

27 July 2005

## Highlights

- **Group cash costs remain at a record low due to continued high molybdenum prices.**
- **Group production in Q2 was 108,500 tonnes compared with 118,900 tonnes in Q1.**
- **Molybdenum production at Los Pelambres increased to 2,500 tonnes in Q2 compared with 2,200 tonnes in Q1.**

Group Total	Q1 2005	Q2 2005	Q3 2005	Q4 2005	Acc 2005	Acc 2004	Full Year 2004
Total copper production ('000 tonnes)	118.9	108.5			227.4	235.4	498.4
Weighted average cash costs (cents per pound)	(7.9)	(9.6)			(8.7)	31.2	24.3

### Los Pelambres

Los Pelambres produced 74,400 tonnes of payable copper in Q2, 7.7% less than in the previous quarter. This reduction was due both to lower ore throughput as a result of planned maintenance carried out in June as well as the lower ore grade expected in the current sequence of the mine plan. Production in the first six months of the year reached 154,900 tonnes whilst shipments, due to timing differences, were 150,600 tonnes.

Molybdenum production rose from 2,200 tonnes in Q1 to 2,500 tonnes in Q2, due to better grades and recoveries. Molybdenum prices also increased, with market prices averaging US\$35.3 per pound compared with US\$31.4 per pound in Q1. The by-product credit reached 126.8 cents per pound of copper produced, 16.9 cents above Q1.

The significant by-product credit outweighed underlying costs by 50.6 cents (i.e. negative cash costs) compared with -45.9 cents in Q1. Increased underlying costs were affected by the lower production volume as well as higher treatment and refining charges due to a significant volume of spot sales in June.

### El Tesoro

El Tesoro produced 23,600 tonnes in Q2, 10.3% lower than in the previous quarter mainly due to reduced ore throughput while additional processing capacity was installed. In addition, the SX-EW plant suffered a temporary stoppage in June due to a rupture in the raffinate pipeline which has since been resolved. Nevertheless, these factors were partly offset by the higher ore grade in the quarter in line with the mine plan.

Cash costs increased 2.3 cents per pound compared to the previous quarter to reach 60.1 cents per pound in Q2 in line with expectations. The higher cash cost was due to the lower production level and higher costs arising from a higher waste-to-ore ratio, fuel costs and acid costs.

El Tesoro is continuing to seek environmental approval for the crushing plant expansion which may delay its implementation and could marginally impact the current production forecast of 99,000 tonnes for 2005 by up to 5,000 tonnes.

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## **Michilla**

Production in Q1 was 10,600 tonnes, 11.7% below the previous quarter. The decrease was mainly due to the lower ore grade as a result of operational factors in the underground mine referred to in last quarter's report as well as lower grades in the Lince open pit. In addition the ore processing level was lower this quarter due to a difficulty with the secondary crushing system.

Cash costs reached 123.2 c/lb in Q2, 20.8 cents per pound over the previous quarter due primarily to lower production and increases in acid, fuel and reagent prices.

## **Transport**

Total tonnage transported (both rail and road) in the first half of 2005 reached 2.9 million tons which represents an increase of 4% compared to the same period last year.

## **Water**

Water sales in the first half of 2005 increased 3.3% to 16.6 million cubic metres in comparison with the same period last year.

Los Pelambres	Q1 2005	Q2 2005	Q3 2005	Q4 2005	Acc 2005	Acc 2004	Full Year 2004
Daily average ore treated ('000 tonnes)	129.0	124.0			126.5	121.4	125.9
Average ore grade (%)	0.79	0.77			0.78	0.88	0.88
Average recovery (%)	91.0	90.2			90.6	88.1	89.1
Concentrate produced ('000 tonnes)	222.0	202.6			424.6	453.5	948.8
Average concentrate grade (%)	37.5	38.6			38.0	37.6	38.2
Fine copper in concentrate ('000 tonnes)	83.3	76.9			160.3	170.7	362.6
Payable copper in concentrate ('000 tonnes)	80.6	74.4			154.9	165.0	350.6
Payable moly ('000 tonnes)	2.2	2.5			4.7	3.7	7.9
Cash costs (before by-product) (cents per pound)	64.0	76.2			69.9	53.1	53.7
By - product credits (cents per pound)	(109.9)	(126.8)			(118.0)	(35.0)	(45.8)
Cash costs (cents per pound)	(45.9)	(50.6)			(48.1)	18.0	7.9

El Tesoro	Q1 2005	Q2 2005	Q3 2005	Q4 2005	Acc 2005	Acc 2004	Full Year 2004
Daily average ore treated ('000 tonnes) *	26.3	22.9			24.6	24.2	25.4
Average ore grade (%)	1.34	1.41			1.37	1.34	1.35
Average recovery (%)	82.4	81.8			82.1	78.2	78.1
Copper cathodes ('000 tonnes)	26.3	23.6			49.9	46.9	97.8
Cash costs (cents per pound)	57.8	60.1			58.9	50.5	52.4

<b>Michilla</b>	Q1 2005	Q2 2005	Q3 2005	Q4 2005	Acc 2005	Acc 2004	Full Year 2004
Daily average ore treated ('000 tonnes)	15.3	14.5			14.9	15.9	16.1
Average ore grade (%)	1.09	0.99			1.04	1.08	1.11
Average recovery (%)	76.1	75.7			75.9	75.1	75.4
Copper cathodes ('000 tonnes) *	12.0	10.6			22.6	23.5	50.0
Cash costs (cents per pound)	102.4	123.2			112.2	84.7	85.6

<b>Transport</b>	Q1 2005	Q2 2005	Q3 2005	Q4 2005	Acc 2005	Acc 2004	Full Year 2004
Rail tonnage transported ('000 tons)	1,126	1,090			2,216	2,132	4,479
Road tonnage transported ('000 tons)	348	379			728	698	1,414

<b>Water</b>	Q1 2005	Q2 2005	Q3 2005	Q4 2005	Acc 2005	Acc 2004	Full Year 2004
Water volume sold – potable and untreated ('000 m <sup>3</sup> ) *	8,315	8,242			16,557	16,025	32,575

(\*) Note : Minor adjustments have been made to the Q1 2005 figures previously reported for El Tesoro daily average ore treated, Michilla copper cathodes (and therefore group copper production and group cash cost) and water sales.