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If you have sold or otherwise transferred all your Ordinary Shares or Preference Shares in Antofagasta plc, please forward this document and the accompanying Forms of Proxy immediately to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale was effected for delivery to the purchaser or transferee. 14.1(e)

Cazenove, which is authorised and regulated by the Financial Services Authority, is acting for Antofagasta plc in connection with the proposals set out in this document. Cazenove is not acting for and will not be responsible to any other persons for providing protections afforded to customers of Cazenove or for advising them on the proposals referred to in this document.



(Registered in England number 1627889)

Proposed demerger of Andsberg Limited

and

Right to have shares in Andsberg Limited redeemed

Notice of an Extraordinary General Meeting of the Company to be held at the Armourers' Hall, 81 Coleman Street, London EC2R 5BJ at 10.30 a.m. on 1 October 2003, is set out at the end of this document. Shareholders will find enclosed Forms of Proxy for use at the Extraordinary General Meeting. **To be valid the appropriate form must be completed, signed and returned in accordance with the instructions printed thereon, to the Company's registrars, Computershare Investor Services PLC, PO Box 1075, The Pavilions, Bristol BS99 3FA as soon as possible but not later than 10.30 a.m. on 29 September 2003.**

Your attention is drawn to the letter from the Committee of the Board in Part II of this document describing the proposals and containing their recommendation that you vote in favour of the resolution to be proposed at the Extraordinary General Meeting and to the letters from the Chairman of Antofagasta in Part I and Part III of this document. In addition, your attention is also drawn to the "Action to be taken" paragraph on page ●.

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EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Latest time and date for receipt of forms of proxy	10.30 a.m. on 29 September 2003
Extraordinary General Meeting	10.30 a.m. on 1 October 2003
Posting of Andsberg share entitlement certificates and Redemption Forms	by 3 October 2003
Final time and date for receipt of Redemption Forms	3.00 p.m. on 30 October 2003
Posting of definitive Andsberg Share certificates and cheques and crediting of CREST accounts in respect of the <u>exercise of</u> Redemption Rights	by 6 November 2003

DEFINITIONS

The following definitions apply throughout this circular unless the context requires otherwise:

“Act”	the Companies Act 1985, as amended (except in Part <u>VI</u> of this circular where the Act shall mean the Companies (Jersey) Law 1991, as amended)
“ADRs”	American Depositary Receipts
“Andsberg”	Andsberg Limited
“Andsberg Shares”	fully paid redeemable ordinary shares of US\$0.00001 each of Andsberg to be distributed to holders of Ordinary Shares via the Special Dividend
“Andsberg Shareholders”	holders of Andsberg Shares following the Demerger
“Antofagasta” or “Company”	Antofagasta plc
“Antofagasta Group” or “Group”	Antofagasta and its subsidiary undertakings
“Articles”	the Articles of Association of the Company (except in Part VI of this circular where it shall mean the Articles of Association of Andsberg)
“Banco de Chile”	Banco de Chile S.A.
“Cazenove”	Cazenove & Co. Ltd
“Carrera”	Hoteles Carrera S.A.
“CCU”	Compañía Cervecerías Unidas S.A.
“Ch\$”	Chilean pesos
“the Committee”	Mr. P. J. Adeane and Mr. C. H. Bailey
“Demerger”	the demerger of Andsberg to holders of Ordinary Shares via the Special Dividend
“Directors” or “Board”	the directors of Antofagasta whose names are set out on page <u>5</u> of this circular
“Dolberg”	Dolberg Finance Corporation Establishment
“Entel”	Entel S.A.
“Extraordinary General Meeting”	the extraordinary general meeting of the Company to be held at 10.30 a.m. on 1 October 2003 pursuant to the notice set out at the end of this circular
“FCAB”	Antofagasta Railway Company plc
“Form of Proxy”	the forms of proxy for use by Shareholders in connection with the Extraordinary General Meeting
“Habitaria”	Habitaria S.A.
“Heineken”	Heineken International B.V.
“Listing Rules”	the listing rules of the UK Listing Authority
“LME”	the London Metal Exchange
“Lucchetti”	Empresas Lucchetti S.A.
“Madeco”	Madeco S.A.

“Ordinary Shares”	issued and fully paid ordinary shares of 5 pence each in Antofagasta
“Ordinary Shareholders”	holders of Ordinary Shares
“Preference Shares”	issued and fully paid 5 per cent. cumulative preference shares of £1 each in Antofagasta
“Quiñenco”	Quiñenco S.A.
“Quiñenco Group”	Quiñenco and its subsidiary undertakings
“Quiñenco ADR”	American Depository Receipts each representing 10 ordinary shares in Quiñenco
“Record Date”	1 October 2003 (or such other date as may be determined by the Board)
“Redemption Forms”	the forms to be completed and returned by 3.00 p.m. on 30 October 2003 by holders of Andsberg Shares who wish to exercise their Redemption Right
“Redemption Right”	the right of Andsberg Shareholders to have their Andsberg Shares redeemed by Andsberg following Shareholder approval of the Demerger at a price of US\$1.11 per Andsberg Share
“Resolution”	the ordinary resolution to be proposed at the Extraordinary General Meeting <u>approving the Demerger</u>
▲ “San Pedro”	Vña San Pedro S.A.
“Shareholders”	holders of Ordinary Shares and Preference Shares
“Southern Cone”	the Latin American region comprising the countries of Argentina, Bolivia, Brazil, Chile, Paraguay, Peru and Uruguay
“Special Dividend”	the special dividend comprising the Andsberg Shares proposed to be distributed pro rata to the holders of Ordinary Shares <u>pursuant to the Demerger</u>
“Telsur”	Compañía Nacional de Teléfonos, Telefónica del Sur S.A.
“UK Listing Authority”	the Financial Services Authority acting in its capacity as the competent authority for the purposes of Part VI of the Financial Services and Markets Act 2000
“US\$”	United States dollars

PART I**Introduction from the Chairman of Antofagasta****ANTOFAGASTA  PLC**

(Registered number 1627889)

Directors

A A Luksic (*Chairman*)
 J-P Luksic (*Deputy Chairman*)
 P J Adeane (*Managing Director*)
 C H Bailey*
 G S Menéndez*
 R F Jara*

* *Non-executive**Registered Office*

Park House
 16 Finsbury Circus
 London
 EC2M 7AH

2 September 2003

To Shareholders

Dear Shareholder,

**Proposed demerger of Andsberg Limited
 and
 Right to have shares in Andsberg Limited redeemed**

1. Introduction

Antofagasta has two main operating activities, mining and transportation. The Company's principal non-operating asset is its 33.6 per cent. investment in Quiñenco, a diversified Chilean financial and industrial group listed in Santiago and, in ADR form, on the New York Stock Exchange. The Chairman's review in the 2002 Annual Report to Shareholders dated 6 May 2003 stated that the Company was considering various options in relation to its non-core investments in order to focus on its mining and transportation activities. After due consideration, your Board has concluded that the holding in Quiñenco is not core to the business. It is therefore proposed that, subject to Shareholder approval, the shares of Andsberg Limited (which indirectly holds the Company's investment in Quiñenco) should be distributed to Ordinary Shareholders on a pro rata basis by way of a Special Dividend. Further details on the Demerger are contained in Part II of this circular.

14.1(a)(b)
10.31(a)

10.31(e)

The Andsberg Shares will not be listed or regularly traded and therefore your Board recognises that there may be some Ordinary Shareholders who may not wish or be able to retain their Andsberg Shares following the Special Dividend. Accordingly, following Shareholder approval of the Demerger, it is proposed that there will be a right to have these shares redeemed for cash at a price of US\$1.11 per Andsberg Share (representing an underlying value of US\$6.00 per Quiñenco ADR). This right may be exercised by Andsberg Shareholders completing a Redemption Form exercising their Redemption Right in respect of all or some of their Andsberg Shares and returning it so as to be received on or before 3.00 p.m. on 30 October 2003. Redemptions of Andsberg Shares will be funded by Dolberg, a company connected with the Luksic family. Further details on the Redemption Right are contained in Parts II and III of this circular. Andsberg Shareholders who take no action in respect of the Redemption Right will be sent definitive certificates for their Andsberg Shares pursuant to the Demerger by 6 November 2003.

Your Board has appointed a Committee which has been asked to review the proposed Demerger and Redemption Right to ensure that they are in the best interests of the Company and all Shareholders. The Committee consists of two Directors, Mr. Philip Adeane and Mr. Charles Bailey. A letter from the Committee is contained in Part II of this circular providing further details on the Demerger and the Redemption Right, as well as details of the analysis undertaken by the Committee and its advisers, Cazenove, and the recommendation from the Committee (advised by Cazenove and supported by the rest of your Board) to vote in favour of the Demerger.

The Demerger requires the approval of Shareholders since it is being effected by way of a dividend in specie. In accordance with Antofagasta's Articles of Association, such a dividend must be approved by Shareholders in a general meeting. Your approval of the Demerger is therefore being sought at the Extraordinary General Meeting, notice of which is set out at the end of this circular.

In Part III of this circular, and in my capacity as senior representative of the Luksic family interests, I have provided information about Andsberg and set out some thoughts on what I believe are its prospects going forward and the reasons that I sincerely hope Ordinary Shareholders will choose to retain their Andsberg Shares.

Yours sincerely

A.A. Luksic

Chairman

PART II**Letter from the Committee appointed by the Board of Antofagasta**

(Registered number 1627889)

Directors

A A Luksic (*Chairman*)
 J-P Luksic (*Deputy Chairman*)
 P J Adeane (*Managing Director*)
 C H Bailey*
 G S Menendez*
 R F Jara*

* *Non-executive**Registered Office*

Park House
 16 Finsbury Circus
 London
 EC2M 7AH

2 September 2003

To Shareholders

Dear Shareholder,

**Proposed demerger of Andsberg Limited
 and
 Right to have shares in Andsberg Limited redeemed**

1. Introduction

The Board of Antofagasta today announced its intention to demerge its holding in Quiñenco via a Special Dividend to Ordinary Shareholders of shares in Andsberg Limited. Andsberg is an unlisted Jersey-registered holding company which has as its principal asset the Company's 33.6 per cent. shareholding in Quiñenco.

14.1(a)(b)
 10.31(a)
 10.31(c)

The Demerger requires Shareholder approval which is being sought at the Extraordinary General Meeting, notice of which is set out at the end of this circular.

The purpose of this circular is to provide you with details of the Demerger and the Redemption Right and to explain the reasons why the Committee considers that the Demerger is in the best interests of the Company and its Shareholders as a whole and recommends that you vote in favour of the Resolution.

2. Description of Andsberg and Quiñenco

Andsberg is a wholly owned subsidiary of Antofagasta. Its principal ultimate asset is the Group's 33.6 per cent. holding in Quiñenco. Antofagasta received this holding in 1996 following the merger of its banking and industrial interests with those of Quiñenco. Further information on Andsberg is set out in the letter from Mr. Andrónico Luksic in Part III of this circular and also in Part VI of this circular.

Quiñenco is a diversified Chilean financial and industrial group. Its shares are listed in Santiago and, in ADR form, on the New York Stock Exchange. Its principal interests are in five sectors: 10.31(b)

- *Financial services* – a 52.2 per cent. interest in Banco de Chile, Chile's second largest financial institution;
- *Food and beverages* – a 30.8 per cent. interest in CCU, the largest brewer in Chile in which Quiñenco's joint venture partner is Heineken. Quiñenco also holds a 93.7 per cent. interest in Lucchetti, a manufacturer of food products including pasta and edible oils;
- *Telecommunications* – a 73.6 per cent. interest in Telsur, the leading provider of telecommunications services in the 8th, 9th, 10th and 11th regions of Chile. Quiñenco also holds a 5.7 per cent. interest in Entel, a leading provider of mobile telephone, long-distance and ISP services in Chile;
- *Manufacturing* – a 56.7 per cent. interest in Madeco, a manufacturer of copper wire and tube and aluminium based products with operations in Chile, Brazil, Argentina and Peru;
- *Real estate and hotels* – a 50.0 per cent. interest in Habitaria, a residential real estate developer oriented towards Chilean families in the middle and upper-middle-income brackets and an 89.9 per cent. interest in Hoteles Carrera, which owns or operates a number of luxury hotels in Chile.

As at 31 December 2002, companies owned or controlled by the Luksic family held 82.4 per cent. of Quiñenco's issued share capital (which includes the 33.6 per cent. held through Antofagasta).

For the year ended 31 December 2002, Quiñenco generated a net loss of Ch\$75,480 million on revenues of Ch\$396,299 million and the net shareholders' equity of Quiñenco was Ch\$630,515 million at 31 December 2002.

For the six months ended 30 June 2003, Quiñenco generated a net profit of Ch\$40,364 million on revenues of Ch\$184,320 million and the net shareholders' equity of Quiñenco was Ch\$670,825 million at 30 June 2003. 10.31(e)
10.31(d)

The summary financial information in this section has been extracted from the information contained in Parts IV and V of this circular which sets out financial information on Quiñenco (including US\$ to Chilean Peso exchange rates) and a summary of Quiñenco's interim results for the six months ended 30 June 2003 respectively. Shareholders should read the whole of this circular and not just rely on the information in this Part II. Further information on Quiñenco and the strategy and prospects for Andsberg is set out in Part III.

3. Principal terms of the Demerger

The Company's shareholding in Quiñenco is held through an unlisted Jersey-registered public company, Andsberg Limited, whose principal ultimate asset is the holding in Quiñenco. The number of issued shares of Andsberg is the same as the number of issued Ordinary Shares of Antofagasta as at the date of this circular (apart from one non-redeemable ordinary share in Andsberg held by Dolberg on bare trust for the Company). Under the terms of the Demerger, Ordinary Shareholders will therefore receive:

One share in Andsberg for every Ordinary Share held on the Record Date.

The Demerger is conditional on Shareholder approval of the Resolution to be proposed at the Extraordinary General Meeting. If Shareholder approval is obtained, it is expected that the Record Date for Ordinary Shareholders to receive the Special Dividend will be 1 October 2003 and that the certificates of entitlement in respect of Andsberg Shares (incorporating a Redemption Form printed on the reverse) will be posted to Ordinary Shareholders by 3 October 2003.

4. Background to and reasons for the Demerger

As stated in the Chairman's Review in the 2002 Annual Report to Shareholders dated 6 May 2003, the Board has been considering various options in relation to its non-core investments in order to focus on its mining and transportation activities. As a result, the Board appointed Cazenove to review the options available to the Company with regard to its holding in Quiñenco in order to maximise its value to Shareholders.

10.31(f)

Antofagasta obtained its 33.6 per cent. interest in Quiñenco in 1996 following the merger of its banking and industrial interests with those of Quiñenco. The merger of these interests enabled Antofagasta to concentrate on the development of the Los Pelambres and El Tesoro mining projects and to become a major low-cost copper producer. The Quiñenco holding played a significant role in the implementation of this strategy and formed part of the security for Antofagasta's share of the financing of the Los Pelambres mine during its development period enabling Antofagasta to maintain a majority controlling participation in this project.

This strategy has been achieved with the successful development of these projects between 1997 and 2001. Antofagasta now has three copper mining operations, Los Pelambres, El Tesoro and Michilla as well as a railroad and transportation business providing services in Northern Chile, the country's most important mining region. It also has an active exploration programme in Chile and Peru to identify opportunities for further growth in copper mining.

In 2002, the first year in which all three mines were fully operational, the Group produced 460,700 tonnes of copper at average cash costs of under 40 cents per pound, placing it among the lowest cost copper producers worldwide. In 2002, Group turnover was US\$863.1 million and profit before tax was US\$176.8 million, of which US\$3.2 million related to dividend income from Quiñenco.

The Committee supports the Board's conclusion that the interests of the Company and its Shareholders will be best served by focusing on the Group's core mining and transportation activities and that Antofagasta's interest in Quiñenco should be divested through the demerger of Andsberg. Since 1999, as Antofagasta's mining interests have grown substantially, the Quiñenco holding has become increasingly less relevant to the activities and valuation of the Group. The Board believes that the holding is not required to support Antofagasta's further growth.

Following the Demerger, Ordinary Shareholders will retain their investment in Antofagasta. In addition, Ordinary Shareholders will own shares in Andsberg which will provide exposure through its holding in Quiñenco to a diversified portfolio of Chilean and other Latin American assets, together with any other investments acquired by Andsberg going forward. Andsberg's investment strategy is described in Part III of this circular.

In recommending the distribution of Andsberg Shares as a Special Dividend to Ordinary Shareholders, the Committee has taken a number of important factors into consideration:

- the Demerger is in the interests of Antofagasta and is consistent with a well defined strategy to focus on its core activities of mining and transportation;
- the Demerger enhances value for all Shareholders without undermining the valuation basis of Antofagasta, its capital and tax structure, its future funding capacity or its longer term growth and expansion prospects;
- the Demerger gives rise neither to an immediate cash tax payment for Antofagasta nor the creation of potential future liability for the Company; and
- the Demerger creates appropriate choice for Ordinary Shareholders and, for those Ordinary Shareholders who elect to redeem their Andsberg Shares for cash, that the cash value ascribed to the underlying Quiñenco shares demonstrates fair value.

In addition, a number of issues relating to Quiñenco have been taken into account by the Committee:

- the historical trading performance of Quiñenco and its subsidiary holdings;
- given that Quiñenco is controlled by the Luksic family, it is unlikely that another buyer of a significant minority holding would emerge;
- given the limited free float of Quiñenco shares (82.4 per cent. are held directly or indirectly by the Luksic family) and the low trading volumes, any attempt to release value from a direct sale of Quiñenco shares would be likely to attract a material discount to the prevailing market price if, in any event, such a sale were possible;
- the share price of Quiñenco trades at a discount to its underlying assets due to the taxation and other costs that would arise on the realisation by Quiñenco of these underlying assets;
- the share price of Quiñenco, in view of the above considerations, reflects the performance and near term prospects of its subsidiary holdings;
- a direct sale by Antofagasta of its Quiñenco holding would create significant tax liabilities for the Group and thereby diminish any value which could be passed to Shareholders; and
- the proposed structure mitigates the issues of market liquidity and Chilean tax which would inhibit a direct distribution of Quiñenco shares to Ordinary Shareholders and a subsequent sale of such shares by them.

The summary financial information in this section has been extracted from the annual report and accounts of Antofagasta for the year ended 31 December 2002. Shareholders should read the whole of this circular and not just rely on the information in this Part II.

5. The Demerger

The Demerger requires approval of the Shareholders since it is being effected by way of a dividend in specie. In accordance with Antofagasta's Articles of Association, such a dividend must be approved by Shareholders in a general meeting. Your approval of the Demerger is therefore being sought at the Extraordinary General Meeting, notice of which is set out at the end of this circular.

If the Demerger is approved by Shareholders at the Extraordinary General Meeting, Ordinary Shareholders will receive one share in Andsberg for every Ordinary Share they hold on the Record Date. Andsberg Shares will not be listed or regularly traded although Ordinary Shareholders will be granted a Redemption Right in respect of all or part of their holding of Andsberg Shares. This is described in detail in paragraphs 6 and 7 below.

If Ordinary Shareholders do not exercise in full their Redemption Right, they will continue to hold Andsberg Shares. Definitive share certificates in respect of their Andsberg Shares will be sent to them by 6 November 2003.

6. Risks of owning shares in an unlisted company

You should be aware that, whilst the future board of Andsberg intends to conduct the affairs of that company with a high standard of corporate governance, Andsberg as an unlisted public company, will not be subject to the same degree of regulation as Antofagasta. In particular, Andsberg will not be subject to the same requirements as Antofagasta to report regularly to its shareholders or to promptly disclose significant developments affecting its business.

In addition, Andsberg Shares will not be listed or quoted on any securities exchange nor regularly traded and there can be no assurance that future opportunities to redeem or dispose of Andsberg Shares will arise. Therefore, you should appreciate that in the short to medium term your investment in Andsberg Shares may be difficult to realise.

Further details on Andsberg are contained in paragraph 2 of this letter and Parts III and VI of this circular.

7. Taxation

Ordinary Shareholders who are subject to UK taxation will be liable to income tax following receipt of the Special Dividend, based on the market value of the Andsberg Shares they receive.

Shareholders who exercise their right to have all or any of their Andsberg Shares redeemed will make a disposal of such shares for UK capital gains purposes. A gain or loss will arise on the difference, if any, between the redemption proceeds and the market value of the Andsberg Shares on Demerger. If the Andsberg Shares are redeemed immediately for the same value as the amount of income brought into charge to United Kingdom tax on receipt of the dividend, then no capital gain shall arise.

Those Ordinary Shareholders who do not elect to exercise their Redemption Right in full and continue to hold Andsberg Shares may be subject to capital gains tax in due course following the disposal of such Andsberg Shares. The base value for any such capital gains tax will equate to the market value of their Andsberg Shares at the time of receipt.

Your attention is drawn to paragraph 4 of Part VII of this circular which sets out the general taxation consequences for certain Shareholders of receiving Andsberg Shares under the terms of the Demerger and of exercising their rights to redeem such shares. If you are in any doubt about your taxation position, you should consult your professional adviser.

8. Right to have Andsberg Shares redeemed

Part III of this circular contains a letter to Shareholders from Mr Andrónico Luksic, the Chairman of the Company, in his role as senior representative of the Luksic family interests. Mr Luksic believes that the prospects for Andsberg are encouraging and sets out what he believes to be the opportunity for Andsberg Shareholders in the future. Part III also contains a summary of the minority protections which will be put in place to safeguard the rights of minority shareholders in Andsberg.

It is recognised that some Ordinary Shareholders may not wish or be able to retain their investment in Andsberg. Accordingly it is proposed that, following Shareholder approval of the Demerger, Andsberg Shareholders will have the right to have all or some of their Andsberg Shares redeemed for cash, by completing and returning a Redemption Form (which will be printed on the reverse of the certificate of entitlement to Andsberg Shares) to be received by the Company's registrars, Computershare Investor Services PLC, on or before 3.00 p.m. on 30 October 2003. The obligations of Andsberg to pay the redemption price upon the exercise by Ordinary Shareholders of their Redemption Right will be funded by Dolberg, a company connected with the Luksic family, subscribing in cash for an equivalent number of new non-redeemable shares of Andsberg.

9. Principal terms of the Redemption Right

Following Shareholder approval of the Demerger, Ordinary Shareholders receiving Andsberg Shares will have a right to have all or some of their Andsberg Shares redeemed for cash at a fixed price of US\$1.11 per Andsberg Share. This price represents an underlying value of US\$6.00 per Quiñenco ADR, reflecting a small discount of 8.8 per cent. to the 30 day average price of a Quiñenco ADR of US\$6.58 in the period ending 29 August 2003. This discount takes into account the considerations referred to in paragraph 4 of this letter.

The tables below set out the average and closing prices over the periods and on the dates indicated of a Quiñenco ADR in US dollars:

Average prices (US\$)

<u>2 years</u>	<u>5.50</u>
<u>18 months</u>	<u>5.11</u>
<u>1 year</u>	<u>5.12</u>
<u>6 months</u>	<u>5.82</u>
<u>3 months</u>	<u>6.30</u>
<u>30 day</u>	<u>6.58</u>

Closing prices (US\$)

<u>4 September 2001</u>	<u>7.65</u>	<u>1 May 2002</u>	<u>5.40</u>	<u>2 January 2003</u>	<u>4.80</u>
<u>1 October 2001</u>	<u>5.96</u>	<u>3 June 2002</u>	<u>5.22</u>	<u>3 February 2003</u>	<u>5.09</u>
<u>1 November 2001</u>	<u>6.05</u>	<u>1 July 2002</u>	<u>4.75</u>	<u>3 March 2003</u>	<u>4.80</u>
<u>3 December 2001</u>	<u>6.60</u>	<u>1 August 2002</u>	<u>3.55</u>	<u>1 April 2003</u>	<u>4.54</u>
<u>2 January 2002</u>	<u>7.35</u>	<u>3 September 2002</u>	<u>4.10</u>	<u>1 May 2003</u>	<u>5.92</u>
<u>4 February 2002</u>	<u>6.71</u>	<u>1 October 2002</u>	<u>4.00</u>	<u>2 June 2003</u>	<u>6.10</u>
<u>1 March 2002</u>	<u>6.13</u>	<u>1 November 2002</u>	<u>3.60</u>	<u>1 July 2003</u>	<u>6.10</u>
<u>1 April 2002</u>	<u>6.03</u>	<u>2 December 2002</u>	<u>4.30</u>	<u>1 August 2003</u>	<u>6.70</u>

The price on 29 August 2003 (the latest available price prior to the posting of the circular) was US\$6.80.

The Committee has reviewed, with the assistance of Cazenove, a valuation of the assets held by Andsberg and considers that the terms of the Redemption Right are fair and reasonable so far as Ordinary Shareholders are concerned.

If the Demerger is approved, a certificate of entitlement to Andsberg Shares (incorporating a Redemption Form) will be sent to Ordinary Shareholders by 3 October 2003. In order to exercise the Redemption Right in respect of all or some of their Andsberg Shares, Ordinary Shareholders should complete and return the Redemption Form in accordance with the instructions contained thereon so as to be received by the Company's registrars, Computershare Investor Services PLC, PO Box 859, The Pavilions, Bristol BS99 1XZ, on or before 3.00 p.m. on 30 October 2003. **Ordinary Shareholders who choose to retain their Andsberg Shares need take no further action at that stage.** Mr Andrónico Luksic has confirmed on behalf of the Luksic Group companies that will receive Andsberg Shares pursuant to the Demerger that they will not exercise their Redemption Right in respect of those Andsberg Shares.

Ordinary Shareholders who hold their Antofagasta Shares in certificated form and who elect to have some or all of their Andsberg Shares redeemed will be sent a cheque to their address as shown on the shareholder register of Antofagasta by 6 November 2003 in respect of the proceeds of their redemption. In respect of joint holders, the cheque will be made payable to the first named holder and sent to their registered address. Ordinary Shareholders who hold their Antofagasta Shares in CREST and who elect to have some or all of their Andsberg Shares redeemed will receive the proceeds of their redemption through the assured payment mechanism in CREST on 6 November 2003. The proceeds of the redemption, whether paid by cheque or in CREST, will be made payable in sterling unless Ordinary Shareholders request a payment in US dollars by electing accordingly on the Redemption Form. Instructions for making this election will be set out on the Redemption Form. The sterling amount payable to Shareholders in respect of The Redemption of Andsbury Shares will be determined by Andsberg at the prevailing spot dollar/sterling exchange rate of [5] November, 2003. Instructions for making this election will be set out on the Redemption Form. If a duly completed Redemption Form (which will be printed on the reverse of the certificate

of entitlement to Andsberg Shares) is not received on or before 3.00 p.m. on 3 October 2003 in respect of any Andsberg Shares, such shares will cease to be redeemable and definitive share certificates in respect of such Andsberg Shares will be posted to Ordinary Shareholders accordingly.

10. Current trading and prospects for the Group

Antofagasta announced its interim results today. Copper production during the first six months of 2003 increased 7 per cent. to 225,100 tonnes compared with 210,900 tonnes in the 2002 half year. Group weighted average cash costs were 4 per cent. lower at 37.6 cents per pound (2002 half year – 39.2 cents). LME copper prices also improved in the period, averaging 74.9 cents per pound compared with 71.9 cents in the first half of 2002. These factors, together with continued strong by-product sales of molybdenum at Los Pelambres, enabled Antofagasta to increase profit before tax from US\$94.8 million last period to US\$138.1 million, and earnings per share rose from 26.6 cents to 34.0 cents. Since Quiñenco was loss-making in 2002 and has not, therefore, paid a dividend to Antofagasta this year, the Demerger is not expected to have a material impact on the Group's earnings per share in the short term.

10.31(f)

There are some recent signs of improvement in copper consumption in the United States and Japan and demand in China and other Asian countries remains strong, although the market continues to be affected by weak demand in Europe. LME warehouse stocks have steadily declined from a peak of 980,000 tonnes in May 2002 to an approximate level of 620,000 tonnes by the end of August this year. Copper prices have recently reached the 80 cents per pound-level and, although markets remain volatile, most commentators are cautiously optimistic that prices should steadily improve from recent years, when prices averaged around 70 cents per pound.

As stated in the Group's trading statement accompanying the interim results for the period ended 30 June 2003 and based on management figures to date, annual copper production is forecast to be around 460,000 tonnes and cash costs are expected to remain under 40 cents per pound. As a low cost producer, the Group remains well-placed to continue to benefit from any further improvement in copper prices.

The Board also believes that Antofagasta's prospects in the longer term remain good. In May of this year, Los Pelambres submitted an Environmental Impact Study which, if approved, could enable a potential expansion of its existing operations. Antofagasta has an active exploration programme in the Sierra Gorda district in Northern Chile as well as in Southern Peru, through a joint-venture with the Brazilian company CVRD to identify further opportunities for growth. The divestment of Quiñenco through the Demerger is not expected to affect Antofagasta's ability to take advantage of these opportunities.

10.31(f)

11. Extraordinary General Meeting

You will find at the end of this circular a notice convening an Extraordinary General Meeting of Antofagasta to be held at 10.30 a.m. on 1 October 2003 at the Armourers' Hall, 81 Coleman Street, London EC2R 5BJ for the purpose of considering, and if thought fit, passing, the Resolution.

12. Action to be taken

Extraordinary General Meeting

You will find enclosed a reply paid Form of Proxy for use in connection with the Extraordinary General Meeting. **You are requested to complete and return this form of proxy in accordance with the instructions thereon so as to be received by the Company's registrars, Computershare Investor Services PLC, PO Box 1075, The Pavilions, Bridgwater Road, Bristol BS99 3FA, as soon as possible, and in any event not later than 10.30 a.m. on**

29 September 2003. Completion and return of a form of proxy will not prevent you from attending and voting at the Extraordinary General Meeting in person should you wish.

If you have any queries relating to the completion or return of the Form of Proxy, please contact the Company's registrars, Computershare Investor Services PLC, PO Box 82, The Pavilions, Bridgwater Road, Bristol BS99 7NH, on 0870 702 0000.

Redemption Right

If the Demerger is approved by Shareholders at the Extraordinary General Meeting, certificates of entitlement in respect of Andsberg Shares (incorporating the Redemption Form) will be posted to Ordinary Shareholders by 3 October 2003. **If you wish to exercise your Redemption Right, you should complete the Redemption Form in accordance with the instructions shown on the form and return it so as to be received by the Company's registrars, Computershare Investor Services PLC, PO Box 82, The Pavilions, Bridgwater Road, Bristol BS99 3FA, as soon as possible, and in any event not later than 3.00 p.m. on 30 October 2003.** If you do not wish to exercise your Redemption Right, you need take no further action. A definitive share certificate in respect of your entitlement to Andsberg Shares will be sent to you by 6 November 2003. At that time, your certificates of entitlement in respect of your Andsberg Shares (incorporating the Redemption Form) will no longer be valid and should be destroyed.

13. Additional information

Your attention is drawn to the additional information set out in Part VII of this circular.

14. Recommendation

The Committee appointed by the Board of Antofagasta, who have been advised by Cazenove, consider the terms of the Demerger and the terms of the Redemption Right to be fair and reasonable.

In addition, the Committee and the Board, who have been advised by Cazenove, consider that the Demerger is in the best interests of the Group and its Shareholders as a whole and they unanimously recommend you to vote in favour of the Resolution to be proposed at the Extraordinary General Meeting of Antofagasta, as they intend to do in respect of the 128,243,246 Ordinary Shares and 1,882,396 Preference Shares in which they are beneficially interested (representing 65.04 per cent. of the issued ordinary share capital of the Company and 94.12 per cent. of the issued preference share capital of the Company).

14.1(d)

Yours sincerely

Philip Adeane and Charles Bailey

Committee appointed by the Board of Antofagasta

PART III

Letter from MR A.A. Luksic

ANDRONICO LUKSIC

2 September 2003

To Shareholders

Dear Shareholder,

Proposed demerger of Andsberg Limited Right to have shares in Andsberg Limited redeemed

1. Introduction

I am writing to you in my capacity as the senior representative of the Luksic family to tell you more about Andsberg Limited and its plans for the future. If the Demerger is approved by Shareholders, if you are an Ordinary Shareholder you will have a right to redeem your Andsberg Shares, but I sincerely hope you decide to remain as a shareholder in Andsberg for the reasons described below.

2. Andsberg Limited

Andsberg is a public limited company incorporated in Jersey and is currently a wholly owned subsidiary of Antofagasta. It was formed in 2001 to hold, through intermediate wholly owned companies, Antofagasta's investment of 33.6 per cent. of Quiñenco. At the date of this circular and upon implementation of the Demerger, neither Andsberg nor any of its wholly owned subsidiaries have any material liabilities of any kind and effectively its only assets are the investment in Quiñenco and cash and receivables of US\$1.3 million. Assuming that the Demerger is approved and that no Ordinary Shareholders of Antofagasta exercise their Redemption Right described in paragraph 6 of this letter, the outstanding shares of Andsberg will, upon implementation of the Demerger, be held as to 65.02 per cent. by me or companies or entities connected to me and as to 34.98 per cent. by the other Ordinary Shareholders of Antofagasta. Although Andsberg Shares will be freely transferable, they will not be listed, quoted or traded on any stock exchange or other securities market.

3. Strategy

Quiñenco is a diversified Chilean financial and industrial group listed in Santiago and, in ADR form, on the New York Stock Exchange. Further details of its principal investments are set out in paragraph 2 of Part II of this circular.

In the Chairman's Review in the Antofagasta Annual Report dated 6 May this year, I commented that Quiñenco had experienced difficult economic conditions in 2002, exacerbated by the regional slowdown particularly in Brazil and Argentina, and had reported a net loss of Ch\$75,480 million, compared with a net profit of Ch\$15,509 million in 2001. The losses were due to weaker results from the main operating companies, in particular, Lucchetti which was forced to close its plant in Lima and Madeco which had lower sales of cables in Brazil and also in Argentina, after closing its facilities there following the collapse of the economy in 2002. Quiñenco did not pay a dividend in respect of the 2002 financial year.

However, against a background of an improving Chilean economy, I believe the outlook for Quiñenco has improved since, among other positive moves, the merger between Banco Edwards and Banco de Chile has been completed; Quiñenco has negotiated a settlement of US\$50 million with its former partners in CCU, the Schörghuber Group, which has now been replaced by Heineken; and Madeco has re-scheduled its loans following a US\$70 million capital injection by Quiñenco.

This improvement is reflected in Quiñenco's first half results, which were announced on 28 August 2003. Quiñenco announced a net profit of Ch\$40,364 million for the six months to 30 June, which included Ch\$35,857 million relating to the settlement in connection with CCU. Quiñenco also benefited particularly from an improved operating performance at Banco de Chile. In the first six months of 2002, Quiñenco reported a net loss of Ch\$18,013 million when its businesses, in particular Madeco, were affected by the regional slowdown.

Initially Andsberg's principal asset will be its investment in Quiñenco and, although this will be its core investment, it is envisaged that it will diversify its interests over time by investing in opportunities principally in Chile and in the Southern Cone and also possibly in other parts of the world, identified by the board of Andsberg as offering substantial scope for capital growth and enhancement of shareholder value. It is not intended that these opportunities will be in the mining or transportation sectors in the Southern Cone which will remain the strategic focus of the Antofagasta Group. I believe that I have a strong track record of being able to identify investment opportunities which have enhanced shareholder value.

Funding to acquire investments will be provided by bank or third party financing and/or Andsberg's own funds from income received from its investments, in particular dividends paid in respect of the Quiñenco and any other investments acquired (if and when such dividends resume in the case of Quiñenco). It is envisaged that the Quiñenco and other investments may be used as collateral in relation to such financings.

The summary financial information in this section has been extracted from the information contained in Parts IV and V of this circular. Shareholders should read the whole of this circular and not just rely on the information in this Part III.

4. Board of Directors and Governance

I will be the chairman of Andsberg and initially the board will also comprise my son, Mr Guillermo Luksic Craig. Guillermo Luksic Craig was born in 1956. He is the chairman of Quiñenco, CCU, CNT Telefónica del Sur S.A. and Madeco. It is intended that other individuals will be invited to join the board of Andsberg over the coming months. You will be informed of these appointments when they are made. It is not expected that the board will comprise more than six people. It is intended that the board of Andsberg when fully constituted will meet at least once every quarter and more regularly as required and will adhere to standards of governance applicable to a UK publicly quoted company.

5. Minority Protections

You will find details of the provisions of the Articles of Association of Andsberg in Part VI of this circular. The Articles of Andsberg provide, among other things, specific provisions designed to protect the interests of its minority shareholders, which include the following:

- certain transactions between Andsberg and a director or major shareholder (or person(s) connected with any of them) will require prior approval of independent shareholders (i.e. those not connected with the Luksic Group) in general meeting;

- certain other transactions will require approval in the form of a special resolution of all shareholders (i.e. consent of shareholders holding not less than 75 per cent. of the votes voting on the relevant resolutions) including:
 - the reorganisation of the share capital of Andsberg;
 - the acquisition or sale of more than 50 per cent. of the shares in Quiñenco; and
 - a major acquisition or disposal.

Furthermore, the Articles of Andsberg provide that in the event that a proposed transfer of shares of Andsberg would result in a change of control then an offer must be made by the proposed purchaser to the other shareholders on the same terms (see sub-paragraph 5 of paragraph 3.6 of Part VI of this circular).

6. Redemption Right

I recognise that, if the Demerger is approved, some Ordinary Shareholders may not wish or be able to retain the Andsberg Shares distributed to them. Accordingly, Ordinary Shareholders will have a right under 30 October 2003 to have all or some of their Andsberg Shares redeemed at a fixed price of US\$1.11 per Andsberg Share to be paid in cash. Details of the Redemption Right are contained in paragraphs 7 and 8 of the letter from the Committee of the Board set out in Part II of this circular.

You should be aware that, following the expiration of the Redemption Right, it is not my present intention to obtain a listing for Andsberg Shares. Whilst there may be further disposal opportunities in the future, you should appreciate that in the short to medium term your investment in Andsberg Shares may be difficult to realise.

7. Other information

Your attention is also drawn to Parts IV and V which contain certain financial information relating to Quiñenco and to Part VI of this circular which contains further information on Andsberg.

8. Conclusions

Although the terms of the Demerger provide an opportunity for Ordinary Shareholders to redeem their Andsberg Shares, I sincerely hope that Ordinary Shareholders will choose to remain shareholders of Andsberg and share with me the opportunity to build what I believe will be an exciting investment company.

Yours sincerely

A.A. Luksic

PART IV

Financial information relating to Quiñenco**Financial information in respect of Antofagasta relating to its investment in Quiñenco**

Quiñenco is accounted for as a fixed asset investment in the consolidated financial statements of Antofagasta. Notwithstanding its substantial investment, Antofagasta is not directly involved in the operating and financial policies of Quiñenco and does not exercise significant influence over Quiñenco.

Income received by the Group from Quiñenco is accounted for on a dividends received basis and the amounts included by Antofagasta in its consolidated profit and loss account and cash flow statement for each of the three years ended 31 December 2002, 2001 and 2000 are set out below:

	<i>Years ended 31 December</i>		
	<i>2002</i>	<i>2001</i>	<i>2000</i>
	<i>US\$m</i>	<i>US\$m</i>	<i>US\$m</i>
Dividends received from Quiñenco	3.2	–	31.3

In 2000, the Group received a dividend of US\$31.3m due to significant gains realised by Quiñenco through the sale of its banking and cable television interests the previous year.

Antofagasta did not receive any dividends from Quiñenco in the six months ended 30 June 2003.

The balance sheet value of Quiñenco in the consolidated financial statements of Antofagasta at 31 December 2002, 2001 and 2000 was US\$180.1 million, being the carrying value of the underlying investments merged into Quiñenco at 30 September 1996.

Financial information relating to Quiñenco

A Nature of financial information

The financial information set out on the following pages has been derived without material adjustment from the English translation of the audited consolidated financial statements of Quiñenco set out in the Annual Report of Quiñenco for each of the three years ended 31 December 2002, 2001 and 2000. As explained on page ●, the Annual Report of Quiñenco for each of the three years ended 31 December 2002, 2001 and 2000 will be available for inspection at the registered office of the Company and also the offices of Clifford Chance LLP until the date of the Extraordinary Gneral Meeting.

Quiñenco prepares its consolidated financial statements in accordance with generally accepted accounting principles and company legislation in Chile. Shareholders should note that these may differ from generally accepted accounting principles and company legislation in the United Kingdom. Shareholders who are in any doubt should consult their own professional adviser.

The financial information in this Section does not constitute statutory accounts of Quiñenco. The auditors of Quiñenco gave unqualified reports on the accounts for each of the three years ended 31 December 2002, 2001 and 2000. The auditors who reported were Ernst & Young Ltda, Santiago, Chile in respect of the year ended 31 December 2002, Arthur Andersen – Langton Clarke in respect of the year ended 31 December 2001 and PricewaterhouseCoopers in respect of the year ended 31 December 2000. Unless explicitly stated no information in this circular has been audited.

Quiñenco conducts its operations through various consolidated subsidiaries and through significant equity investments in certain other companies. The consolidated financial statements consolidate the results of Madeco, Lucchetti, Telsur and Carrera. Quiñenco equity accounts for the results of the majority owned entities, Banco de Chile and (until 31 December 2001) Banco Edwards, as under Chilean GAAP, banking operations are not generally consolidated with non-financial businesses primarily due to the dissimilarity of both the nature of the business and the related accounting policies. Quiñenco also equity accounts for its investments in CCU, Entel and Habitaria in which it has non-controlling status.

The financial information for each of the three years ended 31 December 2002, 2001 and 2000 has been derived from the Annual Reports of Quiñenco for each year without any adjustment to reflect the effects of variations in the purchasing power of the local currency on comparatives for 2001 and 2000 after the publication of the Annual Report for these years. The increase in the official Consumer Price Index of the National Association of Statistics in Chile was 3.0 per cent. 3.1 per cent. and 4.7 per cent. for the three years ended 30 November 2002, 2001 and 2000 respectively.

The financial information in this Section has been rounded to millions of Chilean Pesos. The following table sets out the average and year end exchange rates between the Chilean Peso and U.S. dollar as reported by the Central Bank of Chile:

	<i>Year end</i>	<i>Average</i>
2002	US\$ 1 = Ch\$ 719	US\$ 1 = Ch\$ 689
2001	US\$ 1 = Ch\$ 655	US\$ 1 = Ch\$ 635
2000	US\$ 1 = Ch\$ 574	US\$ 1 = Ch\$ 539

The Summary Consolidated Statements of Cash Flows in this Section exclude the individual categories of inflows and outflows in respect of operating activities, financing activities and investing activities, which are set out in full in Quiñenco's consolidated financial statements for each year.

B Consolidated Statements of Income

	<i>Year ended 31 December</i>		
	2002	2001	2000
	<i>Ch\$m</i>	<i>Ch\$m</i>	<i>Ch\$m</i>
Operating results			
Revenues ⁽¹⁾	396,299	474,037	451,796
Cost of sales	(315,942)	(376,604)	(360,667)
Gross margin	80,357	97,433	91,129
Administrative and selling expenses	(70,080)	(79,918)	(75,454)
Operating income⁽¹⁾	10,277	17,515	15,675
Non-operating results			
Interest income	5,348	7,939	8,514
Share of income from investments accounted under the equity method ⁽²⁾	25,677	36,396	17,686
Other non-operating income ⁽³⁾	5,977	57,628	13,196
Share of losses from investments accounted under the equity method ⁽²⁾	(493)	(143)	(8,028)
Amortisation of goodwill ⁽⁴⁾	(20,532)	(27,408)	(11,712)
Interest expense ⁽⁵⁾	(50,727)	(59,009)	(36,954)
Other non-operating expenses ⁽⁶⁾	(64,663)	(42,240)	(14,292)
Net price-level restatement and foreign exchange loss ⁽⁷⁾	(8,897)	(10,633)	(5,973)
Non-operating loss	(108,310)	(37,470)	(37,563)
Loss before tax	(98,033)	(19,955)	(21,888)
Tax credit	141	4,750	7,101
Loss before minority interest	(97,892)	(15,205)	(14,787)
Minority interest	20,523	21,795	6,756
(Loss)/income before amortisation of negative goodwill	(77,369)	6,590	(8,031)
Amortisation of negative goodwill	1,889	8,919	2,383
Net (loss)/income for the year⁽¹⁾	(75,480)	15,509	(5,648)

(1) A segmental analysis of revenues, operating income and net (loss)/income for the year is provided in Section E.

(2) Share of income/(losses) from investments accounted under the equity method relate mainly to Quiñenco's interest in CCU, Entel, Habitaria, Banco de Chile and (until 31 December 2001) Banco Edwards. The percentage economic interest owned by Quiñenco at 31 December each year is given on page ●.

As explained on page ●, Banco de Chile and Banco Edwards, while majority-owned, have been equity accounted since, under Chilean GAAP, banking operations are not generally consolidated with non-financial businesses. As explained on page ●, in equity accounting for its share of the results of Banco de Chile, Quiñenco has applied a percentage of 29.2 per cent. (2001: 17.8 per cent.).

(3) Other non-operating income in 2001 includes a gain of Ch\$49,569 million from the sale of 8 per cent. of Entel. Other non-operating income in 2000 includes Ch\$7,377 million from the sale of 0.7 per cent. of Entel.

(4) Under Chilean GAAP, goodwill and negative goodwill arises from the difference between the purchase price of companies acquired and their net book value. Goodwill and negative goodwill are amortised over a period of up to twenty years considering the expected period of return of the investment. From 2001, amortisation includes goodwill from the acquisition of Banco de Chile. This acquisition generated goodwill of Ch\$245,956 million.

(5) Interest expense from 2001 includes interest costs relating to indebtedness incurred in connection with the acquisition of Banco de Chile.

(6) Other non-operating expenses in 2002 include provisions for losses at Lucchetti of Ch\$30,678 million in connection with the forced closure of its plant in Peru, as well as non-operating expenses of Ch\$20,011 million at Madeco relating mainly to provisions for inventories and supplies, accounts receivables, severance pay and further asset writedowns in Argentina.

Other non-operating expenses in 2001 include Ch\$30,413 million at Madeco relating to charges at its operations in Brazil and Argentina, including severance payments, restructuring costs, provisions for accounts receivable and fixed asset writedowns in Argentina.

(7) The net foreign exchange losses in 2002 and 2001 include the effects of the effects of the devaluation of the Chilean peso, Brazilian real and Argentine peso during each year, mainly at Madeco.

C Consolidated Balance Sheets

Assets	<i>As at 31 December</i>		
	2002	2001	2000
	<i>Ch\$m</i>	<i>Ch\$m</i>	<i>Ch\$m</i>
Current assets			
Cash	5,038	4,198	4,852
Time deposits	6,730	17,312	14,564
Marketable securities	2,222	1,411	4,264
Net accounts receivable	59,354	75,546	85,517
Net notes receivable	9,260	9,907	13,024
Net other accounts receivable	2,987	6,287	6,811
Notes and accounts receivable from related companies	3,162	9,144	5,903
Net inventories	63,417	78,673	83,541
Recoverable taxes	6,606	8,870	15,406
Prepaid expenses	2,504	1,922	3,113
Deferred taxes	2,401	6,536	3,185
Other current assets	94,910	45,945	135,339
Total current assets	258,591	265,751	375,519
Property, plant and equipment			
Land	23,589	24,295	23,812
Buildings and infrastructure	188,838	194,047	198,157
Machinery and equipment	403,406	372,120	331,699
Other property, plant and equipment	55,137	71,507	58,425
Revaluation from technical appraisals	25,977	24,659	26,013
	696,947	686,628	638,106
Less: Accumulated depreciation	(304,480)	(268,844)	(228,676)
Net property, plant and equipment	392,467	417,784	409,430
Other assets			
Investments in related companies ⁽¹⁾	492,941	474,753	392,480
Investments in other companies	220	585	2,906
Net goodwill ⁽²⁾	349,468	356,295	156,557
Net negative goodwill	(7,914)	(9,840)	(20,343)
Long-term accounts receivable	2,394	23,671	23,390
Notes and accounts receivable from related companies	4,608	39	38
Deferred taxes	14,357	7,775	—
Intangible assets	1,165	3,660	3,285
Amortisation of intangible assets	(252)	(1,366)	(828)
Other assets	15,193	22,136	25,386
Total other assets	872,180	877,708	582,871
Total assets	1,523,238	1,561,243	1,367,820

(1) As explained on page ● in footnote 2, investments in related companies include Quiñenco's interests in CCU, Entel, Habitaria, Banco de Chile and (until 31 December 2001) Banco Edwards.

As explained on page ● in footnote 1, in accounting for its investment in Banco de Chile, Quiñenco has applied a percentage of 29.2 per cent. (2001: 17.8 per cent.).

(2) As explained on page ● in footnote 4, from 2001 goodwill includes goodwill from the acquisition of Banco de Chile.

C Consolidated Balance Sheets (continued)**Liabilities and shareholders' equity***As at 31 December*

	<i>2002</i>	<i>2001</i>	<i>2000</i>
	<i>Ch\$m</i>	<i>Ch\$m</i>	<i>Ch\$m</i>
Current liabilities			
Current bank loans	107,329	121,810	155,200
Current portion of long-term bank loans	116,439	49,529	67,146
Bonds payable	19,440	7,270	3,846
Other long-term loans due within one year	49	2,600	2,073
Dividends payable	569	1,045	1,064
Accounts payable	16,377	26,140	32,233
Notes payable	13,373	15,235	30,905
Other accounts payable	7,132	5,117	6,530
Notes and accounts payable to related companies	322	422	490
Provisions	17,778	19,935	22,231
Withholdings	3,517	3,204	4,498
Income taxes payable	—	—	95
Deferred income	855	147	463
Deferred taxes	—	—	569
Other current liabilities	642	3,510	667
Total current liabilities	303,822	255,964	328,010
Long-term liabilities			
Long-term bank loans	293,983	220,596	199,785
Bonds payable	199,736	209,295	66,071
Notes payable	114	79,777	8,277
Other accounts payable	7,678	13,796	9,893
Provisions	7,363	13,864	12,238
Other long-term liabilities	714	701	4,210
Total long-term liabilities	509,588	538,029	300,474
Minority interest	79,313	89,869	102,320
Shareholders' equity			
Paid-in capital	454,744	441,499	428,225
Other reserves	41,418	24,619	16,766
Retained earnings	211,215	198,885	198,622
Accumulated deficit during development stage	(1,382)	(3,131)	(949)
Net (loss)/income for the year	(75,480)	15,509	(5,648)
Net shareholders' equity	630,515	677,381	637,016
Total liabilities and shareholders' equity	1,523,238	1,561,243	1,367,820

D Summary Consolidated Statements of Cash Flows

	<i>Year ended 31 December</i>		
	<i>2002</i>	<i>2001</i>	<i>2000</i>
	<i>Ch\$m</i>	<i>Ch\$m</i>	<i>Ch\$m</i>
Cash flows from operating activities			
– Net cash provided by/(used in) operating activities	30,008	13,716	(1,804)
Cash flows from financing activities			
– Net cash provided by/(used in) financing activities	5,130	(58,777)	26,717
Cash flows from investing activities			
– Net cash provided by/(used in) investing activities	877	(36,533)	(19,590)
Net cash flow for the year	36,015	(81,594)	5,323
Price level restatement of cash and cash equivalents	2,572	(928)	(1,714)
Net increase/(decrease) in cash and cash equivalents	38,587	(82,522)	3,609
Cash and cash equivalents at the beginning of the year	54,500	135,435	127,754
Cash and cash equivalents at the end of the year	93,087	52,913	131,363

E Segmental Analysis**Segmental analysis of revenues**

	<i>Year ended 31 December</i>		
	<i>2002</i>	<i>2001</i>	<i>2000</i>
	<i>Ch\$m</i>	<i>Ch\$m</i>	<i>Ch\$m</i>
Madeco	256,283	331,912	302,903
Lucchetti	83,799	86,255	96,399
Telsur	46,646	45,341	41,589
Carrera	7,016	7,359	7,228
Quiñenco and other intermediate holding companies	2,555	3,170	3,677
Total sales	396,299	474,037	451,796

Segmental analysis of operating income

	<i>Year ended 31 December</i>		
	<i>2002</i>	<i>2001</i>	<i>2000</i>
	<i>Ch\$m</i>	<i>Ch\$m</i>	<i>Ch\$m</i>
Madeco	4,003	10,666	9,989
Lucchetti	2,678	2,647	3,426
Telsur	13,148	13,441	11,909
Carrera	(378)	(540)	(439)
Quiñenco and other intermediate holding companies	(9,174)	(8,699)	(9,210)
Total operating income	10,277	17,515	15,675

E Segmental Analysis (continued)

Segmental analysis of net/(loss) income for the year

	Percentage of economic interest owned by Quiñenco at 31 December			Quiñenco's proportionate share for year ended 31 December		
	2002	2001	2000	2002	2001	2000
	%	%	%	Ch\$m	Ch\$m	Ch\$m
<i>Financial services</i>						
Banco de Chile ⁽¹⁾	52.2	52.7	12.3	15,424	15,527	2,748
Banco Edwards ⁽²⁾	–	51.2	51.2	–	5,170	1,625
<i>Food & Beverages</i>						
CCU	30.8	30.8	30.8	6,794	11,817	7,922
Lucchetti ⁽³⁾	93.7	93.3	87.0	(34,876)	(5,735)	(8,687)
<i>Telecommunications</i>						
Telsur	73.6	73.6	73.6	4,434	6,239	5,469
Entel ⁽⁴⁾	5.7	5.7	13.7	2,337	3,081	3,825
<i>Manufacturing</i>						
Madeco ⁽⁵⁾	53.4	56.1	56.1	(22,319)	(28,109)	(9,438)
<i>Real Estate/Hotel Administration</i>						
Carrera ⁽⁶⁾	89.9	89.9	87.2	(896)	(1,042)	(1,004)
Habitaria	50.0	50.0	50.0	449	209	(399)
Total operating companies				(28,653)	7,157	2,061
Quiñenco and other intermediate holding companies				(46,827)	8,352	(7,709)
Net income/(loss) for the year				(75,480)	15,509	(5,648)

Notes

- (1) In 2000, Quiñenco's 12.3 per cent. interest in Banco de Chile was accounted for as a long-term investment under the equity-investment method. On 27 March 2001, Quiñenco's interest, was increased to 52.7 per cent. Banco de Chile continues to be accounted for as an equity method investment. On 1 January 2002, Banco de Chile absorbed Banco Edwards through a merger process. Following the merger, Quiñenco's interest in Banco de Chile decreased to 52.2 per cent.
- ▲ Quiñenco's 52.2 per cent. economic interest is partly held through shares in SM Chile S.A., an entity formed in 1996 to assume (through a subsidiary, SOAS S.A.) subordinated indebtedness previously incurred by Banco de Chile to the Central Bank. SOAS, which holds 42 per cent. of the share capital of Banco de Chile, is required to apply dividends received from Banco de Chile to the repayment of Central Bank subordinated indebtedness, for which there is no recourse to Banco de Chile or SM Chile. After taking into account dividends applied by SOAS to the repayment of subordinated indebtedness, Quiñenco's dividend rights in Banco de Chile at 31 December 2002 amount to 29.2 per cent. In equity accounting for its share of the results of Banco de Chile in the consolidated statement of income and its investment in Banco de Chile in the consolidated balance sheet, Quiñenco has applied this percentage (31 December 2001: percentage applied of 17.8 per cent. representing dividend rights at that date).
- (2) In 2000 and 2001, Quiñenco's interest in Banco Edwards was accounted for as a long-term investment under the equity-investment method. Banco Edwards merged with Banco de Chile on 1 January 2002.
- (3) On 10 December 2001, Quiñenco subscribed to a capital increase of 869,708,297 shares. As a consequence, Quiñenco's effective economic interest increased to 93.3 per cent. On 23 January 2002, Quiñenco subscribed to an additional capital increase of 128,610,448 shares. As a result, Quiñenco's interest increased to 93.7 per cent. As explained on page ●, Lucchetti's results in 2002 include provision for losses in connection with the forced closure of its plant in Peru (see footnote 6).
- (4) On 18 May 2001, Quiñenco sold a 4 per cent. interest and on 1 August 2001 an additional 4 per cent. interest in Entel. As a result, Quiñenco holds a 5.7 per cent. interest in Entel.
- (5) On 15 October 2002, Madeco completed a capital increase in which Quiñenco did not subscribe to any shares. As a result, the Company's ownership interest in Madeco decreased from 56.1 per cent. to 53.4 per cent. as of 31 December 2002. As explained on page ●, Madeco's results in 2002 and 2001 include provisions and restructuring costs (see footnote 6) and the effect of foreign exchange losses (see footnote 7).
- (6) On 12 October 2001, Quiñenco subscribed to a capital increase of 2,825,264 shares. As a result, Quiñenco holds a 89.9 per cent. interest.
- (7) Quiñenco and other holding company charges include goodwill amortisation (see page ●, footnote 4) and interest expense relating to indebtedness incurred in connection with the acquisition of Banco de Chile.

PART V
2003 half-year unaudited financial information relating to Quiñenco

The financial information set out on the following pages has been derived without material adjustment from the unaudited consolidated summary financial statements of Quiñenco for each of the six months ended 30 June 2003 and 2002. Further information on the basis on which Quiñenco prepares its consolidated financial statements is set out on page 6.

As explained on page 6, the summary financial statements for the six months ended 30 June 2003 and 2002 will be available for inspection at the registered office of the Group and the offices of Clifford Chance LLP until the date of the Extraordinary General Meeting.

A Consolidated Income Statement Breakdown

	<i>6 months to 30 June 2003 Ch\$m</i>	<i>6 months to 30 June 2002 Ch\$m</i>
Revenues		
Madeco	124,399	128,283
Lucchetti	30,276	41,398
Telsur	25,533	22,159
Carrera	3,079	3,397
Quiñenco and other intermediate holding companies	1,033	1,227
Total	184,320	196,464
Operating income/(loss)		
Madeco	5,562	3,903
Lucchetti	1,292	2,331
Telsur	6,064	6,017
Carrera	(282)	(394)
Quiñenco and other intermediate holding companies	(4,294)	(4,275)
Total	8,342	7,582
Non-operating income/(loss)		
Interest income	1,600	3,638
Share of net income/(loss) from related companies:		
CCU ⁽¹⁾	9,821	2,470
Habitaria	(247)	43
Entel	1,716	1,094
Banco de Chile	19,383	7,950
Other equity investments	(512)	(191)
Other non-operating income ⁽²⁾	36,964	4,195
Amortisation of goodwill	(16,310)	(10,140)
Interest expenses	(19,416)	(27,527)
Other non-operating expenses ⁽³⁾	(12,050)	(7,690)
Price-level restatement	(183)	(9,697)
Total	26,772	(35,855)
Tax	(1,604)	749
Minority interest	(195)	9,075
Amortisation of negative goodwill ⁽³⁾	6,949	436
Net income/(loss)	40,364	(18,013)

- (1) The share of net income from CCU in the six months ended 30 June 2003 includes Ch\$6,228 million relating to the disposal by CCU of its interest Karlovacka, a Croatian brewery.
- (2) Other non-operating income in the six months ended 30 June 2003 includes Ch\$35,857 million relating to a settlement received from Quiñenco's former partners in CCU.
- (3) Other non-operating expenses in the six months ended 30 June 2003 include Ch\$5,809 million relating to the loss associated with the non-subscription of additional shares in Madeco in June 2003. This is fully offset by a credit to income for extraordinary amortisation of negative goodwill associated with Quiñenco's interest in Madeco's capital increase for the same amount.

B Net income/(loss)

	<i>Quiñenco's ownership per cent. at 30 June 2003 %</i>	<i>Quiñenco's ownership per cent. at 30 June 2002 %</i>	<i>6 months to 30 June 2003 Ch\$m</i>	<i>6 months to 30 June 2002 Ch\$m</i>
<i>Financial Services:</i>				
Banco de Chile	<u>52.2</u>	52.2	<u>19,983</u>	7,950
Banco Edwards	<u>—</u>	—	<u>—</u>	—
<i>Food & Beverages:</i>				
CCU ⁽¹⁾	<u>30.8</u>	30.8	<u>9,821</u>	2,470
Lucchetti	<u>93.7</u>	93.7	<u>(814)</u>	(1,681)
<i>Telecommunications:</i>				
Telsur	<u>73.6</u>	73.6	<u>2,449</u>	2,506
Entel	<u>5.7</u>	5.7	<u>1,716</u>	1,094
<i>Manufacturing:</i>				
Madeco ⁽²⁾	<u>76.8</u>	56.1	<u>(4,281)</u>	(9,618)
<i>Real estate/hotel administration:</i>				
Carrera	<u>89.9</u>	89.9	<u>(428)</u>	(729)
Habitaria	<u>50.0</u>	50.0	<u>(247)</u>	43
Total operating companies			<u><u>27,599</u></u>	<u>2,035</u>
Quiñenco and other intermediate holding companies⁽³⁾			<u>12,765</u>	(20,048)
Total			<u><u>40,364</u></u>	<u>(18,013)</u>

- (1) As explained on page ●, the share of net income from CCU includes the gain relating to the disposal by CCU of its interest Karlovacka, a Croatian brewery (see footnote 1).
- (2) Madeco initiated a capital increase on 18 February 2003, with a further public offering on 6 June. As a result of its participation, Quiñenco's interest in Madeco increased to 76.8 per cent. at 30 June. A further public offering was held on 20 August in which Quiñenco did not participate, as a result of which its interest was reduced to 56.7 per cent.
- (3) As explained on page ●, the net income from Quiñenco and other intermediate holding companies includes the settlement received from Quiñenco's former partners in CCU (see footnote 2).
- (4) The figures provided in the above table correspond to Quiñenco's proportional share of each company's net income/(loss).

C Summary consolidated balance sheet

	<i>As at</i> <i>30 June</i> <i>2003</i> <i>Ch\$m</i>	<i>As at</i> <i>30 June</i> <i>2002</i> <i>Ch\$m</i>
<i>Quiñenco</i>		
Current assets	<u>263,626</u>	293,361
Fixed assets	<u>378,281</u>	425,936
Other assets	<u>834,612</u>	840,085
Total	<u><u>1,476,519</u></u>	<u><u>1,559,382</u></u>
Current liabilities	<u>232,100</u>	264,816
Long-term liabilities	<u>504,788</u>	549,376
Minority interest	<u>68,806</u>	84,256
Shareholders' equity	<u>670,825</u>	660,934
Total	<u><u>1,476,519</u></u>	<u><u>1,559,382</u></u>

PART VI

Information Relating to Andsberg

1. Incorporation

Andsberg was incorporated as a private limited company under the laws of Jersey on 4 December 2001 under registration number 81466. On 1 September 2003, Andsberg became a public limited company in Jersey.

2. Share Capital

The authorised share capital of Andsberg is US\$16,000 divided into 200,000,000 redeemable ordinary shares of US\$0.00001 each (“Andsberg Shares”), 200,000,000 non-redeemable ordinary shares of US\$0.00001 each (“Andsberg Special Shares”) and 12,000 non-redeemable ordinary shares of US\$1 each (“Andsberg Ordinary Shares”).

The issued share capital of Andsberg is 197,171,339 fully paid up Andsberg Shares and 1 fully paid up Andsberg Ordinary Share. At the date of this circular all the issued Andsberg Shares are legally and beneficially owned by Antofagasta and the one issued Andsberg Ordinary Share is legally owned by Dolberg and held on trust for Antofagasta.

3. Articles of Association

The Articles of Association of Andsberg provide for, among other things, the following:

3.1 Share Capital

1. Allotment

- (A) Subject to the Act and relevant authority given by Andsberg in general meeting, the board has general and unconditional authority to allot, grant options over, or otherwise dispose of the unissued shares of Andsberg, or rights to subscribe for or convert any security into shares, to such persons, at such times and on such terms as the board may decide except that no share may be issued at a discount and such authority shall include, but not be limited to, authority to determine whether or not to offer the foregoing to the members in proportion to the existing shares held by them.
- (B) The board may at any time after the allotment of a share but before a person has been entered in the register as the holder of the share recognise a renunciation of the share by the allottee in favour of another person and may grant to an allottee a right to effect a renunciation on such terms and conditions as the board thinks fit.

2. Power to attach rights

Subject to the Act and to the rights attached to existing shares, new shares may be issued with, or have attached to them, such rights or restrictions as either Andsberg may by ordinary resolution decide, or, if no such resolution is passed or so far as any pertinent resolution does not make specific provision, as the board may decide.

3. Redeemable shares

- (A) Subject to the Act and to the rights attaching to existing shares, Andsberg may issue, or convert any existing non-redeemable shares (whether issued or not) into, shares which are to be redeemed, or are liable to be redeemed, at the option of Andsberg or the holder thereof, on such terms and in such manner as may be determined by special resolution.
- (B) Any holder of Andsberg Shares is entitled to require redemption of all or some of the Andsberg Shares held by him or to which he is entitled by written notice in the prescribed

form given to Andsberg at any time on or before 30 October 2003 (a “Redemption Notice”).

- (C) An Andsberg Shareholder shall not be entitled to withdraw a Redemption Notice once given to Andsberg.
- (D) Redemptions shall take place on 6 November 2003 following receipt of any Redemption Notice (“the Redemption Date”).
- (E) The amount payable in respect of all the Andsberg Shares to be redeemed on the Redemption Date comprises the “redemption money”.
- (F) On the Redemption Date the redemption money shall become a debt due and payable by Andsberg to the relevant Andsberg Shareholders whose shares are to be redeemed on such date, whether or not Andsberg has sufficient profits available for distribution or other requisite funds to pay the redemption money.
- (G) 1.1 On the Redemption Date Andsberg shall:
 - 1.1.1 pay by cheque for cash to each relevant Andsberg Shareholder in respect of each Andsberg Share to be redeemed pursuant to a Redemption Notice an amount equal to US\$1.11 against receipt of the relevant certificate of entitlement (or an indemnity in a form reasonably satisfactory to the board in respect of a certificate of entitlement which cannot be produced); and
 - 1.1.2 issue share certificates to each relevant Andsberg Shareholder in respect of those Andsberg Shares which are not to be redeemed on such date against receipt of the relevant certificate of entitlement (or an indemnity in a form reasonably satisfactory to the board in respect of a certificate of entitlement which cannot be produced).
- 1.2 If an Andsberg Shareholder produces neither the certificate of entitlement nor a satisfactory indemnity Andsberg may retain that shareholder’s redemption money or share certificate(s) as appropriate until delivery to Andsberg of the certificate of entitlement or a satisfactory indemnity.
- (H) Any outstanding Andsberg Shares in respect of which a Redemption Notice is not given to Andsberg prior to the Redemption Date shall cease to be redeemable.

4. Variation of rights

- (A) Subject to the Act, the rights attached to a class of shares may be varied or abrogated (whether or not Andsberg is being wound up, other than where Andsberg is the subject of a creditors’ winding up) either with the consent in writing of the holders of at least three-fourths of the nominal amount of the issued shares of that class or with the sanction of an extraordinary resolution passed at a separate meeting of the holders of the issued shares of that class validly held in accordance with the Articles.
- (B) The special rights conferred upon the holders of any class of shares issued with preferred or other special rights shall be deemed to be varied by the reduction of the capital paid up on such shares and by the creation of further shares ranking in priority thereto, but shall not (unless otherwise expressly provided by the Articles or by the conditions of issue of such shares) be deemed to be varied by the creation or issue of further shares ranking after or *pari passu* therewith.

5. Commission

Andsberg may exercise all the powers conferred or permitted by the Acts of paying commission.

6. **Trusts not recognised**

Except as ordered by a court of competent jurisdiction or as required by law, Andsberg shall not recognise a person as holding a share on trust and shall not be bound by or otherwise compelled to recognise (even if it has notice of it) any interest in any share other than an absolute right in the holder to the whole of the share.

3.2 **Share Certificates**

1. **Right to certificate**

- (A) A person (except a person to whom Andsberg is not required by law to issue a certificate) whose name is entered in the register as a holder of a certificated share is entitled, without charge, to receive within two months of allotment or lodgement with Andsberg of a transfer to him of those shares (or within such shorter period as the terms of issue of the shares provide) one certificate for all the certificated shares of a class registered in his name or, in the case of certificated shares of more than one class being registered in his name, to a separate certificate for each class of shares.
- (B) Where a member transfers part of his shares comprised in a certificate he is entitled, without charge, to one certificate for the balance of certificated shares retained by him.
- (C) Andsberg is not bound to issue more than one certificate for certificated shares held jointly by two or more persons and delivery of a certificate to one joint holder is sufficient delivery to all joint holders.
- (D) A certificate shall specify the number and class and the distinguishing numbers (if any) of the shares in respect of which it is issued and the amount paid up on the shares. It shall be issued under a seal, which may be affixed to or printed on it, or in such other manner as the board may approve, having regard to the terms of allotment or issue of the shares.

2. **Replacement certificates**

- (A) Where a member holds two or more certificates for shares of one class, the board may at his request, on surrender of the original certificates and on payment of such reasonable sum, as the board may decide, cancel the certificates and issue a single replacement certificate for certificated shares of that class.
- (B) At the request of a member, the board may cancel a certificate and issue two or more in its place (representing certificated shares in such proportions as the member may specify), on surrender of the original certificate and on payment of such reasonable sum as the board may decide.
- (C) Where a certificate is worn out or defaced the board may require the certificate to be delivered to it before issuing a replacement and cancelling the original. If a certificate is lost or destroyed, the board may cancel it and issue a replacement certificate on such terms as to provision of evidence and indemnity and to payment of any exceptional out-of-pocket expenses incurred by Andsberg in the investigation of that evidence and the preparation of that indemnity as the board may decide.

3.3 **Lien**

1. **Lien on shares not fully paid**

- (A) Andsberg has a first and paramount lien on all partly paid shares for an amount payable in respect of the share, whether the due date for payment has arrived or not. The lien applies to all dividends from time to time declared or other amounts payable in respect of the share.
- (B) The board may either generally or in a particular case declare a share to be wholly or partly exempt from the provisions of this article. Unless otherwise agreed with the transferee, the

registration of a transfer of a share operates as a waiver of Andsberg's lien (if any) on that share.

3.4 Calls on Shares

Calls

The board may make calls on members in respect of amounts unpaid on the shares held by them respectively (whether in respect of the nominal value or a premium) and not by the terms of issue thereof, made payable on a fixed date. Each member shall (on receiving at least 14 clear days' notice specifying when and where payment is to be made) pay to Andsberg at the time and place specified, the amount called as required by the notice. A call may be made payable by instalments and may, at any time before receipt by Andsberg of an amount due, be revoked or postponed in whole or in part as the board may decide. A call is deemed made at the time when the resolution of the board authorising it is passed. A person on whom a call is made remains liable to pay the amount called despite the subsequent transfer of the share in respect of which the call is made. The joint holders of a share are jointly and severally liable for payment of a call in respect of that share.

3.5 Forfeiture

Notice if call not paid

If a member fails to pay the whole of a call or an instalment of a call by the date fixed for payment, the board may serve notice on the member or on a person entitled automatically by law to the share in respect of which the call was made demanding payment of the unpaid amount, on a date not less than 14 clear days from the date of the notice, together with any interest that may have accrued on it and all costs, charges and expenses incurred by Andsberg by reason of the non-payment. The notice shall state:

- (i) the place where payment is to be made; and
- (ii) that if the notice is not complied with the share in respect of which the call was made will be liable to be forfeited.

3.6 Transfer of Shares

1. Method of transfer

A member may transfer all or any of his certificated shares by instrument of transfer in writing in any usual form or in any other form approved by the board, and the instrument shall be executed by or on behalf of the transferor and (in the case of a transfer of a share which is not fully paid) by or on behalf of the transferee.

The board shall refuse to register the transfer of a share unless it is accompanied by a declaration in writing in a form and substance satisfactory to the board that the transferee (or, in the case of a transfer to joint transferees, each transferee) is not a person resident in Jersey for the purposes of Article 123A of the Income Tax (Jersey) Law 1961. The board has the authority to suspend and to reinstate the requirement for such a declaration in the case of a particular transfer or generally and has the authority to do so one or more times.

2. Right to refuse registration

- (A) Subject to the Articles, shares of Andsberg are free from any restriction on transfer. The board may refuse to register a transfer of certificated shares provided that such refusal would not disturb the market in those shares. The board may, in its absolute discretion and without giving a reason, refuse to register the transfer of a certificated share which is not fully paid or the transfer of a certificated share on which Andsberg has a lien.

- (B) If the board refuses to register the transfer of a certificated share it shall, within two months after the date on which the transfer was lodged with Andsberg, send notice of the refusal to the transferee. An instrument of transfer which the board refuses to register shall (except in the case of suspected fraud) be returned to the person depositing it. Andsberg may retain all instruments of transfer which are registered.

3. **Suspension of registration and closing of register**

Subject to the Act, the registration of transfers may be suspended at such times and for such period (not exceeding 30 days in any year) as the board may decide and either generally or in respect of a particular class of shares.

4. **Transfers which change control**

- (A) The following provisions apply when a transfer of Andsberg Shares made by a Shareholder (the "Selling Shareholder") under the Articles would, if registered, result in a person (the "Proposed Transferee") and any other person:
- (i) who in relation to him is a connected person, as defined in section 346 of the United Kingdom Companies Act 1985 (as amended); or
 - (ii) with whom he is acting in concert, as defined in The City Code on Takeovers and Mergers of the United Kingdom,
- (each being "a member of the purchasing group") holding or increasing a holding of more than 50 per cent. of the Andsberg Shares in issue taken together.
- (B) No transfer to which paragraph 4(A) applies may be made or registered unless the Proposed Transferee has made an offer to buy all the other Andsberg Shares on the terms set out in paragraph 4(C) and the offer has closed and each accepted offer has been completed, unless failure to complete is the fault of the offeree.
- (C) The terms of the proposed transferee's offer shall be as follows:
- (i) the offer shall be open for acceptance for 21 days or more;
 - (ii) the consideration for each Andsberg Share shall be the higher of:
 - (a) the highest consideration offered for each Andsberg Share whose proposed transfer has led to the offer; and
 - (b) the highest consideration paid by any member of the purchasing group for an Andsberg Share in the twelve months up to the offer.
- (D) The Proposed Transferee's offer may be conditional on the offer resulting in members of the purchasing group holding or increasing their shareholding to a specified proportion of the Andsberg Shares in issue.
- (E) Any dispute on the appropriate consideration for the Andsberg Shares shall be referred to an umpire chosen by the parties concerned or, if they cannot agree on an umpire, nominated by the president of the Institute of Chartered Accountants in England and Wales. The umpire shall act as an expert and not as an arbitrator and his decision shall be final and binding. The Selling Shareholder shall pay half the umpire's costs and the Andsberg Shareholders in dispute with the Proposed Transferee shall pay the other half.

5. **Bring-along rights**

If transfers under the Articles results in members of the purchasing group (as defined in 4.(A) above) holding or increasing their holding of Andsberg Shares to more than 50 per cent of the Andsberg Shares in issue taken together, the members of the purchasing group

may, by serving a Compulsory Purchase Notice (as defined in the Articles) on each other Andsberg Shareholder (“Minority Shareholder”), require all the Minority Shareholders to sell all their Andsberg Shares to one or more persons identified by the members of the purchasing group at the consideration specified in paragraph 4 above.

3.7 Transmission of Shares

The Articles contain provisions for the procedure for the transfer of shares upon the death of a member.

3.8 Alteration of Share Capital

1. Increase, consolidation, sub-division and cancellation

Andsberg may by ordinary resolution:

- (i) increase its share capital by a sum to be divided into shares of an amount prescribed by the resolution;
- (ii) consolidate and divide all or any of its share capital into shares of a larger amount than its existing shares;
- (iii) subject to the Act, sub-divide all or any of its shares into shares of a smaller amount and so that the resolution whereby any share is sub-divided may determine that the shares resulting from such sub-division have amongst themselves such preferred, deferred or other special rights or advantages or be subject to any such restrictions as Andsberg has power to attach to unissued or new shares; and
- (iv) cancel shares which, at the date of the passing of the resolution, have not been taken or agreed to be taken by a person and diminish the amount of its share capital by the amount of the shares so cancelled or alter its share capital in any other manner as permitted by the Act.

2. Fractions

If, as the result of consolidation and division or sub-division of shares, members would become entitled to fractions of a share, the board may on behalf of the members deal with the fractions as it thinks fit. Subject to the Act, the board may, in effecting divisions and/or consolidations, treat a member’s shares held in certificated form and uncertificated form as separate holdings. In particular, the board may:

- (i) sell any shares representing fractions to a person (including, subject to the Act, to Andsberg) and distribute the net proceeds of sale in due proportion amongst the persons entitled or, if the board decides, some or all of the sum raised on a sale may be retained for the benefit of Andsberg; or
- (ii) subject to the Act, allot or issue to a member credited as fully paid by way of capitalisation the minimum number of shares required to round up his holding of shares to a number which, following consolidation and division or sub-division, leaves a whole number of shares (such allotment or issue being deemed to have been effected immediately before consolidation or sub-division, as the case may be).

3. Reduction of capital

Subject to the Act and to the rights attached to existing shares, Andsberg may by special resolution reduce its share capital (including, but not limited to, its capital redemption reserve, share premium account or other undistributable reserve) in any way.

4. **Purchase of own shares**

Subject to the Act and to the rights attaching to existing shares, Andsberg may purchase, or agree to purchase in the future, any shares of any class (including redeemable shares) in its own capital in any way.

3.9 **General Meetings**

1. **Annual general meetings**

Andsberg shall hold an annual general meeting once every year either in or outside Jersey. Such meetings shall be convened by the board at such time and place as they think fit provided that there must not be a gap of more than fifteen months between one annual general meeting and the next.

2. **Extraordinary general meetings**

All general meetings of Andsberg other than annual general meetings are called extraordinary general meetings.

3. **Convening of extraordinary general meetings**

The board may convene an extraordinary general meeting whenever it thinks fit. The board must convene an extraordinary general meeting immediately on receipt of a requisition from members in accordance with the Act and in default a meeting may be convened by requisitionists as provided in the Act. At a meeting convened on a requisition or by requisitionists no business may be transacted except that stated by the requisition or proposed by the board. An extraordinary general meeting may also be convened in accordance with the Articles.

4. **Length and form of notice**

- (A) An annual general meeting and any extraordinary general meeting at which a special resolution is to be proposed or (subject to the Act) at which some other resolution of which special notice under the Act has been given to Andsberg shall be called by not less than 21 clear days' notice in writing. All other extraordinary general meetings shall be called by not less than 14 clear days' notice in writing.
- (B) Subject to the Act, and although called by shorter notice than that specified in paragraph (A), a general meeting is deemed to have been duly called if it is so agreed:
- (i) in the case of an annual general meeting, by all the members entitled to attend and vote at the meeting; and
 - (ii) in the case of another meeting, by a majority in number of the members having a right to attend and vote at the meeting, being a majority together holding not less than 95 per cent. in nominal value of the shares giving that right.
- (C) The notice of meeting shall specify:
- (i) whether the meeting is an annual general meeting or an extraordinary general meeting;
 - (ii) the place, the date and the time of the meeting;
 - (iii) in the case of special business, the general nature of that business;
 - (iv) if the meeting is convened to consider a special or an extraordinary resolution, the intention to propose the resolution as such; and

- (v) with reasonable prominence, that a member entitled to attend and vote may appoint one or more proxies to attend and, on a poll, vote instead of him and that a proxy need not also be a member.
- (D) The notice of meeting shall be given to the members (other than any who, under the provisions of the articles or the terms of allotment or issue of shares, are not entitled to receive notice), to the directors and to the auditors.
- (E) The board may determine that persons entitled to receive notices of meeting are those persons entered on the register at the close of business on a day determined by the board, provided that, if Andsberg is a participating issuer, the day determined by the board may not be more than 21 days before the day that the relevant notice of meeting is being sent.
- (F) The notice of meeting may also specify a time (which, if Andsberg is a participating issuer, shall not be more than 48 hours before the time fixed for the meeting) by which a person must be entered on the register in order to have the right to attend or vote at the meeting. Changes to entries on the register after the time so specified in the notice shall be disregarded in determining the rights of any person to so attend or vote.

5. Omission to send notice and irregularities in publication of notices

The accidental omission to send a notice of meeting or any document relating to the meeting, or the non-receipt of any such notice or document by a person entitled to receive any such notice or document shall not invalidate the proceedings at that meeting.

3.10 Proceedings at General Meetings

1. Quorum

- (A) No business may be transacted at a general meeting unless a quorum is present. The absence of a quorum does not prevent the appointment of a chairman in accordance with the Articles, which shall not be treated as part of the business of the meeting.
- (B) The quorum for a general meeting is two members present in person or by proxy and entitled to vote.

2. Procedure if quorum not present

- (A) If a quorum is not present within twenty minutes (or such longer time as the chairman decides to wait) after the time fixed for the start of the meeting or if there is no longer a quorum present at any time during the meeting, the meeting, if convened by or on the requisition of members, is dissolved. In any other case it stands adjourned to such other day (being not less than 14 nor more than 28 days later) and at such other time and/or place as may have been specified for the purpose in the notice convening the meeting. Where no such arrangements have been specified, the meeting stands adjourned to such other day (being not less than 14 nor more than 28 days later) and at such other time and/or place as the chairman (or, in default, the board) decides.
- (B) At an adjourned meeting the quorum is one member present in person or by proxy and entitled to vote. If a quorum is not present within five minutes from the time fixed for the start of the meeting, the adjourned meeting shall be dissolved.
- (C) Save where the time and place for the adjourned meeting has been specified for the purpose in the notice convening the meeting as referred to in paragraph (A) above (in which case notice of the adjourned meeting need not be given), Andsberg shall give not less than seven clear days' notice of any meeting adjourned for the lack of a quorum and the notice shall state the quorum requirement.

3. Chairman

- (A) The chairman (if any) of the board or, in his absence, the deputy chairman (if any) shall preside as chairman at a general meeting. If there is no chairman or deputy chairman, or if at a meeting neither is present and willing and able to act within five minutes after the time fixed for the start of the meeting or neither is willing and able to act, the directors present shall select one of their number to be chairman. If only one director is present and willing and able to act, he shall be chairman. In default, the members present in person and entitled to vote shall choose one of their number to be chairman.
- (B) Without prejudice to any other power which he may have under the provisions of the articles or at law, the chairman may take such action as he thinks fit to promote the orderly conduct of the business of the meeting as specified in the notice of meeting and the chairman's decision on matters of procedure or arising incidentally from the business of the meeting shall be final, as shall be his determination as to whether any matter is of such a nature.

4. Right to attend and speak

- (A) Each director shall be entitled to attend and speak at a general meeting and at a separate meeting of the holders of a class of shares or debentures whether or not he is a member.
- (B) The chairman may invite any person to attend and speak at any general meeting of Andsberg where he considers that this will assist in the deliberations of the meeting.

3.11 Voting

1. Method of voting

- (A) At a general meeting, a resolution put to the vote of the meeting shall be decided on a show of hands unless (before or on the declaration of the result of the show of hands) a poll is properly demanded by:
- (i) the chairman of the meeting;
 - (ii) not less than five members present in person or by proxy and entitled to vote;
 - (iii) a member or members present in person or by proxy representing in aggregate not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting; or
 - (iv) a member or members present in person or by proxy holding shares conferring a right to vote at the meeting, being shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.

A demand by a proxy is deemed to be a demand by the member appointing the proxy.

- (B) Unless a poll is demanded (and the demand is not duly withdrawn), a declaration by the chairman that the resolution has been carried, or carried by a particular majority, or lost or not carried by a particular majority, is conclusive evidence of the fact without proof of the number or proportion of the votes recorded in favour of or against the resolution.

2. Casting vote

In the case of an equality of votes whether on a show of hands or on a poll, the chairman of the meeting at which the show of hands takes place or at which the poll is demanded shall be entitled to a casting vote in addition to any vote to which he is entitled as a member.

3. **Restriction on voting rights for unpaid calls etc.**

Unless the board otherwise decides, no member is entitled in respect of a share held by him to be present or to vote, either in person or by proxy, at a general meeting or at a separate meeting of the holders of a class of shares or on a poll, or to exercise other rights conferred by membership in relation to the meeting or poll, if a call or other amount due and payable in respect of the share is unpaid. This restriction ceases on payment of the amount outstanding and all costs, charges and expenses incurred by Andsberg by reason of the non-payment.

4. **Voting by proxy**

- (A) Subject to paragraph (B) below, an instrument appointing a proxy shall be in writing in any usual form (or in another form approved by the board) executed under the hand of the appointor or his duly constituted attorney or, if the appointor is a company, under its seal or under the hand of its duly authorised officer or attorney or other person authorised to sign.
- (B) Subject to the Act, the board may accept the appointment of a proxy received in an electronic communication on such terms and subject to such conditions as it considers fit. The appointment of a proxy received in an electronic communication shall not be subject to the requirements of paragraph (A) above. The board may require the production of any evidence it considers necessary to determine the validity of such an appointment.
- (C) Unless the contrary is stated in it, the appointment of a proxy shall be deemed to confer authority to demand or join in demanding a poll (but shall not confer any further right to speak at the meeting except with the permission of the chairman) and to vote on a resolution or amendment of a resolution put to, or other business which may properly come before, the meeting or meetings for which it is given, as the proxy thinks fit.
- (D) A proxy need not be a member.

5. **Corporate representatives**

A body corporate which is a member may, by resolution of its directors or other governing body, whether or not expressed to be pursuant to any provision of the Act, authorise one or more persons to act as its representatives at a meeting or at a separate meeting of the holders of a class of shares (a “representative”). Each representative is entitled to exercise on behalf of the body corporate (in respect of that part of the body corporate’s holding of shares to which the authorisation relates) those powers that the body corporate could exercise if it were an individual member. The body corporate is for the purposes of the articles deemed to be present in person at a meeting if a representative is present. All references to attendance and voting in person shall be construed accordingly. A director, the secretary or other person authorised for the purpose by the secretary may require a representative to produce a certified copy of the resolution of authorisation before permitting him to exercise his powers.

6. **Objections to and error in voting**

No objection may be made to the qualification of a voter or to the counting of, or failure to count, a vote, except at the meeting or adjourned meeting at which the vote objected to is tendered or at which the error occurs. An objection properly made shall be referred to the chairman and only invalidates the decision of the meeting on any resolution if, in the opinion of the chairman, it is of sufficient magnitude to affect the decision of the meeting. The decision of the chairman on such matters is conclusive and binding on all concerned.

7. Amendments to resolutions

No amendment to a resolution duly proposed as a special or extraordinary resolution (other than an amendment to correct a patent error) may be considered or voted on. No amendment to a resolution duly proposed as an ordinary resolution (other than an amendment to correct a patent error) may be considered or voted on unless either:

- (i) at least 48 hours before the time appointed for holding the meeting or adjourned meeting at which the ordinary resolution is to be considered, notice of the terms of the amendment and intention to move it has been lodged at the office; or
- (ii) the chairman in his absolute discretion decides that the amendment may be considered or voted on.

If an amendment proposed to a resolution under consideration is ruled out of order by the chairman the proceedings on the substantive resolution are not invalidated by an error in his ruling.

8. Members written resolutions

A resolution in writing executed by or on behalf of each member who would have been entitled to vote upon it if it had been proposed at a general meeting at which he was present shall be as effective as if it had been passed at a general meeting duly convened and held. The resolution in writing may consist of several instruments in the same form each duly executed by or on behalf of one or more members. If the resolution in writing is described as a special resolution or as an extraordinary resolution, it shall have effect accordingly.

9. Class meetings

A separate meeting for the holders of a class of shares shall be convened and conducted as nearly as possible in the same way as an extraordinary general meeting, except that:

- (i) no member is entitled to notice of it or to attend unless he is a holder of shares of that class;
- (ii) no vote may be cast except in respect of a share of that class;
- (iii) the quorum at the meeting is two persons present in person holding or representing by proxy at least one-third in nominal value of the issued shares of that class;
- (iv) the quorum at an adjourned meeting is one person holding shares of that class present in person or by proxy; and
- (v) a poll may be demanded in writing by a member present in person or by proxy and entitled to vote at the meeting and on a poll each member has one vote for every share of that class of which he is the holder.

3.12 Appointment, Retirement and Removal of Directors

1. Number of directors

Unless and until otherwise decided by Andsberg by ordinary resolution the number of directors must not be less than two and must not be more than ten.

2. Power of the Andsberg to appoint directors

Subject to the Articles, Andsberg may by ordinary resolution appoint a person who is willing to act to be a director, either to fill a vacancy or as an addition to the board, but the total number of directors may not exceed any maximum number fixed in accordance with the Articles.

3. **Power of the board to appoint directors**

Without prejudice to the power of Andsberg to appoint a person to be a director pursuant to the Articles, the board may appoint a person who is willing to act as a director, either to fill a vacancy or as an addition to the board, but the total number of directors may not exceed any maximum number fixed in accordance with the Articles. A director appointed in this way may hold office only until the dissolution of the next annual general meeting after his appointment unless he is reappointed during that meeting. He is not required, and is not taken into account in determining the number of directors who are, to retire by rotation at the meeting.

4. **Appointment of executive directors**

- (A) Subject to the Act, the board may appoint one or more of its body to hold an executive office with Andsberg for such term and on such other terms and conditions as (subject to the Act) the board thinks fit. The board may revoke or terminate an appointment, without prejudice to a claim for damages for breach of the contract of service between the director and Andsberg or otherwise.
- (B) Subject to the Act, the board may enter into an agreement or arrangement with any director for the provision of any services outside the scope of the ordinary duties of a director. Any such agreement or arrangement may be made on such terms and conditions as (subject to the Act) the board thinks fit and (without prejudice to any other provision of the articles) it may remunerate any such director for such services as it thinks fit.

5. **Eligibility of new directors**

- (A) No person other than a director retiring (by rotation or otherwise) may be appointed or reappointed a director at a general meeting unless:
- (i) he is recommended by the board; or
 - (ii) not less than seven nor more than 42 days before the date fixed for the meeting, notice has been given to Andsberg by a member (other than the person to be proposed) qualified to vote at the meeting of the intention to propose that person for appointment or reappointment. The notice shall (a) state the particulars which would, if the proposed director were appointed or reappointed, be required to be included in Andsberg's register of directors, (b) be accompanied by notice given by the proposed director of his willingness to be appointed or reappointed, and (c) be lodged at the registered office of Andsberg.
- (B) A director need not be a member.

6. **Voting on resolution for appointment**

A resolution for the appointment of two or more persons as directors by a single resolution is void unless an ordinary resolution that the resolution for appointment is proposed in this way has first been agreed to by the meeting without a vote being given against it.

7. **No retirement on account of age**

No person is incapable of being appointed a director by reason of his having reached the age of 70 or another age. Special notice is not required in connection with the appointment or the approval of the appointment of such person. No director is required to vacate his office because he has reached the age of 70 or another age. Where a general meeting is convened at which, to the knowledge of the board, a director is to be proposed for appointment or reappointment who is at the date of the meeting 70 or more, the board shall give notice of his age in the notice convening the meeting or in a document accompanying the notice, but

the accidental omission to do so does not invalidate proceedings or an appointment or reappointment of that director at that meeting.

8. Removal by ordinary resolution

In addition to any power of removal conferred by the Act, Andsberg may by ordinary resolution remove a director before the expiry of his period of office (without prejudice to a claim for damages for breach of contract or otherwise) and may (subject to the Articles) by ordinary resolution appoint another person who is willing to act to be a director in his place. A person appointed in this way is treated, for the purposes of determining the time at which he or another director is to retire, as if he had become a director on the date on which the person in whose place he is appointed was last appointed or reappointed a director.

9. Vacation of office by director

- (A) Without prejudice to the provisions for retirement (by rotation or otherwise) contained in the Articles, the office of a director is vacated if:
- (i) he resigns by notice delivered to the secretary at the office or tendered at a board meeting;
 - (ii) where he has been appointed for a fixed term, the term expires;
 - (iii) he ceases to be a director by virtue of a provision of the Acts, is removed from office pursuant to the Articles or becomes prohibited by law from being a director;
 - (iv) he becomes bankrupt as defined in the Articles or compounds with his creditors generally or he applies to the court for an interim order under section 253 of the Insolvency Act 1986 in connection with a voluntary arrangement under that act;
 - (v) he is or has been suffering from mental ill health or becomes a patient for the purpose of any statute relating to mental health or any court claiming jurisdiction on the ground of mental disorder (however stated) makes an order for his detention or for the appointment of a guardian, receiver or other person (howsoever designated) to exercise powers with respect to his property or affairs, and in any such case the board resolves that his office be vacated;
 - (vi) both he and his alternate director appointed pursuant to the provisions of the articles (if any) are absent, without the permission of the board, from board meetings for six consecutive months and the board resolves that his office be vacated; or
 - (vii) he is removed from office by notice addressed to him at his last-known address and signed by all his co-directors (without prejudice to a claim for damages for breach of contract or otherwise).
- (B) A resolution of the board declaring a director to have vacated office under the terms of this article is conclusive as to the fact and grounds of vacation stated in the resolution.
- (C) If the office of a director is vacated for any reason, he shall cease to be a member of any committee of the board.

3.13 Alternate Directors

A director (other than an alternate director) may by notice delivered to the secretary at the office or tabled at a meeting of the board, or in any other manner approved by the board, appoint an alternate director in accordance with the Articles.

3.14 Remuneration, Expenses and Pensions

1. Directors fees

Unless otherwise decided by Andsberg by ordinary resolution, Andsberg shall pay to the directors (but not alternate directors) for their services as directors such amount of aggregate fees as the board decides (not exceeding US\$500,000 per annum or such larger amount as Andsberg may by ordinary resolution decide). The aggregate fees shall be divided among the directors in such proportions as the board decides or, if no decision is made, equally. A fee payable to a director pursuant to this Article is distinct from any salary, remuneration or other amount payable to him pursuant to other provisions of the Articles or otherwise and accrues from day to day.

2. Additional remuneration

A director who, at the request of the board, goes or resides abroad, makes a special journey or performs a special service on behalf of Andsberg may be paid such reasonable additional remuneration (whether by way of salary, percentage of profits or otherwise) and expenses as the board may decide.

3. Expenses

A director is entitled to be repaid all reasonable travelling, hotel and other expenses properly incurred by him in the performance of his duties as director including, without limitation, expenses incurred in attending meetings of the board or of committees of the board or general meetings or separate meetings of the holders of a class of shares or debentures.

4. Directors pensions and other benefits

The board may exercise all the powers of Andsberg to provide pensions or other retirement or superannuation benefits and to provide death or disability benefits or other allowances or gratuities (by insurance or otherwise) for a person who is or has at any time been a director of Andsberg.

5. Remuneration of executive directors

The salary or other remuneration of a director appointed to hold employment or executive office in accordance with the Articles may be a fixed sum of money, or wholly or in part governed by business done or profits made, or as otherwise decided by the board, and may be in addition to or instead of a fee payable to him for his services as director pursuant to the Articles.

3.15 Powers and Duties of the Board

1. Powers of the board

Subject to the Act, the memorandum of association of Andsberg and the Articles and to directions given by special resolution of Andsberg, the business and affairs of Andsberg shall be managed by the board which may exercise all the powers of Andsberg whether relating to the management of the business or not. No alteration of the memorandum of association or of the Articles and no direction given by Andsberg shall invalidate a prior act of the board which would have been valid if the alteration had not been made or the direction had not been given. The provisions of the articles giving specific powers to the board do not limit the general powers given by this article.

2. Powers of executive directors

The board may delegate to a director holding executive office any of its powers, authorities and discretions for such time and on such terms and conditions as it thinks fit. In particular,

without limitation, the board may grant the power to sub-delegate, and may retain or exclude the right of the board to exercise the delegated powers, authorities or discretions collaterally with the director. The board may at any time revoke the delegation or alter its terms and conditions.

3. **Delegation to committees**

The board may delegate any of its powers, authorities and discretions (with power to sub-delegate) to a committee consisting of one or more persons (whether a member or members of the board or not) as it thinks fit. A committee may exercise its power to sub-delegate by sub-delegating to any person or persons (whether or not a member or members of the board or of the committee). The board may retain or exclude its right to exercise the delegated powers, authorities or discretions collaterally with the committee. The board may at any time revoke the delegation or alter any terms and conditions or discharge the committee in whole or in part. Where a provision of the Articles refers to the exercise of a power, authority or discretion by the board (including, without limitation, the power to pay fees, remuneration, additional remuneration, expenses and pensions and other benefits pursuant to the Articles and that power, authority or discretion has been delegated by the board to a committee, the provision shall be construed as permitting the exercise of the power, authority or discretion by the committee.

4. **Borrowing powers**

- (A) Subject to the following provisions of this Article, the board may exercise all the powers of Andsberg to borrow money and to mortgage or charge all or part of the undertaking, property and assets (present or future) and uncalled capital of Andsberg and, subject to the Act, to issue debentures and other securities, whether outright or as collateral security for a debt, liability or obligation of Andsberg or of a third party.
- (B) The board shall restrict the borrowings of Andsberg and shall exercise all voting and other rights or powers of control exercisable by the Andsberg in relation to its subsidiary undertakings so as to ensure (as regards subsidiary undertakings, to the extent possible) that the aggregate principal amount outstanding in respect of moneys borrowed by the Group (as defined in the Articles) does not at any time without the previous sanction of a special resolution of the Andsberg exceed a sum equal to US\$500 million.

5. **Directors interests**

- (A) Subject to the Act and provided he has disclosed to the board the nature and extent of any direct or indirect interest of his, a director, notwithstanding his office:
- (i) may enter into or otherwise be interested in a contract, arrangement, transaction or proposal with Andsberg or in which Andsberg is otherwise interested either in connection with his tenure of an office or place of profit or as seller, buyer or otherwise;
 - (ii) may hold another office or place of profit with Andsberg (except that of auditor or auditor of a subsidiary of Andsberg) in conjunction with the office of director and may act by himself or through his firm in a professional capacity to Andsberg, and in that case on such terms as to remuneration and otherwise as the board may decide either in addition to or instead of remuneration provided for by another article;
 - (iii) may be a director or other officer of, or employed by, or a party to a contract, transaction, arrangement or proposal with or otherwise interested in, a company promoted by Andsberg or in which Andsberg is otherwise interested or as regards which Andsberg has a power of appointment; and

- (iv) is not liable to account to Andsberg for a profit, remuneration or other benefit realised by such contract, arrangement, transaction, proposal, office or employment and no such 'contract, arrangement, transaction or proposal is avoided on the grounds of any such interest or benefit.
- (B) A director who, to his knowledge, is in any way (directly or indirectly) interested in a contract, arrangement, transaction or proposal with Andsberg shall declare the nature of his interest at the meeting of the board at which the question of entering into the contract, arrangement, transaction or proposal is first considered, if he knows his interest then exists or, in any other case, at the first meeting of the board after he knows that he is or has become interested. For the purposes of this paragraph (B):
- (i) a general notice given to the board by a director that he is to be regarded as having an interest (of the nature and extent specified in the notice) in a contract, transaction, arrangement or proposal in which a specified person or class of persons is interested is a sufficient disclosure under this article in relation to that contract, transaction, arrangement or proposal; and
- (ii) an interest of which a director has no knowledge and of which it is unreasonable to expect him to have knowledge is not treated as his interest.
- (C) A director may not vote on or be counted in the quorum in relation to a resolution of the board or of a committee of the board concerning a contract, arrangement, transaction or proposal to which Andsberg is or is to be a party and in which he has an interest which is, to his knowledge, a material interest (otherwise than by virtue of his interest in shares or debentures or other securities of or otherwise in or through Andsberg), but this prohibition does not apply to a resolution concerning any of the following matters:
- (i) the giving of a guarantee, security or indemnity in respect of money lent or obligations incurred by him or any other person at the request of or for the benefit of Andsberg or any of its subsidiary undertakings;
- (ii) the giving of a guarantee, security or indemnity in respect of a debt or obligation of Andsberg or any of its subsidiary undertakings for which he himself has assumed responsibility in whole or in part, either alone or jointly with others, under a guarantee or indemnity or by the giving of security;
- (iii) a contract, arrangement, transaction or proposal concerning an offer of shares, debentures or other securities of Andsberg or any of its subsidiary undertakings for subscription or purchase, in which offer he is or may be entitled to participate as a holder of securities or in the underwriting or sub-underwriting of which he is to participate;
- (iv) a contract, arrangement, transaction or proposal to which Andsberg is or is to be a party concerning another company (including a subsidiary undertaking of Andsberg) in which he is interested (directly or indirectly) whether as an officer, shareholder, creditor or otherwise (a "relevant company"), if he does not to his knowledge hold an interest in shares (as that term is used in sections 198 to 211 of the United Kingdom Companies Act 1985) representing one per cent or more of either any class of the equity share capital of or the voting rights in the relevant company;
- (v) a contract, arrangement, transaction or proposal for the benefit of the employees of Andsberg or any of its subsidiary undertakings (including any pension fund or retirement, death or disability scheme) which does not award him a privilege or benefit not generally awarded to the employees to whom it relates; and

- (vi) a contract, arrangement, transaction or proposal concerning the purchase or maintenance of any insurance policy for the benefit of directors or for the benefit of persons including directors.
- (D) A director may not vote on or be counted in the quorum in relation to a resolution of the board or committee of the board concerning his own appointment (including, without limitation, fixing or varying the terms of his appointment or its termination) as the holder of an office or place of profit with Andsberg or any company in which Andsberg is interested. Where proposals are under consideration concerning the appointment (including, without limitation, fixing or varying the terms of appointment or its termination) of two or more directors to offices or places of profit with Andsberg or a company in which Andsberg is interested, such proposals shall be divided and a separate resolution considered in relation to each director. In that case each of the directors concerned (if not otherwise debarred from voting under this article) is entitled to vote (and be counted in the quorum) in respect of each resolution except that concerning his own appointment.
- (E) If a question arises at a meeting as to the materiality of a director's interest (other than the interest of the chairman of the meeting) or as to the entitlement of a director (other than the chairman) to vote or be counted in a quorum and the question is not resolved by his voluntarily agreeing to abstain from voting or being counted in the quorum, the question shall be referred to the chairman and his ruling in relation to the director concerned is conclusive and binding on all concerned.
- (F) If a question arises at a meeting as to the materiality of the interest of the chairman of the meeting or as to the entitlement of the chairman to vote or be counted in a quorum and the question is not resolved by his voluntarily agreeing to abstain from voting or being counted in the quorum, the question shall be decided by resolution of the directors or committee members present at the meeting (excluding the chairman) whose majority vote is conclusive and binding on all concerned.
- (G) For the purposes of this paragraph 5(c), the interest of a person who is connected with (within the meaning of section 346 of the United Kingdom Companies Act 1985) a director is treated as the interest of the director and, in relation to an alternate director, the interest of his appointor is treated as the interest of the alternate director in addition to an interest which the alternate director otherwise has. This Article applies to an alternate director as if he were a director otherwise appointed.
- (H) Subject to the Act, Andsberg may by ordinary resolution suspend or relax the provisions of this paragraph 5 to any extent or ratify any contract, arrangement, transaction or proposal not properly authorised by reason of a contravention of this paragraph 5.

3.16 Proceedings of Directors and Committees

1. Board meetings

Subject to the Articles, the board may meet for the despatch of business, adjourn and otherwise regulate its proceedings as it thinks fit.

2. Minority protection

Notwithstanding any other provisions in the Articles, the following documents, actions and matters shall not be capable of being approved on behalf of Andsberg or any Subsidiary (as defined in the Articles) or carried out by the Board or any director or officer of Andsberg or any Subsidiary and shall not be within the authority of any director and accordingly neither Andsberg, any Subsidiary nor any director shall have power to execute, approve, carry out or implement such documents, actions or matters unless the said document, action or matter

shall have been approved by the Board of Andsberg or of the Subsidiary executing such document or implementing such action or matter and the document, action or matter shall have been approved by a special resolution of shareholders in general meeting holding not less than 75 per cent. of the voting rights of all the issued shares of Andsberg or a written resolution of Shareholders in accordance with the Articles or, in the case of any action falling within paragraph (viii) below, by an ordinary resolution of Independent Shareholders (as defined in the Articles) in general meeting:

- (i) the reorganisation of the share capital of Andsberg including issuing any shares of any class or any loan capital having attached thereto a right of exchange or conversion into share capital if such issue or conversion would have the effect of increasing the issued share capital of the relevant class by more than 5 per cent. or create any options, interests in or rights to subscribe for any unissued share capital of any Group Company (as defined in the Articles) or any other alteration of capital in any manner permitted under the Act (as defined in the Articles);
- (ii) the increase of the nominal share capital of Andsberg, the reduction of its share capital or purchase of its own shares or subdivision or consolidation of the shares in its capital for the time being or the capitalisation of any profits standing to the credit of reserves;
- (iii) the disposal of more than 50 per cent. of the shares held by Andsberg in any Subsidiary or procurement of the sale by any Subsidiary of more than 50 per cent. of its shares in another Subsidiary;
- (iv) the acquisition or sale, transfer, lease, assignment or other disposal of more than 50 per cent. of the shares in Quiñenco (held by any Subsidiary as at the date of the adoption of these Articles) or any other asset, property or investment of any kind which is material in the context of the Group (as defined in the Articles) or enter into a contract or arrangement so to do and for these purposes “material” means an asset, property or investment or any group of assets, properties and investments representing more than 25 per cent of the gross assets of the Group shown in the last audited consolidated accounts of Andsberg and its Subsidiaries or which would have represented more than 25 per cent of the gross assets of the Group at the date to which such accounts were drawn up had it or they been included in such accounts;
- (v) the borrowing of any sum in excess of a maximum aggregate sum outstanding in respect of the borrowings of all Group Companies at any time of US\$500 million;
- (vi) the creation of any fixed or floating charge, lien (other than a lien arising by operation of law) or other encumbrance over the whole or any material part of the undertaking, property or assets of Andsberg or its material Subsidiaries (as defined in the Articles), for the purpose of securing indebtedness of any Group Company or the giving of any guarantee or indemnity to secure the obligations of any person other than another Group Company;
- (vii) the promotion or taking of any steps to effect a winding-up or dissolution of Andsberg or any Subsidiary or the passing of any resolution to liquidate it or to enter into a voluntary arrangement;
- (viii) the entry into of any contract or transaction outside the ordinary course of business or not on arm’s length terms (as determined in good faith by the Board) with any director or major shareholder (as defined in the Articles) or person connected with any of them which is material in the context of the Group and for these purposes “material” means any contract or transaction, or number of contracts and/or transactions, the aggregate value of which is equal to more than 5 per cent. of the

gross assets of the Group as shown in the last audited consolidated accounts of the Company and its Subsidiaries.

3.17 Dividends and Other Payments

1. Declaration of dividends

Subject to the Acts and the Articles, Andsberg may by ordinary resolution declare a dividend to be paid to the members according to their respective rights and interests, but no dividend may exceed the amount recommended by the board.

2. Interim dividends

Subject to the Acts, the board may declare and pay such interim dividends (including, without limitation, a dividend payable at a fixed rate) as appear to it to be justified by the profits of Andsberg available for distribution. No interim dividend shall be declared or paid on shares which do not confer preferred rights with regard to dividend if, at the time of declaration, any dividend on shares which do confer a right to a preferred dividend is in arrears. If the board acts in good faith, it does not incur any liability to the holders of shares conferring preferred rights for a loss they may suffer by the lawful payment of an interim dividend on shares ranking after those with preferred rights.

3. Entitlement to dividends

(A) Except as otherwise provided by the rights attached to, or the terms of issue of, shares:

- (i) a dividend shall be declared and paid according to the amounts paid up on the shares in respect of which the dividend is declared and paid, but no amount paid up on a share in advance of a call may be treated for the purpose of this article as paid up on the share; and
- (ii) dividends shall be apportioned and paid proportionately to the amounts paid up on the shares during any portion or portions of the period in respect of which the dividend is paid.

(B) Except as otherwise provided by the rights attached to shares, dividends may be declared or paid in any currency. The board may agree with any member that dividends which may at any time or from time to time be declared or become due on his shares in one currency shall be paid or satisfied in another, and may agree the basis of conversion to be applied and how and when the amount to be paid in the other currency shall be calculated and paid and for Andsberg or any other person to bear any costs involved.

4. Method of payment

The Articles provide for the method for the payment of dividends.

5. Payment of dividends in specie

The board may, with the prior authority of an ordinary resolution of Andsberg, direct that payment of a dividend may be satisfied wholly or in part by the distribution of specific assets and in particular of paid-up shares or debentures of another company. Where a difficulty arises in connection with the distribution, the board may settle it as it thinks fit and in particular, without limitation, may:

- (i) issue fractional certificates (or ignore fractions);
- (ii) fix the value for distribution of the specific assets (or any part of them);
- (iii) decide that a cash payment be made to a member on the basis of the value so fixed, in order to secure equality of distribution; and

- (iv) vest assets in trustees on trust for the persons entitled to the dividend as seems expedient to the board.

6. Capitalisation of profits

Subject to the Act and the provisions of the Articles, the board may, with the authority of an ordinary resolution of Andsberg:

- (i) resolve to capitalise an amount standing to the credit of reserves (including a share premium account, capital redemption reserve and profit and loss account), whether or not available for distribution;
- (ii) appropriate the sum resolved to be capitalised to the members in proportion to the nominal amount of ordinary shares (whether or not fully paid) held by them respectively and apply that sum on their behalf in or towards:
 - (a) paying up the amounts (if any) for the time being unpaid on shares held by them respectively; or
 - (b) paying up in full unissued shares or debentures of a nominal amount equal to that sum,

and allot the shares or debentures, credited as fully paid, to the members (or as they may direct) in those proportions, or partly in one way and partly in the other, but the share premium account, the capital redemption reserve and profits which are not available for distribution may, for the purposes of this article, only be applied in paying up unissued shares to be allotted to members credited as fully paid;

- (iii) make any arrangements it thinks fit to resolve a difficulty arising in the distribution of a capitalised reserve and in particular, without limitation, where shares or debentures become distributable in fractions the board may deal with the fractions as it thinks fit, including issuing fractional certificates, disregarding fractions or selling shares or debentures representing the fractions to a person for the best price reasonably obtainable and distributing the net proceeds of the sale in due proportion amongst the members (except that if the amount due to a member is less than US\$3.00, or such other sum as the board may decide, the sum may be retained for the benefit of Andsberg);
- (iv) authorise a person to enter (on behalf of all the members concerned) an agreement with Andsberg providing for either:
 - (a) the allotment to the members respectively, credited as fully paid, of shares or debentures to which they may be entitled on the capitalisation, or
 - (b) the payment by Andsberg on behalf of the members (by the application of their respective proportions of the reserves resolved to be capitalised) of the amounts or part of the amounts remaining unpaid on their existing shares,an agreement made under the authority being effective and binding on all those members; and
- (v) generally do all acts and things required to give effect to the resolution.

3.18 Accounts

1. Keeping and inspection of accounts

- (A) The board shall ensure that accounting records are kept in accordance with the Act. A

- (B) The accounting records shall be kept at the office or, subject to the Act, at another place decided by the board and shall be available during business hours for the inspection of the directors and other officers. No member (other than a director or other officer) has the right to inspect an accounting record or other document except if that right is conferred by the Act or he is authorised by the board or by an ordinary resolution of Andsberg.

3.19 Notices

1. Notices to be in writing or in electronic communication

A notice to be given to or by a person pursuant to the Articles (other than a notice convening a meeting of the board or of a committee of the board) shall be in writing or in an electronic communication and sent or delivered to an address for the time being notified for that purpose to the person giving the notice.

2. Service of notices and other documents on members

- (A) A notice or other document may be given to a member by Andsberg:

- (i) personally; or
- (ii) by sending it by post in a pre-paid envelope addressed to the member at his registered address; or
- (iii) by leaving it at that address (or at another address notified for the purpose) in an envelope addressed to the member; or
- (iv) by giving it by electronic communication to an address for the time being notified to Andsberg by the member for that purpose; or
- (v) by any other means authorised in writing by the member concerned.

- (B) In the case of joint holders of a share, a notice or other document shall be given to whichever of them is named first in the register in respect of the joint holding and notice given in this way is sufficient notice to all joint holders.

3. Notice by advertisement

If by reason of the suspension or curtailment of postal services in Jersey or the United Kingdom Andsberg is unable effectively to convene a general meeting by notices sent by post to those members who have not notified an address for electronic communications pursuant to the Articles, the board may, in its absolute discretion and as an alternative to any other method of service permitted by the Articles, resolve to convene a general meeting by a notice advertised in at least one United Kingdom national newspaper circulated in the United Kingdom and Jersey. In this case, Andsberg shall send confirmatory copies of the notice to those members by post if at least seven clear days before the meeting the posting of notices to addresses throughout Jersey or the United Kingdom, as appropriate again becomes practicable.

3.20 Winding Up

On a voluntary winding up of Andsberg the liquidator may, on obtaining any sanction required by law, divide among the members in kind the whole or any part of the assets of Andsberg, whether or not the assets consist of property of one kind or of different kinds, and vest the whole or any part of the assets in trustees upon such trusts for the benefit of the members as he, with the like sanction, shall determine. For this purpose the liquidator may set the value he deems fair on a class or classes of property, and may determine on the basis of that valuation and in accordance with the then existing rights of members how the division is to be carried out between members or classes of members. The liquidator may

not, however, distribute to a member without his consent an asset to which there is attached a liability or potential liability for the owner.

3.21 Indemnity of Officers and Power to Purchase Insurance

- (A) Subject to the Act, but without prejudice to any indemnity to which he may otherwise be entitled, every person who is or was a director, alternate director or secretary of Andsberg shall be and shall be kept indemnified out of the assets of Andsberg against all costs, charges, losses and liabilities incurred by him in the proper execution of his duties or the proper exercise of his powers, authorities and discretions including, without limitation, a liability incurred:
- (i) defending proceedings (whether civil or criminal) in which judgment is given in his favour or in which he is acquitted, or which are otherwise disposed of without a finding or admission of material breach of duty on his part; or
 - (ii) in connection with any application in which relief is granted to him by the court from liability for negligence, default, breach of duty or breach of trust in relation to the affairs of Andsberg.
- (B) Subject to the Act, the board may exercise all the powers of Andsberg to purchase and maintain insurance for the benefit of a person who is or was:
- (i) a director, alternate director, secretary or auditor of Andsberg or of a company which is or was a subsidiary undertaking of Andsberg or in which Andsberg has or had an interest (whether direct or indirect); or
 - (ii) trustee of a retirement benefits scheme or other trust in which a person referred to in sub-paragraph (B)(i) above is or has been interested,
- indemnifying him and keeping him indemnified against liability for negligence, default, breach of duty or breach of trust or other liability which may lawfully be insured against by Andsberg.

4. Tax Status

Jersey income tax

Andsberg has applied for exempt company status (“exempt company status”) under Article 123A of the Income Tax (Jersey) Law 1961, as amended (the “1961 Law”) for each of the years of assessment to Jersey income tax since its incorporation i.e., the years 2001, 2002 and 2003. A company entitled to exempt company status is treated for the purposes of the 1961 Law as not resident in Jersey and is not required to pay Jersey income tax other than on income arising in Jersey (excluding bank deposit interest) and on profits of its trade (if any) carried on through an established place of business in Jersey.

Andsberg is entitled to exempt company status provided: (i) it applies for such status (on an annual basis); (ii) it makes certain returns of information to the Comptroller of Income Tax in Jersey (the “Comptroller”); (iii) it pays a fee, currently £600 per annum; (iv) no person resident in Jersey has any beneficial interest in Andsberg; and (v) disclosure of the ultimate beneficial owners of the shares in Andsberg is made to the Jersey Financial Services Commission, all as required by Article 123A of the 1961 Law. In the event Andsberg were not entitled to exempt company status it would be liable to pay Jersey income tax. The current rate of Jersey income tax is 20 per cent.

The standard form of application for exempt company status requires, *inter alia*, that a declaration be made on behalf of Andsberg that no resident of Jersey has any beneficial interest in Andsberg. Andsberg intends to apply for exempt company status by making this declaration subject to and following Shareholder approval of the Demeger. It is anticipated that, for the purposes of any such

declaration made after the date of distribution of the Andsberg Shares to the Ordinary Shareholders, the directors of Andsberg will rely on the information provided by the register of members of Andsberg, on information elicited from a transferee on any transfer of shares in Andsberg taking place after such date and on an extra-statutory concession published by the Comptroller (which provides, *inter alia*, that where more than 10 persons are beneficially interested in an exempt company, an interest in up to 10 per cent. of the shares in that company will not be regarded as a beneficial interest). On that basis it is anticipated that Andsberg will be entitled to exempt company status in Jersey.

On 3 June 2003, the European Union Council of Economic and Finance Ministers reached political agreement on the adoption of a Code of Conduct on Business Taxation. Jersey is not a member of the European Union, however, the Policy & Resources Committee of the States of Jersey has announced that, in keeping with Jersey's policy of constructive international engagement, it intends to propose legislation to replace the Jersey exempt company regime by the end of 2008 with a general zero rate of corporate tax.

The foregoing summary is based on the law in effect on the date of this circular and extra-statutory concessions published by the Comptroller and current at that date.

5. Directors

At the date of this circular the board of Andsberg comprises Mr Jean-Paul Luksic, Mr Philip Adeane and Mr Ramon Jara. Each of them will resign from office upon the implementation of the Demerger and Mr Andrónico Luksic and Mr Guillermo Luksic Craig will be appointed to the Board of Andsberg. There are no existing or proposed service contracts between Andsberg or any of its subsidiaries and any of its directors or proposed directors.

6. Auditors

It has not yet been determined who will be the auditors of Andsberg, however, it is anticipated that one of the major global firms of accountants will be appointed to this role as soon as practicable following the Extraordinary General Meeting and the approval of Shareholders of the Demerger.

PART VII

Additional Information

1. Responsibility Statement

The Directors of Antofagasta, whose names are set out on page 5 of this circular, accept responsibility for the information contained in this circular. To the best of the knowledge and belief of the Directors, who have taken all reasonable care to ensure that such is the case, the information contained in this circular is in accordance with the facts and does not omit anything likely to affect the import of such information.

2. Directors and other interests

- (a) The interests, all of which are beneficial, of the Directors and of their families in the issued share capital of the Company which have been notified to the Company pursuant to section 324 or 328 of the Act or which are required to be entered into the register maintained under section 325 of the Act or, so far as the Directors know and which could with reasonable due diligence be ascertained, which are interests of persons connected (within the meaning of section 346 of the Act) with a Director were, as at 1 September 2003 (the latest practicable date prior to the posting of this circular), as follows:–

	<i>Number of Ordinary Shares</i>	<i>Percentage of Ordinary Share capital</i>	<i>Number of Preference Shares</i>	<i>Percentage of Preference Share capital</i>
Dolberg Finance Corporation	100,000,000	50.72%	1,882,396	94.12%
Lanzville Investment Establishment	27,863,408	14.13%	–	–
AA Luksic	346,838	0.17%	–	–
PJ Adeane	20,000	0.01%	–	–
CH Bailey	13,000	0.01%	–	–

- (b) Save as disclosed in this paragraph 2, no Director (or any person connected with any of them within the meaning of Section 348 of the Act) has any interest, beneficial or non-beneficial, in the share capital of the Company or any other member of the Group.
- (c) Save as set out below, the Company has not been notified of any interest pursuant to section 198 of the Act and is not aware of any interest which represents three per cent. or more of the Ordinary or Preference Shares.

	<i>Number of Ordinary Shares</i>	<i>Percentage of Ordinary Share capital</i>	<i>Number of Preference Shares</i>	<i>Percentage of Preference Share capital</i>
Dolberg Finance Corporation	100,000,000	50.72%	1,882,396	94.12%
Lanzville Investment Establishment	27,863,408	14.13%	–	–
Genesis Asset Management Limited	14,432,604	7.32%	–	–
Capital International	6,876,900	3.49%	–	–

- (d) No Director has or has had any interest in any transaction which is or was unusual in its nature or conditions or is or was significant to the business of the Group and which was effected by any member of the Group during the current or immediately preceding financial year or which was effected by any member of the Group during an earlier financial year and remains in any respect outstanding or unperformed.
- (e) Mr. Jean-Paul Luksic, Mr. Gonzalo Menéndez and Mr. Philip Adeane are each non-executive directors of Quiñenco.

3. Directors service contracts

Mr. Jean-Paul Luksic has an employment contract with Antofagasta Minerals S.A. as Chief Executive Officer which may be terminated on one month's notice by that company. Save as aforesaid, there are no existing or proposed service contracts between the Company or any of its subsidiaries and any of its Directors.

4. Taxation

United Kingdom resident individuals

The following paragraphs, which are intended as a general guide only, are based on current United Kingdom taxation legislation and Inland Revenue practice as at the date of this circular (which may change).

The following paragraphs summarise advice received by Antofagasta as to the position of Ordinary Shareholders who are resident or ordinarily resident in the United Kingdom for tax purposes and who hold their Ordinary Shares beneficially as an investment otherwise than under a personal equity plan or ISA. Individuals should make the necessary disclosures, which will depend on whether they choose to retain their Andsberg Shares or have them redeemed, on their UK self assessment tax returns.

The tax treatment of non-United Kingdom resident Ordinary Shareholders may differ from that described in the following paragraphs. In particular, non-United Kingdom resident Ordinary Shareholders will generally not be subject to tax in the United Kingdom in respect of any gain accruing to them as a result of the Demerger although they may be subject to tax in another jurisdiction.

The tax advice below does not relate to Shareholders who are share dealers, charities or persons with special tax status. **If Shareholders are in any doubt about their tax position, or they are not resident or ordinary resident in the United Kingdom, they should consult a professional adviser on their tax position.**

Antofagasta is not resident in the United Kingdom for tax purposes and dividends paid by Antofagasta are treated in the same way as dividends you may receive from any other foreign company.

(a) Receipt of Special Dividend

The Special Dividend, the amount of which for United Kingdom Tax purposes will be the market value of the Andsberg Shares received, is taxable in the United Kingdom as "equivalent foreign income" within Section 1A Income and Corporation Taxes Act 1988. The rate at which you will pay tax will depend upon various circumstances including, in particular, the amount of other income you receive during the year.

The Company will be approaching the UK Inland Revenue in order to try to obtain an advance agreement of the valuation of the Special Dividend in order to obtain certainty of the amount subject to taxation in the hands of UK Shareholders. The Company will notify Shareholders if such agreement is reached.

For individual Shareholders who are domiciled and tax resident in the United Kingdom the tax position is as follows:

- (i) If you do not pay tax, you have no further tax to pay, provided the amount of the Special Dividend received does not take your total income into either the basic tax rate band or the higher tax rate band.
- (ii) If you are a basic rate taxpayer, you have a further liability to United Kingdom tax of 10 per cent. of the market value of the Andsberg Shares received, which is expected to be approximately equal to the gross amount shown on your dividend voucher.
- (iii) If you are a higher rate taxpayer, you have a further liability to United Kingdom tax of 32.5 per cent. of the market value of the Andsberg Shares received, which is expected to be approximately equal to the gross amount shown on your dividend voucher.

(b) **Redemption of Andsberg Shares**

Individuals whose Andsberg Shares are redeemed for cash will be subject to United Kingdom capital gains tax. The amount of the actual liability to United Kingdom capital gains tax will depend on the individual circumstances of the Ordinary Shareholder concerned (including the availability of exemptions, reliefs and allowable losses).

Before taking account of any exemptions, reliefs and losses, the amount of the capital gain which is subject to tax will be calculated as the redemption proceeds (or sterling equivalent if redeemed in a currency other than sterling) less the amount of income brought into charge on receipt of the Special Dividend. If Andsberg Shares are redeemed immediately for the same value as the amount of income brought into charge to United Kingdom tax on receipt of the Special Dividend, then no capital gain shall arise.

Shareholders who have capital losses available may offset these against any capital gain arising. Taper relief may be available to further reduce the amount of taxable capital gain realised on the redemption, depending on the length of time between receipt of the shares and their redemption. Taper relief may not create or increase any allowable loss.

Shareholders will be entitled to an annual capital gains tax exemption, which for the tax year 2003/2004 amounts to £7,900. Shareholders should note that the annual capital gains tax exemption is an annual exemption available in respect of the total chargeable gains of an individual in the relevant tax year. This exemption may not be transferred between spouses.

(c) **Ongoing effect of holding Andsberg Shares**

(i) *Tax Implications of receiving dividends*

Any dividends that you may receive in respect of your Andsberg Shares will be subject to income tax. Any dividend received from Andsberg is taxable in the United Kingdom as “equivalent foreign income” within Section 1A Income and Corporation Taxes Act 1988.

There is no withholding tax on dividends paid in Jersey.

For Shareholders domiciled and tax resident in the United Kingdom the tax position is as follows:

- (i) If you do not pay tax, you have no further tax to pay, provided the amount of the dividend received does not take your total income into either the basic tax rate band or the higher tax rate band.
- (ii) If you are a basic rate taxpayer, you have a further liability to United Kingdom tax of 10 per cent. of the amount of dividend received.

- (iii) If you are a higher rate taxpayer, you have a further liability to United Kingdom tax of 32.5 per cent. of the amount of dividend received.

(ii) Tax Implications of a future disposal of Andsberg Shares

Individuals whose Andsberg Shares are disposed for cash will be subject to United Kingdom capital gains tax. The amount of the actual liability to United Kingdom capital gains tax will depend on the individual circumstances of the Shareholder concerned (including the availability of exemptions, reliefs and allowable losses).

Before taking account of any exemptions, reliefs and losses, the amount of the capital gain which is subject to tax will be calculated as the disposal proceeds (or sterling equivalent if disposed in a currency other than sterling) less the amount of income brought into charge to United Kingdom tax on receipt of the Special Dividend and less any costs of disposal.

Shareholders who have capital losses available may offset these against any capital gain arising. Taper relief may be available to further reduce the amount of taxable capital gain realised on the disposal, depending on the length of time between receipt of the Andsberg Shares by way of the Special Dividend and their disposal. Taper relief may not create or increase any allowable loss.

Shareholders will be entitled to an annual capital gains tax exemption, which for the tax year 2003/2004 amounts to £7,900 (may change in future tax years). Shareholders should note that the annual capital gains tax exemption is an annual exemption available in respect of the total chargeable gains of an individual in the relevant tax year. This exemption may not be transferred between spouses.

Chilean resident individuals

This section is a general guide only to the position under Chilean taxation legislation and practice current as at the date of this circular (which may change). The following paragraphs summarise advice received by Antofagasta as to the position of Ordinary Shareholders who are resident in Chile for tax purposes and who hold their Ordinary Shares beneficially as an investment. The tax treatment of non-Chilean resident Ordinary Shareholders may differ from that described in the following paragraphs. In particular, non-Chilean resident Ordinary Shareholders will generally not be subject to tax in Chile in respect of any gain accruing to them as a result of the Demerger. If you are in doubt about your tax position, or you are not resident or ordinarily resident in Chile, you should consult your professional adviser on your tax position.

(a) Receipt of Special Dividend

The Special Dividend, the amount of which for Chilean Tax purposes will be the market value of the Andsberg Shares received, is taxable in Chile as ordinary income in the year in which it is received. The rate at which you will pay tax will depend upon various circumstances including, in particular, the amount of other income you receive during the year.

(b) Redemption of Andsberg Shares

Gains made by individuals whose Andsberg Shares are redeemed will be subject to tax in Chile as ordinary income. The rate at which you will pay tax will depend upon your own personal various circumstances including, in particular, the amount of other income you receive during the year. The amount of the gain is calculated as the redemption proceeds less the cost base in the Andsberg Shares.

(c) Ongoing effect of holding Andsberg shares

Any dividends that you receive in respect of your Andsberg Shares will be taxable in Chile as ordinary income in the year in which they are received.

A gain made by an individual on a future disposal of Andsberg Shares will be subject to tax in Chile as ordinary income. The amount of the gain will be the sale proceeds less the cost base in the Andsberg Shares less any costs of disposal. The rate at which you will pay tax will depend on your own personal circumstances including, in particular, the amount of other income you receive in the year of disposal.

US Shareholders

The US federal income tax consequences summarized below are for general information only. Each Ordinary Shareholder should consult his or her tax advisor as to the particular consequences of the receipt of the Special Dividend and any distribution, sale, redemption or other taxable disposition of Andsberg Shares that may apply to such Shareholder, including the application of state, local, non-US and other federal tax laws.

(a) Receipt of Special Dividend

Generally, US Shareholders will be required to include in gross income as ordinary income the gross amount of the Andsberg Shares received to the extent that the distribution is paid out of Antofagasta's current or accumulated earnings and profits as determined for US federal income tax purposes (a "dividend"). Distributions in excess of the current and accumulated earnings and profits will be applied first to reduce the US Shareholder's tax basis in its Ordinary Shares, and thereafter will constitute gain from the sale or other taxable disposition of such stock. Antofagasta is required to calculate its earnings and profits under US federal income tax principles. US Shareholders generally will take a tax basis in the Andsberg Shares received equal to the fair market value of such shares on the date of distribution, and the holding period for such shares should generally begin with the date of distribution.

(b) Distributions on Andsberg Shares

Subject to the discussion below under "Passive Foreign Investment Company Provisions," in general, US Shareholders will be required to include in gross income as ordinary income the gross amount of any distribution on the Andsberg Shares to the extent that the distribution is paid out of Andsberg's current or accumulated earnings and profits as determined for US federal income tax purposes (a "dividend"). Distributions in excess of the current and accumulated earnings and profits will be applied first to reduce the US Shareholder's tax basis in its Andsberg Shares, and thereafter will constitute gain from the sale or other taxable disposition of such stock. Andsberg is required to calculate its earnings and profits under US federal income tax principles.

(c) Redemption, or Subsequent Sale or Other Taxable Disposition of Andsberg Shares

Subject to the discussion below under "Passive Foreign Investment Company Provisions," a US Shareholder generally will recognise a gain or loss for US federal income tax purposes upon the redemption, sale, or other taxable disposition of such Andsberg Shares in an amount equal to the difference between the amount realised from such redemption, sale, or other taxable disposition and the US Shareholder's adjusted tax basis in such Andsberg Shares. The gain or loss will generally be capital in nature. In the case of an individual US Shareholder, the maximum marginal US federal income tax rate applicable to such gain will be lower than the maximum marginal US federal income tax rate applicable to ordinary income if such US Shareholder's holding period for such Andsberg Shares exceeds twelve months.

Passive Foreign Investment Company Provisions

A foreign corporation is a passive foreign investment company, PFIC, if either (1) at least 75 per cent. or more of its gross income for the taxable year is passive income, or (2) the average percentage of assets held by such corporation during the taxable year which produces passive

income or which is held for the production of passive income is at least 50 per cent. For purposes of applying the tests in the preceding sentence, the foreign corporation is deemed to own its proportionate share of the assets, and to receive directly its proportionate share of the income, of any other corporation of which the foreign corporation owns, directly or indirectly, at least 25 per cent. by value of the stock. In addition, special rules provide that for the purposes of determining whether a foreign corporation is a PFIC, “qualified stock” held by certain domestic corporate subsidiaries of the foreign corporation is treated as an asset which does not produce passive income (and is not held for the production of passive income), and any amount included in gross income with respect to such stock is treated as active income.

Because the determination of PFIC status must be made on an annual basis, and will depend on the composition of the income and assets, as well as the nature of the activities, of Andsberg and its subsidiaries, from time to time, there can be no assurance that Andsberg will not be considered a PFIC for any taxable year. Moreover, neither an opinion from counsel nor a ruling from the US Internal Revenue Service will be obtained regarding whether Andsberg is or will be a PFIC.

The highly complex rules that apply to PFIC’s are generally intended to end the ability under prior law of all direct and indirect US holders of PFIC stock to defer federal income tax with respect to the earnings of the PFIC until distributions are received from the PFIC or the shares of the PFIC are sold. Classification of a foreign corporation as a PFIC can have various adverse US tax consequences to US holders. These include taxation of gain on a sale or other disposition of the shares of the corporation (possibly including a disposition by way of gift or exchange in a corporate reorganisation, or the grant of the stock as security for a loan) at ordinary income rates and imposition of an interest charge on gain or on distributions with respect to the shares. Accordingly, if Andsberg is classified as a PFIC, such classification could change the tax consequences of the distributions, sales or exchanges described above. Moreover, a step-up in the tax basis of the stock of a PFIC may not be available upon the death of an individual US holder.

5. Subscription Agreement

On 1 September 2003, Andsberg, Dolberg and Antofagasta entered into a Subscription Agreement (the “Subscription Agreement”) under which Dolberg agreed to subscribe in cash at a subscription price of US\$1.11 per share for such number of new non-redeemable ordinary shares of Andsberg as are necessary to be issued for cash to redeem an equivalent number of Andsberg Shares following the exercise of Redemption Rights by Ordinary Shareholders. The Subscription Agreement is conditional only upon the approval by Shareholders of the Resolution. Antofagasta is a party to this Subscription Agreement only for the purpose of enforcing the obligations of Dolberg. Any decision by Antofagasta to enforce such obligation will be taken solely by the Committee of the Board.

6. Registration Rights Novation Agreement

In 1996 Antofagasta and Quiñenco entered into a Registration Rights Agreement (the “Agreement”) pursuant to which Antofagasta has the right, subject to certain conditions, to require that Quiñenco arrange for the shares of Quiñenco owned by the Group to be registered for sale to the public in the United States under the U.S. Securities Act of 1933. On 1 September 2003, Antofagasta, Quiñenco and Andsberg entered into an agreement (the “Registration Rights Novation Agreement”) under which, conditional only upon approval by Shareholders of the Resolution, all of Antofagasta’s rights and obligations under the Agreement will be novated to and assumed by Andsberg.

7. Consents

Cazenove has given and not withdrawn its written consent to the issue of this circular with the inclusion herein of references to its name in the form and context in which they appear.

14.1(i)

8. Miscellaneous

- (a) A copy of this circular has been delivered to the Jersey Registrar of Companies in accordance with Article 5 of the Companies (General Provisions) (Jersey) Order 2002, and he has given, and has not withdrawn, his consent to its circulation.
- (b) It must be distinctly understood that, in giving such consent, neither the Jersey Registrar of Companies nor the Jersey Financial Services Commission takes any responsibility for the financial soundness of Andsberg or for the correctness of any statements made, or opinions expressed, with regard to it.

9. Documents available for inspection

Copies of the following documents will be available for inspection at the registered office of the Company, Park House, 16 Finsbury Circus, London EC2M 7AH and the offices of Clifford Chance LLP, 10 Upper Bank Street, London E14 5JJ during normal business hours on any weekday (Saturdays, Sundays and public holidays excepted) from the date of this circular up to and including 1 October 2003:

- (a) the Memorandum and Articles of Association of Antofagasta and Andsberg;
- (b) the published audited statutory accounts of Quiñenco for the three financial years ended 31 December 2002;
- (c) the interim results of Quiñenco for the six months ended 30 June 2003 and the six months ended 30 June 2002;
- (d) the interim results of Antofagasta for the six months ended 30 June 2003;
- (e) the Subscription Agreement referred to in paragraph 5 and the Registration Rights Novation Agreement referred to in paragraph 6 of this Part VII;
- (f) the letter of consent referred to in paragraph 7 of this Part VII;
- (g) the confirmation from Mr Andrónico Luksic referred to in paragraph 8 of Part II; and
- (h) this circular.

2 September 2003

ANTOFAGASTA PLC

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an Extraordinary General Meeting of Antofagasta plc will be held at the Armourers' Hall, 81 Coleman Street, London EC2R 5BJ at 10.30 a.m. on 1 October 2003 for the purpose of considering and, if thought fit, passing the following Resolution which will be proposed as an Ordinary Resolution, namely:

ORDINARY RESOLUTION

THAT a special dividend in respect of the ordinary shares of the Company of US\$15,960,589 (being the book value of the Company's investment in Andsberg Limited) be and is hereby declared and that the Directors, in accordance with Article 144 of the Company's Articles of Association, shall and are hereby authorised to satisfy such dividend by the distribution to ordinary shareholders of the Company, pro rata in accordance with their respective holdings of ordinary shares, of all the issued redeemable ordinary shares of Andsberg Limited held by the Company on the basis described in the circular to shareholders of the Company dated 2 September 2003 and THAT the Directors be and are hereby authorised to give effect to this resolution on such terms as they think expedient in accordance with the aforesaid Article 144.

By Order of the Board,
PETERSHILL SECRETARIES LIMITED
Secretary

Dated 2 September 2003

Registered Office

Park House
16 Finsbury Circus
London EC2M 7AH

Notes:

1. A member entitled to attend and vote at the above meeting may appoint one person to attend and on a poll to vote in his place. A proxy need not be a member of the Company.
2. To be valid, the applicable Form of Proxy and the Power of Attorney or other authority, if any, under which it is signed or a notorially certified copy thereof, must be lodged with the Registrars of the Company, Computershare Investor Services PLC, PO Box 1075, The Pavilions, Bristol BS99 3FA, no later than 10.30 a.m. on 9 September 2003.
3. The Company specifies, pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, that only those shareholders registered in the register of members of the Company as at close of business on 29 September 2003 shall be entitled to attend and vote at the meeting in respect of the number of shares registered in their name at that time. Changes to entries in the register after close of business on 29 September 2003 will be disregarded in determining the right of any person to attend or vote at the meeting.

