financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union, and give a true and fair view of the assets, liabilities, financial position and profit of the Company and the undertakings included in the consolidation taken as a whole;*
- the Company financial statements have been prepared in accordance with UK GAAP, and give a true and fair view of the assets, liabilities, financial position and profit of the Company; and*
- the Directors' Report, including those sections incorporated therein by reference, includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties they face.*

*By order of the Board*

*J-P Luksic, Chairman, 8 March 2010*

*C H Bailey, Director, 8 March 2010”*

### **Principal Risks and Uncertainties**

The following description of Principal Risks and Uncertainties is extracted from pages 14 and 15 of the 2009 Annual Report and Financial Statements.

#### ***“Principal Risks and Uncertainties***

*The Group faces a variety of risks which could negatively impact its performance, earnings, financial position, reputation and future prospects. Over the past year we have refined the process of identifying, evaluating and monitoring strategic risks in order to focus on the most significant events that could impact the Group's performance. Set out below are the principal risks and uncertainties identified and the steps the Group has taken to mitigate each of them. There may be additional risks unknown to the Group and other risks, currently believed to be insignificant, could turn out to be significant. These risks, whether they materialise individually or simultaneously, could significantly affect the Group's business and financial results.*

*Further information about the Group's risk management systems are given in the Corporate Governance Report on pages 56 and 57 and in the Sustainability Report on page 35. Further detailed disclosure in*

respect of financial risks relevant to the Group are set out in Note 25(c) to the financial statements and on pages 46 and 47 of the Financial Review.

### **Commodity prices**

#### **Risk**

The Group's results are heavily dependent on commodity prices – principally copper and to a lesser extent molybdenum. The prices of these commodities are strongly influenced by world economic growth, and may fluctuate widely and have a corresponding impact on the Group's revenues.

#### **Mitigation**

The Group considers exposure to commodity price fluctuations within reasonable boundaries to be an integral part of the Group's business, and its usual policy is to sell its products at prevailing market prices. The Group monitors the commodity markets closely to determine the effect of price fluctuations on earnings and cash flows, and uses derivative instruments to manage its exposure to commodity price fluctuations where appropriate.

#### **Reference**

The sensitivity of Group earnings to movements in commodity prices is set out in the Financial Review on page 47.

Details of hedging arrangements put in place by the Group are included within the Financial Review on page 46 and in Note 25(e) to the financial statements.

### **Strategic resources**

#### **Risk**

Disruption to the supply of any of the Group's key strategic inputs such as electricity, water, sulphuric acid and mining equipment could have a negative impact on production volumes. Longer term restrictions could impact opportunities for the growth of the Group.

A portion of the Group's input costs are influenced by external market factors and are not entirely within the control of the Group.

#### **Mitigation**

Contingency plans are in place to address potential short-term disruptions to strategic resources such as electricity. The Group enters into medium and long-term supply contracts for a range of key inputs to help ensure continuity of supply.

Technological solutions, such as increased use of sea water in the Group's mining processes, can help address long-term limitations on scarce resources such as fresh water.

#### **Reference**

Information on the Group's arrangements for the supply of key inputs are included within the Marketplace section on page 11, and details of significant operational or cost factors related to key inputs are included within the Business Review on pages 17 to 31.

### **Political, legal and regulatory risks**

#### **Risk**

The Group may be affected by political instability and regulatory developments in the countries in which it is operating, pursuing development projects or conducting exploration activities. The withdrawal or variation of permits already granted and changes to regulations or taxation could adversely affect the Group's operations and development projects.

#### **Mitigation**

The Group assesses political risk as part of its evaluation of potential projects, including the nature of foreign investment agreements in place. Political, legal and regulatory developments affecting the group's operations and projects are monitored closely.

#### **Reference**

*Details of any significant political, legal or regulatory developments impacting the Group's operations are included within the review of operations in the Business Review on pages 17 to 31.*

### **Community relations**

#### **Risk**

*Failure to adequately manage relations with local communities could have a direct impact on the Group's reputation and ability to operate at existing operations and the progress and viability of development projects.*

#### **Mitigation**

*The Group is committed to managing the social impact of its activities by utilising several instruments to ensure clear communication with local stakeholders, such as local perception surveys, local media and community meetings.*

#### **Reference**

*Details of the Group's community relations activities are included in the Corporate Sustainability report on page 38.*

### **Growth opportunities**

#### **Risk**

*The Group needs to identify new mineral resources and development opportunities in order to ensure continued future growth. The Group seeks to identify new mineral resources through exploration. There is a risk that exploration activities may not identify viable mineral resources. The Group may fail to identify attractive acquisition opportunities, or may select inappropriate targets. The long-term commodity price forecasts used when assessing potential projects and other investment opportunities are likely to have a significant influence on the forecast return on investment.*

#### **Mitigation**

*The Group has teams conducting active exploration programmes both within Chile and elsewhere. The Group has also entered into early-stage exploration agreements with third parties in a number of countries throughout the world.*

*The Group assesses a wide range of potential growth opportunities, both from its internal portfolio and external opportunities, to maximise the growth profile of the Group. A rigorous assessment process is followed to evaluate all potential business acquisitions.*

#### **Reference**

*A review of the Group's exploration activities, its exploration agreements and other growth opportunities are set out in the Business Review on pages 26 to 29.*

### **Ore reserves and mineral resources estimates**

#### **Risk**

*The Group's ore reserves and mineral resources estimates are subject to a number of assumptions and estimations, including geological, metallurgical and technical factors, future commodity prices and production costs. Fluctuations in these variables may result in lower grade reserves being deemed uneconomic, and could lead to a reduction in reserves.*

#### **Mitigation**

*The Group's reserves and resources estimates are updated annually to reflect material extracted during the year, the results of drilling programmes and updated assumptions. The Group follows the JORC code in reporting its ore reserves and mineral resources which requires that the reports are based on work undertaken by a Competent Person.*

#### **Reference**

*The ore reserves and mineral resources estimates, along with supporting explanations, are set out on pages 108 to 113.*

## **Operational risks**

### **Risk**

*Mining operations are subject to a number of circumstances not wholly within the Group's control, including damage to or breakdown of equipment or infrastructure, unexpected geological variations or technical issues, extreme weather conditions and natural disasters, which could adversely affect production volumes and costs.*

### **Mitigation**

*The key operational risks relating to each operation are identified as part of the regular risk review process undertaken by the individual operations. This process also identifies appropriate mitigations for each of these specific operational risks.*

*The Group has appropriate insurance to provide protection from some, but not all, of the costs that may arise from such events.*

### **Reference**

*Details of the operational performance of each of the Group's operations is included within the Business Review on pages 17 to 31.*

## **Development projects**

### **Risk**

*A failure to effectively manage the Group's development projects could result in delays in the commencement of production and cost overruns. Demand for supplies, equipment and skilled personnel could affect capital and operating costs. Increasing regulatory and environmental approvals and litigation could result in delays in construction or increases in project costs.*

### **Mitigation**

*Prior to project approval a detailed feasibility process is followed to assess the technical and commercial viability of the project. Detailed progress reports on the ongoing development projects are regularly reviewed, including assessments of the progress of the key project milestones and actual performance against budget.*

### **Reference**

*Details of the progress of the Group's development projects is included within the Business Review on pages 17 to 31.*

## **Employees and contractors**

### **Risk**

*The Group's skilled workforce is essential both to maintain its current operations and to successfully complete the Group's development projects. The loss of skilled workers and failure to recruit new staff may lead to increased costs or delays. Labour disputes may lead to operational interruptions and higher costs and could have a negative impact on the Group's earnings.*

### **Mitigation**

*There are long-term labour contracts in place at each of the Group's mining operations which help to ensure labour stability. The Group maintains appropriate and transparent dialogue with its employees, and invests in employee training and development.*

*Contractors' employees are an important part of the Group's workforce, and under Chilean law are subject to the same duties and responsibilities as the Group's own employees. The Group's approach is to treat contractors as strategic associates.*

### **Reference**

*Details of the Group's relations with its employees and contractors are set out within the Corporate Sustainability report on pages 36 and 37 and within the review of the operations in the Business Review on pages 17 to 31.*

## **Health, safety and the environment**

### **Risk**

*The Group operates in an industry that is subject to numerous health, safety and environmental laws and regulations as well as community expectations. Non-compliance could result in harm to the Group's workers, the environment and the communities in which the Group operates, disruption to the Group's operations, as well as fines and penalties and damage to its reputation.*

### **Mitigation**

*The Group attaches a very high priority to health, safety and environmental matters. The Group monitors relevant legislation and regulations relating to health, safety and the environment to ensure continued compliance. The Group provides for future site closure and remediation costs, based on analysis produced by external expert advisors.*

### **Reference**

*Further information in respect of the Group's activities in respect of health, safety and the environment is set out in the Corporate Sustainability report on pages 36 and 39 to 41."*

## **Related Party Transactions**

The following description of related party transactions is extracted from Note 37 on pages 101 and 102 of the 2009 Annual Report and Financial Statements. A condensed version of this note was published in the Preliminary Results Announcement as Note 28.

### **"37 Related Party Transactions**

*Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note. Transactions between the Group and its associate are disclosed below. The transactions which Group companies entered into with related parties who are not members of the Group are set out below.*

#### **a) Quiñenco S.A.**

*Quiñenco S.A. ("Quiñenco") is a Chilean financial and industrial conglomerate the shares of which are traded on the Santiago Stock Exchange. The Group and Quiñenco are both under the control of the Luksic family, and three Directors of the Company, Mr. J-P Luksic, Mr. GA Luksic and Mr. GS Menéndez, are also directors of Quiñenco. The following material transactions took place between the Group and the Quiñenco group of companies, all of which were on normal commercial terms:*

- the Group sold copper cathodes during the year for US\$2.3 million (2008 – US\$8.9 million) to Madeco S.A., a subsidiary of Quiñenco. The balance due from Madeco at the end of the year was nil (2008 – US\$0.8 million);*
- the Group bought copper wire from Madeco for less than US\$0.1 million (2008 – US\$0.3 million);*
- the Group earned interest income of US\$0.1 million (2008 – US\$0.3 million) during the year on deposits with Banco de Chile, a subsidiary of Quiñenco. Deposit balances at the end of the year were US\$31.7 million (2008 – nil); and*
- the Group's transport division did not provided trucking services for beverages (2008 – US\$1.3 million) to Compañía Cervecerías Unidas S.A., an associate of Quiñenco. The balance due from CCU S.A. at the end of the year was nil (2008 – US\$0.1 million).*

#### **b) Compañía de Inversiones Adriático S.A.**

*In 2009, the Group leased office space on normal commercial terms from Compañía de Inversiones Adriático S.A., a company controlled by the Luksic family, at a cost of US\$0.7 million (2008 – US\$0.6 million).*

**c) Compañía Antofagasta Terminal Internacional S.A.**

As explained in Note 17, the Group acquired a 30% interest in Antofagasta Terminal Internacional S.A. (“ATI”) on 16 December 2004, which has been treated in these financial statements as an associate. During 2009, the Group received a dividend of US\$0.7 million from ATI (2008 – US\$1.8 million).

**d) Antomin Limited, Antomin 2 Limited and Antomin Investors Limited**

In August 2008 the Group acquired Mineralinvest Establishment’s (“Mineralinvest”) interest in mining properties required for the Marubeni transaction together with certain other properties. Prior to the completion of this transaction these properties were held in Antomin Limited (“Antomin”), in which the Group held an approximately 51% interest and Mineralinvest held an approximately 49% interest. The consideration payable by the Group to Mineralinvest under the terms of this agreement was US\$243 million. Mineralinvest is an entity ultimately controlled by the Luksic family.

The Group acquired its original interest in Antomin pursuant to an agreement in 2001 for a nominal consideration from Mineralinvest. Under the terms of the acquisition agreement, the Group’s committed to meet in full the exploration and evaluation costs relating to those properties held by Antomin. The cumulative amount incurred to 31 December 2008 (including expenditure relating to those properties wholly acquired by the Group during the year) was US\$11.8 million.

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

**e) Tethyan Copper Company Limited**

As explained in Note 18(a), during 2006 the Group entered into a joint venture agreement with Barrick Gold Corporation (“Barrick Gold”) to establish a 50:50 joint venture over Tethyan’s mineral interests in Pakistan.

During the year the Group contributed US\$31.1 million (2008 – US\$46.1 million) to Tethyan, to provide funds for Tethyan’s on-going exploration and evaluation programme. The balance due from Tethyan to Group companies at the end of the year was US\$0.5 million (2008 – US\$1.4 million). Details of amounts relating to Tethyan included in the consolidated financial statements of the Group under the proportionate consolidation method are set out in Note 18(a).

**f) Energía Andina S.A.**

In October 2008 Energía Andina S.A. was formed, a joint venture between the Group and Empresa Nacional del Petróleo (“ENAP”) of Chile. During 2008 the Group contributed US\$9.0 million to Energía Andina S.A. to provide funds for its operations (comprising US\$8.5 million in cash and US\$0.5 million relating to exploration licences and other expenses incurred by the Group). The balance due from Energía Andina S.A. to the Group at the end of 2009 was US\$0.2 million (2008 – US\$0.2 million).

**g) Ingeniería y Servicios Computacionales Geovectra S.A.**

In 2009, the Group did not paid fees (2008 – US\$66,771) for geological and technology services to Ingeniería y Servicios Computacionales Geovectra S.A. (“Geovectra”), a company controlled by Mr. J W Ambrus. Mr. Ambrus was a Director of the Company in both 2008 and 2009 until 14 October 2009. These services were on normal arm’s length commercial terms for services performed by employees of Geovectra.

**h) Minera Cerro Centinela S.A.**

*Minera Cerro Centinela S.A. (“Centinela”), an entity ultimately controlled by the Luksic family, has an interest of 7.973% in Minera Michilla S.A. (“Michilla”), a shareholding it has held since Michilla was created through the merger of two predecessor companies on 31 December 1993. During the year ended 31 December 2009 Centinela’s share of dividends received from Michilla were nil (31 December 2008 – US\$7.0 million)*

**i) Directors and other key management personnel**

*Information relating to Directors’ remuneration and interests are given in the Remuneration Report on pages 59 to 61. Information relating to the remuneration of key management personnel including the Directors is given in Note 8.*

**j) Inversiones Hornitos S.A.**

*In July 2009, the Group acquired a 40% interest in Inversiones Hornitos S.A. (Inversiones Hornitos) from GDF SUEZ. This interest is accounted for as an associate. The Group made 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. During the year ended 31 December 2009 the Group made further capital contributions of US\$28.6 million to Inversiones Hornitos. The balance due from Inversiones Hornitos to the Group at 31 December 2009 was US\$22.5 million (31 December 2008 – nil).*

**k) Sunridge Gold Corp**

*In October 2009 the Group acquired 17.84% of the issued share capital of Sunridge Gold Corp (“Sunridge”) under a private placement. This interest is accounted for as an associate. The Group paid US\$5 million for investment and during the year ended 31 December 2009 has not made capital contributions. The balance due from Sunridge to the Group at 31 December 2009 was nil (31 December 2008 – nil).”*

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