

Adoption of International Financial Reporting Standards and Restatements for 2004

London, 13 September 2005

Introduction

For 2004 and previous years, Antofagasta plc has prepared its consolidated financial statements under UK generally accepted accounting principles (“UK GAAP”). In accordance with EU Regulations, Antofagasta is required to adopt International Financial Reporting Standards (“IFRS”) for accounting periods beginning on or after 1 January 2005 and prepare its consolidated financial statements on an IFRS basis.

Antofagasta will report under IFRS, for the first time, in its interim results for the six months to 30 June 2005 (due for release on 13 September 2005). Its first full financial statements under IFRS will be in its 2005 Annual Report. The IFRS results for the 2005 half year and the 2005 full year will include comparative IFRS information for the relevant corresponding periods in 2004.

This statement is a brief summary of how Antofagasta’s 2004 consolidated results, both for the half year and full year, are affected by the change to IFRS. The introduction of IFRS does not affect the cash flow generation of Antofagasta’s businesses or its borrowing arrangements and therefore will not affect any commercial decisions taken by the Group.

Headline impacts

The impact of the transition from UK GAAP to IFRS on headline numbers is as follows:

	2004 Half Year			2004 Full Year		
	UK GAAP	Adjustments	IFRS	UK GAAP	Adjustments	IFRS
	US\$'m	US\$'m	US\$'m	US\$'m	US\$'m	US\$'m
Turnover	767.7	(14.3)	753.4	1,908.7	33.4	1,942.1
EBITDA	524.6	(18.9)	505.7	1,328.8	27.9	1,356.7
Profit before tax	438.9	(23.5)	415.4	1,162.7	35.8	1,198.5
Net earnings	222.3	(14.8)	207.5	558.3	21.2	579.5
	US\$'m	US\$'m	US\$'m	US\$'m	US\$'m	US\$'m
Net assets	1,539.4	27.8	1,567.2	1,911.6	158.4	2,070.0
Net equity	1,079.5	29.1	1,108.6	1,322.7	142.8	1,465.5
	cents	cents	cents	cents	cents	cents
Earnings per share	112.7	(7.5)	105.2	283.1	10.8	293.9

Principal adjustments to net earnings and net equity

The principal adjustments to net earnings (profit after tax and minorities) and net equity (excluding minority interests) are as follows:

	2004 Half Year		2004 Full Year	
	Net earnings	Net equity	Net earnings	Net equity
	US\$'m	US\$'m	US\$'m	US\$'m
UK GAAP	222.3	1,079.5	558.3	1,322.7
Mark-to-market of provisionally priced sales	(11.7)	2.0	12.0	25.7
Mark-to-market of financial derivatives	4.3	(3.1)	6.2	(1.2)
Exchange differences on intra-group items	(7.7)	-	0.5	-
Reversal of proposed ordinary dividends	-	29.6	-	126.2
Other items	0.3	0.6	2.5	(7.9)
IFRS	207.5	1,108.6	579.5	1,465.5

The principal adjustments to the Group's reported financial information from the adoption of IFRS are:

- **Mark-to-market of provisionally priced sales**

Under IFRS, copper and molybdenum sales, which remain open as to pricing at a period end, are marked-to-market at each balance sheet date. Under UK GAAP, the Group's accounting treatment was to value sales, which remain open as to final pricing at the period end, in aggregate at the lower of provisional invoice prices and mark-to-market prices at the balance sheet date. Such sales may remain open for up to six months from initial invoicing and this change in accounting treatment mainly results in short-term timing differences in profit recognition.

- **Mark-to-market of financial derivatives**

The Group uses derivative financial instruments to reduce exposure to foreign exchange, interest rate and commodity price movements, and does not use such instruments for trading or speculative purposes. The Group has not adopted the hedge accounting provisions of IAS 39 "Financial Instruments: Recognition and Measurement"; therefore under IFRS, the Group marks-to-market all financial derivatives at each balance sheet date with gains and losses included in net profit. Under UK GAAP, derivatives were held off the balance sheet, and gains and losses were matched in the income statement against items intended to be hedged. This change also affects the timing of profit recognition, depending on the maturity period of any derivative instruments held.

- **Exchange differences taken to the income statement**

Under IFRS, certain exchange gains or losses previously taken to reserves are now required to be taken to the income statement. These include exchange differences on intra-group financing balances (subject to certain limited exceptions), retranslation of preference share capital and settlement of those ordinary dividends which are paid in sterling. Under UK GAAP, the Group took such differences to reserves. This change has no effect on the balance sheet or net equity, as such gains or losses are offset by corresponding exchange differences on the translation of any foreign currency balance sheets of Group entities included in the consolidated financial statements.

- **Reversal of proposed ordinary dividends**

Under IFRS, ordinary dividends are recognised only when they are legally payable. Therefore proposed dividends previously included in the balance sheet under UK GAAP have been reversed and are accounted for in the period in which they are formally approved. This change has no effect on net earnings in any period.

- **Other adjustments**

Further explanations of other adjustments are given in the detailed IFRS Restatement. These include:

- use of historical rates rather than period end closing rates to translate non-US dollar denominated ordinary share capital and share premium;
- reclassification of preference shares to borrowings and of preference dividends to finance costs;
- use of actuarial valuations to measure severance indemnity provisions;
- change of functional currency of the Group's Chilean railway operation to the US dollar;
- recording acquisition fair value adjustments in the functional currency of the subsidiary acquired;
- inclusion of translation differences after the transition date for net assets of foreign currency subsidiaries in a separate translation reserve and recycling cumulative differences on any eventual disposals through the income statement;
- provision of deferred tax on items for which provision was not required under UK GAAP; principally on acquisition fair value adjustments and inflation-based adjustments;
- reporting income from associates in the income statement as a single line net of financing items, tax and underlying minorities;
- reclassification of the Group's forestry assets as investment property held at cost;
- treating previous revaluations of the Chilean Railway network as deemed cost;
- reclassification of short-term cash investments as cash equivalents in the balance sheet and cash flow statement.

The Group does not operate any funded defined benefit schemes, nor does it have any share option schemes in operation. It also did not have any goodwill at any balance sheet date in 2004. The adoption of IFRS therefore has no impact on the Group in any of these areas.

The full restatement document "Adoption of International Financial Reporting Standards and Restatements for 2004" will be available on the Company's website from 13 September 2005, or from the Company's registered office, 5 Princes Gate, London SW7 1QJ.

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