

**Comments made by Mr Jean-Paul Luksic, Deputy Chairman
at the Annual General Meeting – 13 June 2002**

I would like to give an update on the Group's activities since the beginning of the year and in particular since the Annual Report was issued last month. I am pleased to report that the Group is on track to achieve the production forecasts we made in the Preliminary Results Announcement in March this year.

As you may have read in the papers recently, on June 4 the central region of Chile, including Santiago, experienced the heaviest rains, storms, and flooding for over 100 years. The meteorologists say that El Niño was the culprit but regardless of the causes, the operations at Los Pelambres were seriously affected for three days. The main damage was caused by mudslides which ruptured a 30 metre section of the concentrates pipeline, which runs 120 kilometres from the concentrator at the mine down to the coast. At the same time high winds and torrential rain brought down power lines and supply to the mine site was interrupted for three days and approximately 2500 tonnes of copper production was lost during this period. However, normal operations were resumed on June 8.

It might be relevant to mention that we had always anticipated that Los Pelambres could be affected, from time to time, by extreme weather conditions due to its high altitude location. However, we are pleased that the construction layout and overall planning of the mine complex has proved itself to be robust under extreme weather conditions.

Los Pelambres is still on course to produce about 330,000 tonnes of payable copper in concentrates in 2002 and although cash costs will increase in the following months due to lower ore grades, these are still expected to be under 40.0 cents per pound for the year. During the past year, Los Pelambres has continued to optimise its operations and ore throughput in 2002 is expected to increase to an average of 112,000 tonnes per day, rising to 120,000 in 2003. The mining division is developing the basic engineering studies to evaluate a future large scale expansion to 175,000 tonnes per day and an environmental impact study will be submitted to the relevant authorities in the second half of this year.

A recent positive development for Los Pelambres has been the sharp increase, since the beginning of the month, in the price of molybdenum which is an important by-product for the mine. The price of molybdenum oxide has increased by over 300% since the beginning of the year and if the 'spike' continues the additional revenues will have a favourable impact on cash costs at Los Pelambres. The latest weekly price at which Los Pelambres has sold its production of molybdenum has been at the level of US\$8.00 per pound compared with average prices of around US\$2.30 last year. With luck, the present price levels could hold for two or three months, which has happened in the past, before reverting to previous much lower levels.

Production at El Tesoro has increased steadily to the rate of 85,000 tonnes of copper cathodes per year which will be maintained until at least 2005. Cash costs remain under 40.0 cents per pound and are within the expected costs levels for 2002 and confirm its position as one of the lowest cost producers in the industry. El Tesoro is currently involved in a re-financing of its Senior Debt, which will have cost savings and less restrictive covenants.

Michilla's cost reduction programme which started in October last year has been successful and is continuing. Cash costs have been contained at under 60.0 cents per pound. Increased crushing capacity and improved recoveries should enable Michilla to reach its target of 52,000 tonnes of copper cathodes during the year.

Turning to exploration which remains an important element of our mining strategy, we announced last week that Antofagasta and CVRD had agreed an exploration joint-venture in Peru. To give a little background, CVRD which is based in Rio de Janeiro, is the world's largest producer and exporter of iron ore. The agreement with them covers mining exploration in an extended area of 60,000 square kilometres near Cusco and will enable CVRD to acquire 50% of the joint venture company after spending US\$6.7 million over the next three years. The effect will be to boost Antofagasta's exploration efforts in Peru at no cost and will give CVRD greater exposure to copper mining in Latin America and we are pleased to have them as partners in this venture. In the meantime our exploration programmes have continued both in Chile – in particular the area surrounding El Tesoro mine concentrating on the Esperanza project – and also in Peru where an independent valuation is being obtained for our 51% interest in the Magistral copper project, which although an excellent project suitable for development as a medium size copper-molybdenum mine, did not meet Antofagasta's minimum size criteria.

Finally, I would like to mention the Railway, which was the origin of the Group and which continues to provide efficient and reliable transportation services to the mining sector in the Antofagasta region. Over the years, the Railway has expanded its operations and now provides integrated rail and road transportation services as well as warehousing, stevedoring and distribution of diverse products ranging from cement to beer to sulphuric acid to our mining and industrial customers. Once again, The FCAB and its road transport subsidiary TRAIN set new tonnage records for the eighth consecutive year in 2001. Rail shipments are presently about 10% up and road shipments up 20% so far this year. We anticipate 2002 will be another record year.

Looking to the future the Railway is cautiously optimistic about several new mining projects and expansions which are moving forward in Chile and Bolivia and may come on stream in the next 2 or 3 years. Due to its excellent service record and extensive rail network the FCAB can hold its position as the service provider of choice in the region. The new port at Mejillones, which is expected to be in operation in October or November next year will present new challenges for the FCAB as some of its customers will probably opt to use the new facilities at Mejillones in preference to Antofagasta. However, there will be new business opportunities such as CODELCO's 800,000 tonnes capacity smelter and copper refinery facility at Mejillones as it begins to take shape over the next three years. The possibility of exporting Bolivian gas to the Pacific Coast of the United States through a Chilean

port, probably Mejillones, will be another important business opportunity in the near future as more than 700 kilometres of pipe will have to be transported from the ports of Antofagasta and Mejillones, to connect with Tarija in Bolivia which is located southeast of Potosi near the border with Argentina.

Copper prices have improved from 70 cents per pound at the beginning of May to almost 76 cents to-date in June. As we stated in the Annual Report we expect copper prices to fluctuate in the range of 70 to 80 cents this year. However, the recent strength supports a slightly more optimistic outlook for the second half which is in line with some industry analysts. Overall, the Group's prospects for 2002 are very sound.

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