



**Adoption of International Financial Reporting Standards
and Restatements for 2004**



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SUMMARY**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 includes Antofagasta’s 2004 consolidated results, both for the half year and full year, restated under IFRS and explains how Antofagasta’s results 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.

1. INTRODUCTION

The European Union (“EU”) announced in 2002 that listed companies in its member states would be required to prepare consolidated financial statements for accounting periods beginning on or after 1 January 2005 in accordance with International Financial Reporting Standards (“IFRS”) in place of nationally generally accepted accounting principles (“GAAP”). For these purposes, IFRS comprises the Standards issued by the International Accounting Standards Board (“IASB”) and Interpretations issued by the International Financial Reporting Interpretations Committee (“IFRIC”) that have been endorsed by the EU. Accordingly, Antofagasta plc will prepare its consolidated accounts for the six months ending 30 June 2005 and subsequent reporting periods on the basis of the Standards and Interpretations which have been (or, in the case of the interim accounts, are expected to be) endorsed in this way.

As part of the Group’s transition to IFRS, the Directors have prepared IFRS financial information for the six months ended 30 June 2004 and the year ended 31 December 2004 (hereinafter “the 2004 IFRS financial information”). It is intended that this financial information will form the basis of the comparative information in the Group’s half year report for the period ending 30 June 2005 and its financial statements for the year ending 31 December 2005.

The basis of preparation and accounting policies used in preparing IFRS information are set out below. These describe how IFRS has been applied under IFRS 1, including assumptions made by the Group about the Standards and Interpretations expected to be effective, and the policies expected to be adopted, when the Group issues its first complete set of IFRS financial statements for the year ending 31 December 2005.

However, it should be noted that the basis of preparation and accounting policies may require adjustment before the Group’s first complete set of IFRS financial statements are issued. This is because Standards currently in issue and endorsed by the EU are subject to Interpretations issued from time to time by IFRIC, and further Standards may be issued by the IASB that will be adopted by the Group in its first complete set of IFRS financial statements for the year ended 31 December 2005. Additionally, IFRS is currently being applied in a large number of countries for the first time. Due to a number of new and revised Standards included within IFRS, there is not yet a significant body of established practice on which to draw in forming opinions regarding interpretation and application. Accordingly, practice in this area is continuing to evolve.

2. BASIS OF PREPARATION

The 2004 IFRS financial information on pages 19 to 28 has been prepared on the basis of all IFRS Standards and Interpretations published by 31 December 2004 and which are mandatory for accounting periods beginning on or after 1 January 2005 and in accordance with the accounting policies set out on pages 12 to 18. The Group has chosen to adopt IFRS 6 “Exploration for and Evaluation of Mineral Resources” early, but this does not impact the Group’s existing policy for exploration and evaluation expenditure.

The Group’s transition date for converting to IFRS is 1 January 2004. The rules for first time adoption of IFRS are set out in IFRS 1 “First-time adoption of International Financial Reporting Standards”. In preparing the 2004 IFRS financial information, these transitional rules have been applied to the amounts previously reported under UK GAAP.

IFRS 1 generally requires full retrospective application of the Standards and Interpretations in force at the first reporting date. However, IFRS 1 allows certain exemptions in the application of particular Standards to prior periods in order to assist companies with the transition process. The Group has applied the following exemptions:

- *Business Combinations* – acquisitions prior to 1 January 2004 have not been restated. Accordingly, additional deferred tax provisions recognised in respect of fair value adjustments to non-monetary assets held by previously acquired entities have been recognised as a reduction of net equity at the date of transition.
- *Currency translation differences* – the Group has deemed cumulative translation differences for foreign operations to be zero at the date of transition. Any gains and losses on subsequent disposals of foreign operations will therefore not include translation differences arising prior to the transition date.
- *Revaluation as deemed cost* – the Group has elected to treat the previous revaluation of the freehold land and railway track at its Railway operation as deemed cost at the transition date. Accordingly, the amount previously represented by the revaluation reserve under UK GAAP has been reclassified to retained earnings.

The Group has elected to adopt IAS 32 “Financial Instruments: Disclosure and Presentation” and IAS 39 “Financial Instruments: Recognition and Measurement” from the transition date, rather than prospectively only from 1 January 2005. As such, the 2004 IFRS other financial information includes the adjustments required on adoption of these standards.

IFRS 1 requires that estimates made under IFRS must be consistent with the estimates made at the same date under UK GAAP except where adjustments are required to reflect any differences in accounting policies. Where estimates were not made under UK GAAP, they have been based only on those factors existing at the balance sheet date. Estimates not previously required under UK GAAP primarily relate to provisionally priced sales, derivative financial instruments and post-employment benefits.

3. IMPACT OF IFRS ON THE 2004 CONSOLIDATED FINANCIAL STATEMENTS

Reconciliation of net earnings under UK GAAP to net earnings under IFRS

		Half year	Full year
		30.06.04	31.12.04
	Notes	US\$m	US\$m
UK GAAP - Net earnings		222.3	558.3
Mark-to-market of provisionally priced sales	3(a)	(11.7)	12.0
Mark-to-market of financial derivatives	3(b)	4.3	6.2
Reclassification of preference dividends to finance costs	3(e)	(0.1)	(0.2)
Post-employment benefits - measurement of severance indemnities	3(f)	0.6	-
Change in functional currency of subsidiary	3(g)	(1.0)	1.1
Exchange differences on intra-group items	3(i)	(7.7)	0.5
Recognition of deferred tax on temporary differences	3(k)	0.8	1.6
Total adjustments		(14.8)	21.2
IFRS - Net earnings		207.5	579.5

Net earnings are stated after tax and minority interests.

Reconciliation of shareholders' funds under UK GAAP to net equity under IFRS

		01.01.04	30.06.04	31.12.04
		US\$m	US\$m	US\$m
	Notes	US\$m	US\$m	US\$m
UK GAAP - Shareholders' funds		905.9	1,079.5	1,322.7
Mark-to-market of provisionally priced sales	3(a)	13.7	2.0	25.7
Mark-to-market of financial derivatives	3(b)	(7.4)	(3.1)	(1.2)
Reversal of proposed ordinary dividends	3(d)	47.3	29.6	126.2
Reclassification of preference shares to borrowings	3(e)	(3.5)	(3.7)	(3.9)
Post-employment benefits - measurement of severance indemnities	3(f)	(1.5)	(0.9)	(1.5)
Change in functional currency of subsidiary	3(g)	-	4.5	(4.0)
Currency treatment of non-US dollar fair value adjustments	3(h)	(0.4)	(0.4)	(0.4)
Recognition of deferred tax on temporary differences	3(k)	0.3	1.1	1.9
Total adjustments		48.5	29.1	142.8
IFRS - Net equity		954.4	1,108.6	1,465.5

Net equity is net assets excluding minority interests.

Explanation of principal adjustments

a. Mark-to-market of provisionally priced sales

Copper and molybdenum concentrate sale agreements and copper cathode sale agreements generally provide for provisional pricing of sales at the time of shipment, with final pricing being based on the monthly average London Metal Exchange copper price or monthly average molybdenum price for specified future periods. This normally ranges from 30 to 180 days after delivery to the customer.

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. The Group determined mark-to-market prices using forward prices at each period end for copper concentrate and cathode sales, and period-end month average prices for molybdenum concentrate sales due to the absence of a futures market for that commodity.

Under IFRS, both gains and losses from the marking-to-market of open sales are recognised through adjustments to turnover in the income statement and to trade debtors in the balance sheet. Under IFRS, the Group determines mark-to-market prices in the same way as under UK GAAP.

The impact of the change from UK GAAP to IFRS for the year ended 31 December 2004 full year is as follows:

	Trade debtors	Net equity
Balance Sheet	US\$m	US\$m
31 December 2004 - increase in trade debtors	51.7	25.7
1 January 2004 - increase in trade debtors	27.6	13.7
	Profit before tax	Net earnings
Income Statement	US\$m	US\$m
Impact on profit for the year to 31 December 2004		
- increase in turnover and results	24.1	12.0

The uplift to trade debtors of US\$51.7 million at 31 December 2004 arises as a result of the inclusion under IFRS of mark-to-market gains which were not recognised under UK GAAP. These relate mainly to copper and molybdenum concentrate sales as disclosed on page 79 of the 2004 Annual Report. The uplift to trade debtors of US\$27.6 million at 1 January 2004 also reflects mark-to-market adjustments.

The increase in profit before tax for the year of US\$24.1 million results from the significant mark-to-market adjustment at 31 December 2004, due to the significant increase in copper and molybdenum prices toward the end of the year. These gains reflect timing differences between IFRS and UK GAAP in the recognition of profit and will accordingly not be recognised in the 2005 accounting period.

The impact of the change to IFRS on the 2004 half year is as follows:

Balance Sheet	Trade debtors	Net equity
	US\$m	US\$m
30 June 2004 - increase in trade debtors	4.0	2.0
1 January 2004 - increase in trade debtors	27.6	13.7
Income Statement	Profit before tax	Net earnings
	US\$m	US\$m
Impact on profit for the six months to 30 June 2004		
- decrease in turnover and results	(23.6)	(11.7)

The balance sheet adjustments at 30 June 2004 reflect mark-to-market adjustments on provisionally priced sales not recognised under UK GAAP. The reduction in profit before tax of US\$23.6 million results from lower mark-to-market adjustments due to weaker copper prices and the stabilising of molybdenum prices towards 30 June 2004.

b. Mark-to-market of financial derivatives

As explained in the 2004 Annual Report and Financial Statements on pages 31 and 77, the Group uses derivative financial instruments to reduce exposure to foreign exchange, interest rate and commodity price movements. The Group does not use such derivative instruments for trading purposes.

Under UK GAAP, such derivatives were held off the balance sheet and the fair value disclosed within a note to the financial statements. Gains or losses on derivative instruments were matched in the income statement against the item intended to be hedged.

To date, the Group has not adopted the hedge accounting provisions of IAS 39 "Financial Instruments: Recognition and Measurement", although this decision will be kept under review. Accordingly derivatives are initially measured at cost including transaction costs (which may be nil), and measured at subsequent reporting dates at fair value. Gains and losses arising from changes in fair value are included in the income statement for the period.

The impact of the change from UK GAAP to IFRS for the year ended 31 December 2004 is as follows:

Balance Sheet	Liabilities	Net equity
	US\$m	US\$m
31 December 2004 - derivative financial liabilities	(2.3)	(1.2)
1 January 2004 - derivative financial liabilities	(13.6)	(7.4)
Income Statement	Profit before tax	Net earnings
	US\$m	US\$m
Impact on profit for the year to 31 December 2004		
- increase in profit before tax and net earnings	11.3	6.2

The impact of the change from UK GAAP to IFRS for the six months ended 31 December 2004 is as follows:

Balance Sheet	Liabilities	Net equity
	US\$m	US\$m
30 June 2004 - derivative financial liabilities	(6.3)	(3.1)
1 January 2004 - derivative financial liabilities	(13.6)	(7.4)
	Profit before tax	Net earnings
	US\$m	US\$m
Impact on profit for the six months to 30 June 2004		
- increase in profit before tax and net earnings	7.3	4.3

c. Translation of ordinary share capital and share premium

Although the presentational currency of the Group and the functional currency of the Company is the US dollar, the issued share capital and related share premium of the Company is denominated in sterling.

Neither UK GAAP nor IFRS specifies the exchange rate to be applied in translating the non-US dollar ordinary share capital and share premium in the consolidated financial statements. Previously, the Group's policy was to translate these items at period-end rates of exchange with differences taken to reserves. On transition to IFRS, the Group has chosen to change its accounting policy to translate ordinary share capital and share premium into US dollars at historical rates of exchange based on dates of issue.

The impact of this change is to increase share capital and share premium by US\$56.2 million in the balance sheet at 31 December 2004 and by US\$37.0 million at 30 June 2004, with a corresponding adjustment to retained earnings. The change therefore has no impact on net equity or net earnings.

d. Reversal of proposed ordinary dividends

Under UK GAAP, dividends were recognised in the period in respect of which they had been declared. Under IFRS, dividends proposed are recognised when they represent a present obligation, i.e. in the period in which they are formally approved for payment. This means that the interim dividend is recognised when approved by the Board and the final dividend is recognised when approved by shareholders.

The impact of the change from UK GAAP to IFRS on the balance sheet at 31 December 2004 is to increase net assets and net equity by US\$126.2 million, due to the change in timing of recognition of the 2004 final dividend.

The impact of the change from UK GAAP to IFRS on the balance sheet at 30 June 2004 is to increase net assets and net equity by US\$29.6 million, due to the change in timing of recognition of the 2004 interim dividend.

This change has no effect on net earnings in either period.

e. Reclassification of preference shares to borrowings and preference dividends to finance costs

The Company has 2 million 5% Cumulative Preference Shares of £1 each in issue which carry a fixed rate of return without the right to participate in any surplus. Under UK GAAP, the preference shares were classified as non-equity interests and included as part of shareholders' funds, measured by the Group in US dollars at period end exchange rates.

Under IFRS, the preference shares are reclassified as part of borrowings and continue to be measured at period end exchange rates. Preference share dividends are included within finance costs in the income statement.

The impact of the change from UK GAAP to IFRS on the balance sheet at 31 December 2004 is to reduce net assets and net equity by US\$3.9 million as a result of the reclassification of the preference shares to borrowings. The impact on the 2004 income statement is to reduce profit before tax and net income by US\$0.2 million due to the reclassification of the dividend to finance costs.

The impact of the change from UK GAAP to IFRS on the balance sheet at 30 June 2004 is to reduce net assets and net equity by US\$3.7 million as a result of the reclassification of the preference shares to borrowings. The impact on the half year income statement is to reduce profit before tax and net income by US\$0.1 million due to the reclassification of dividends to finance costs.

f. Post employment benefits – measurement of severance indemnities

The Group does not provide funded defined benefit pension schemes and the adoption of IFRS does not affect the Group in this respect. However, employment terms in Chile often provide for payment of a severance indemnity when an employment contract comes to an end. This is typically at the rate of one month for each year of service and based on final salary level. Under UK GAAP, a provision was calculated based on the net present value of estimated future costs but an actuarial valuation was not required to be used in calculating the provision.

IFRS treats the severance indemnity obligation as an unfunded defined benefit plan, and requires the calculation of the provision to be based on full actuarial valuations using the projected unit credit method.

The impact of the change from UK GAAP to IFRS on the balance sheet at 31 December 2004 is to increase the severance provision by US\$1.7 million and reduce net equity by US\$1.5 million. The impact on both profit before tax and net equity in the 2004 income statement is nil.

The impact of the change from UK GAAP to IFRS on the balance sheet at 30 June 2004 is to increase the severance provision by US\$0.8 million and reduce net equity by US\$0.9 million. The impact on the 2004 half year income statement is to increase profit before tax by US\$0.9 million and net earnings by US\$0.6 million.

Additionally, severance provisions of US\$3.9 million in the 2004 full year balance sheet and US\$3.2 million in the 2004 half year balance sheet have been reclassified either to other creditors or other provisions. These reclassifications do not have any effect on the net earnings or net equity.

g. Change in functional currency of the Antofagasta Railway Company

Under UK GAAP, the Group accounted for its subsidiary, the Antofagasta Railway Company plc (which operates the Group's Chilean rail network) in Chilean pesos.

IFRS provides more specific guidance for the determination of functional currency and the Group has concluded that from the beginning of 2004 the functional currency of the Antofagasta Railway Company is the US dollar. The main effect of this change is to eliminate exchange differences which previously arose from the translation each period of the non-monetary assets of this subsidiary from Chilean pesos to US dollars. The change in the US dollar amount of fixed assets has consequential effects on depreciation and deferred tax in the income statement.

The impact of the change from UK GAAP to IFRS on the balance sheet at 31 December 2004 is to reduce net assets and net equity by US\$4.0 million. The impact on the 2004 income statement is to increase profit before tax by US\$0.3 million and net earnings by US\$1.1 million.

The impact of the change from UK GAAP to IFRS on the 2004 balance sheet at 30 June 2004 is to increase net assets and net equity by US\$4.5 million. The impact on the half year income statement is to reduce profit before tax by US\$0.1 million and net earnings by US\$1.0 million.

h. Currency treatment of non-US dollar fair value adjustments

Certain of the Group's subsidiaries have non-US dollar functional currencies. UK GAAP does not specify the currency in which fair value adjustments and goodwill should be held. Under IFRS, fair value adjustments and goodwill arising on the acquisition of a foreign entity are treated as assets of the foreign entity and translated at the period end rate.

The impact of this change from UK GAAP to IFRS on both the balance sheets at 31 December 2004 and 30 June 2004 is to reduce net assets and net equity by US\$0.4 million. The change has no material impact on the income statement.

i. Exchange differences taken to the income statement

The Group includes a number of entities whose functional currency is not the US dollar, principally its water business and some of the entities included within its transport business. These businesses are funded, in part, by intra-group Chilean peso loans from the Group's US dollar denominated entities.

Under UK GAAP, exchange gains and losses on intra-group financing balances were taken to reserves, together with the offsetting differences arising on the translation into US dollars of the foreign currency balance sheets. IFRS however requires that, subject to certain limited exceptions, the exchange gains or losses arising on such intra-group balances should be taken to the consolidated income statement. The offsetting exchange differences arising on the translation of the foreign currency balance sheet continue to be taken to reserves.

Based on existing intra-group balances, a strengthening of the Chilean peso against the US dollar will generally result in a reported gain in the income statement, while a weakening of the Chilean peso will generally result in a reported loss. These adjustments have no impact on the balance sheet.

Certain other exchange differences previously taken to reserves are also now taken to the income statement under IFRS. These include exchange differences on retranslation of preference share capital and settlement of ordinary dividends part of which are paid in sterling. These adjustments also have no impact on the balance sheet.

The impact of the change from UK GAAP to IFRS on the year ended 31 December 2004 is to increase net earnings by US\$0.5 million, matched by a corresponding adjustment to reserves. This was principally due to a strengthening of the Chilean peso at 31 December 2004 compared with 1 January 2004, partly offset by other exchange losses. The adjustment has no effect on net assets or net equity at 30 June 2004.

The impact of the change from UK GAAP to IFRS on the six months ended 30 June 2004 is to decrease net earnings by US\$7.7 million, matched by a corresponding adjustment to reserves. This was principally due to a weakening of the Chilean peso at 30 June 2004 compared with 1 January 2004. The adjustment has no effect on net assets or net equity at 30 June 2004.

j. Translation reserves and recycling of currency translation adjustments

IFRS requires exchange differences on translation of the net assets of foreign currency entities to be taken to equity and transferred to a separate currency translation reserve. Cumulative translation differences arising after the transition date to IFRS are recognised as income or as expenses in the income statement in the period that the operation to which they relate is disposed. UK GAAP required these differences to be taken to retained earnings and did not permit or require subsequent recycling of such differences through the income statement.

As explained in the Basis of Preparation, the Group elected to set the currency translation reserve to zero at 1 January 2004 as permitted by IFRS 1. Accordingly, the balance sheets at 31 December 2004 and 30 June 2004 include a separate translation reserve for the translation difference which would previously have been included in retained earnings. As no entities were disposed of during 2004, the change in treatment has had no impact on the income statement for the full year or half year.

k. Recognition of deferred tax on temporary differences

IFRS requires deferred tax to be provided on temporary differences, i.e. differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of taxable profit, subject to certain limited exceptions. These include differences where no provision for deferred tax was required under UK GAAP. Under IFRS, deferred tax assets should be recognised to the extent that it is probable that taxable profit will be available to utilise the related tax losses or tax credits.

The principal areas in which the Group has adjusted its deferred tax liability or asset are for fair value adjustments on previous acquisitions, and for adjustments to the carrying value of plant, property and equipment resulting from differences between the local GAAP of a subsidiary and IFRS. Deferred tax assets have only been recognised to the extent that sufficient future profits are expected to be generated.

The impact of the net effect of these changes from UK GAAP to IFRS on the balance sheet at 31 December 2004 is to decrease the net deferred tax provision by US\$0.9 million and to increase net equity by US\$1.9million. The impact on

the 2004 income statement is to decrease the deferred tax charge by US\$1.7 million and thus increase net earnings by US\$1.6 million.

The impact of the net effect of these changes from UK GAAP to IFRS on the balance sheet at 30 June 2004 is to decrease the net deferred tax provision by US\$0.4 million and to increase net equity by US\$1.1 million. The impact on the 2004 half year income statement is to decrease the deferred tax charge by US\$1.2 million and thus increase net earnings by US\$0.8 million.

l. Deferred tax provision for withholding taxes

The Group incurs withholding taxes on the remittance of profits from Chile and the other countries in which it operates. The method of providing for such taxes differs between UK GAAP and IFRS. Under UK GAAP, tax was only provided on undistributed earnings to the extent that dividends were accrued or there was a binding agreement for the distribution of earnings at the reporting date. Under IFRS, full provision must be made for tax arising on distributed earnings from subsidiaries, joint venture and associates, except to the extent that the Group can control the timing of remittances and remittance is not probable in the foreseeable future.

The difference in methodology has not affected the deferred tax provision in the balance sheets at 31 December 2004 and 30 June 2004 or in the income statement in either the 2004 full year or 2004 half year, although differences in the timing of recognition of deferred tax under IFRS as compared with UK GAAP could arise in the future.

m. Accounting for results in associates

The Group has a 30% interest in Antofagasta Terminal Internacional S.A. ("ATI") which was acquired at the end of 2004 and is classified as an investment in associate.

Under UK GAAP, share of associates' revenue and operating profit were disclosed separately on the face of the income statement and share of associates' net finance cost and tax were included within the respective headings in the income statement.

Under IFRS, share of associates' income is reported after tax and finance costs on one line in the income statement.

The change in presentation has no effect on the income statement for the 2004 full year or half year given the acquisition date of ATI, but will be applied for the 2005 half year.

n. Reclassification of assets as investment property

The Group holds forestry properties which it maintains but does not use in any of its existing operations. The land is held for long term real estate development and recreational potential and has therefore been classified as investment property under IFRS rather than property, plant and equipment. UK GAAP does not include a similar requirement.

The Group has elected to adopt the cost model in IAS 40 "Investment Property" to measure investment property at cost rather than fair value. The impact of the change from UK GAAP to IFRS is a reclassification of US\$3.2million in the 2004 full year balance sheet and US\$2.8 million in the 2004 half year balance sheet. The change of presentation has no effect on net equity or net earnings in either period.

o. Definition of cash and cash equivalents

Short-term cash investments maturing within three months of acquisition previously disclosed under UK GAAP as "current asset investments" are classified under IFRS as "cash equivalents".

Consequently, US\$877.0 million has been reclassified from current asset investments to cash equivalents at 31 December 2004, US\$487.7 million at 30 June 2004, and US\$161.1 million at 31 December 2003. Balances of US\$27.0 million at 31 December 2003 included within "current asset investments" which had an original maturity in excess of three months have been classified as short-term held-to-maturity financial assets.

These reclassifications have no effect on the income statement or on net equity.

4. UK GAAP FINANCIAL INFORMATION

The UK GAAP financial information for the year ended 31 December 2004, presented on pages 19 to 27 does not constitute statutory accounts and is based on the Group's full financial statements for that year. These financial statements were prepared on the historical cost basis as modified by the revaluation of certain fixed assets as described in note 11 to those financial statements and in accordance with applicable accounting standards in the United Kingdom. These financial statements have been filed with the Registrar of Companies. The auditors' report was unqualified and did not contain statements under section 237(2) of the Companies Act 1985 (regarding adequacy of accounting records and returns) or under section 237(3) (regarding provision of necessary information and explanations).

The UK GAAP financial information for the period ended 30 June 2004, presented on pages 19 to 27 is based on the Group's half year report for that period, adjusted for the restatement of turnover after deducting tolling charges for concentrate sales. This change of presentation is explained on page 73 of the 2004 financial statements and does not affect net earnings or net equity. The accounting policies used are consistent with those applied in the Group's full financial statements for the year ended 31 December 2004. This interim financial information is unaudited.

The UK GAAP financial information as at 1 January 2004, presented on page 28 does not constitute statutory accounts and is based on the Group's full financial statements for the year ended 31 December 2003, adjusted for the restatement of turnover after deducting tolling charges for concentrate sales. This change of presentation is explained on page 73 of the 2004 financial statements and does not affect net earnings or net equity. These financial statements were prepared on the historical cost basis as modified by the revaluation of certain fixed assets as described in note 11 to the 2003 financial statements and in accordance with applicable accounting standards in the United Kingdom. These financial statements have been filed with the Registrar of Companies. The auditors' report was unqualified and did not contain statements under section 237(2) of the Companies Act 1985 (regarding adequacy of accounting records and returns) or under section 237(3) (regarding provision of necessary information and explanations).

The formats of the UK GAAP balance sheets, profit and loss accounts and cash flow statements for both periods have been modified to align them with IFRS format, to simplify presentation of the adjustments required to arrive at the IFRS figures.

5. ACCOUNTING POLICIES ADOPTED UNDER IFRS

a. Accounting convention

The 2004 IFRS financial information has been prepared under the historical cost convention as modified by the use of fair values to measure certain financial instruments, principally provisionally priced sales as explained in note (d) and financial derivative contracts as explained in note (s).

b. Basis of consolidation

The financial statements comprise the consolidated financial statements of Antofagasta plc ("the Company") and its subsidiaries (collectively "the Group").

(i) Subsidiaries

A subsidiary is an entity over which the Group has power to govern the operating and financial policies in order to obtain benefits from its activities. The consolidated financial statements include all the assets, liabilities, revenues, expenses and cash flows of the Company and its subsidiaries after eliminating intercompany balances and transactions. For partly-owned subsidiaries, the net assets and net earnings attributable to minority shareholders are presented as "Minority Interests" in the consolidated balance sheet and consolidated income statement.

(ii) Associates

An associate is an entity over which the Group is in a position to exercise significant influence, but not control or joint control, through the power to participate in the financial and operating policy decisions of that entity. The Group's share of the net assets, the results post tax and post acquisition reserves of associates are included in the financial statements. This requires recording the investment initially at cost to the Group and

then, in subsequent periods, adjusting the carrying amount of the investment to reflect the Group's share of the associate's results less any impairment of goodwill and any other changes to the associate's results less impairment of any goodwill and any other changes to the associate's net assets such as dividends.

(iii) Joint venture entities

A joint venture entity is an entity in which the Group holds a long-term interest and shares joint control over the operating and financial decisions with one or more other venturers under a contractual arrangement. Any joint venture entities are accounted for using the equity method.

(iv) Other investments

The accounting treatment of investments which are not subsidiaries, associates or joint venture entities is set out in note (s) relating to Financial Instruments.

(v) Acquisitions and disposals

The results of businesses acquired during the year are brought into the consolidated financial statements from the effective date of acquisition; the results of businesses sold during the year are included in the consolidated financial statements for the period up to the effective date of disposal. Gains or losses on disposal are calculated as the difference between the sales proceeds (net of expenses) and the net assets attributable to the interest which has been sold. Where a disposal represents a separate major line of business or geographical area of operations, the net results attributable to the disposed entity are shown separately in the income statement.

c. Currency translation

The functional currency for each entity in the Group is determined as the currency of the primary economic environment in which it operates. Transactions other than those in the functional currency of the entity are translated at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in currencies other than the functional currency are retranslated at year end exchange rates. Gains and losses on retranslation are included in net profit or loss for the period.

The presentational currency of the Group and the functional currency of the Company is the US dollar. On consolidation, income statement items for entities with a functional currency other than the US dollar are translated into US dollars at average rates of exchange. Balance sheet items are translated at period end exchange rates. Exchange differences on translation of the net assets of such entities are taken to equity and recorded in a separate currency translation reserve. The Group elected to set the currency translation reserve to zero at 1 January 2004 as permitted by IFRS 1. Cumulative translation differences arising after the transition date to IFRS are recognised as income or as expenses in the income statement in the period in which the disposal occurs.

On consolidation, exchange gains and losses which arise on balances between Group entities are taken to reserves where that balance is, in substance, part of a parent's net investment in its subsidiary, i.e. where settlement is neither planned nor likely to occur in the foreseeable future. All other exchange gains and losses on Group balances are dealt with in the income statement.

Fair value adjustments and any goodwill arising on the acquisition of a foreign entity are treated as assets of the foreign entity and translated at the period end rate.

d. Turnover

Turnover represents the value of goods and services supplied to third parties during the year. Turnover is measured at the fair value of consideration received or receivable, and excludes any applicable sales tax.

A sale is recognised when the significant risks and rewards of ownership have passed. This is generally when title and any insurance risk has passed to the customer, and the goods have been delivered to a contractually agreed location or when any services have been provided.

Turnover from mining activities is recorded at the invoiced amounts with an adjustment for provisional pricing at each reporting date, as explained below. For copper and molybdenum concentrates, which are sold to smelters

and roasting plants for further processing, the invoiced amount is the market value of the metal payable by the customer, net of deductions for tolling charges. Turnover includes revenues from the sale of by-products.

Copper and molybdenum concentrate sale agreements and copper cathode sale agreements generally provide for provisional pricing of sales at the time of shipment, with final pricing based on the monthly average London Metal Exchange (“LME”) copper price or the monthly average market molybdenum price for specified future periods. This normally ranges from 30 to 180 days after delivery to the customer. Such a provisional sale contains an embedded derivative which is required to be separated from the host contract. The host contract is the sale of metals contained in the concentrate or cathode at the provisional invoice price less tolling charges deducted, and the embedded derivative is the forward contract for which the provisional sale is subsequently adjusted. At each reporting date, the provisionally priced metal sales together with any related tolling charges are marked-to-market, with adjustments (both gains and losses) being recorded in turnover in the consolidated income statement and in trade debtors in the balance sheet. Forward prices at the period end are used for copper concentrate and cathode sales, while period-end month average prices are used for molybdenum concentrate sales due to the absence of a futures market.

e. Goodwill

Goodwill represents the difference between the cost of acquisition and the fair value of the identifiable net assets acquired. Any goodwill on the acquisition of subsidiaries is separately disclosed, while any goodwill on the acquisition of associates is included within investments in equity accounted entities.

Prior to 1998, goodwill was eliminated against reserves in the year of acquisition as a matter of accounting policy, as was then permitted under UK GAAP. Such goodwill was not reinstated under subsequent UK accounting standards or on transition to IFRS, and will not be included in determining any future profit or loss on disposal.

f. Intangible assets - concession right

In 2003, the Group’s wholly owned subsidiary, Aguas de Antofagasta S.A., was awarded a 30 year concession to operate the water rights and facilities in the Antofagasta Region of Chile previously controlled by Empresa de Servicios Sanitarios de Antofagasta S.A. (“ESSAN”).

The Group has recognised on its balance sheet the tangible assets transferred to it by way of concession where the economic benefits are primarily to be consumed over the life of the concession arrangement. An intangible fixed asset (a “concession right”) has been recognised in respect of the right to use those assets not recognised as their lives extend substantially beyond the period of the concession. The concession right was measured as the difference between the cost of the concession and the fair values of the assets and liabilities recognised on acquisition.

g. Exploration expenditure

Exploration is expensed in the year in which it is incurred. When a decision is taken that a mining project is commercially viable (normally when the project has reached the pre-feasibility stage) all further directly attributable pre-production expenditure is capitalised. Capitalisation of pre-production expenditure ceases when commercial levels of production are achieved.

h. Property, plant and equipment

The costs of mining properties and leases, which include the costs of acquiring and developing mining properties and mineral rights, are capitalised as tangible fixed assets in the year in which they are incurred.

The cost of plant, property and equipment comprises the purchase price and any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended. Once a project has been established as commercially viable, expenditure on it is capitalised. This includes costs incurred in preparing the site for mining operations, including stripping costs. Capitalisation will cease when the mine is capable of commercial production with the exception of development costs which give rise to a future benefit.

Interest on borrowings directly related to construction or development of projects is capitalised, until such time as the assets are substantially ready for their intended use or sale which, in the case of mining properties, is when they are capable of commercial production.

i. Depreciation of property, plant and equipment and amortisation of intangible assets

Property, plant and equipment is depreciated over its useful life, or over the remaining life of the operation if shorter, to residual value. The major categories of property, plant and equipment are depreciated as follows:

- (i) Land – Freehold land is not depreciated. Any leasehold land is depreciated on a straight-line basis over the life of the lease.
- (ii) Mining properties – mining properties, including capitalised financing costs, are depreciated in proportion to the volume of ore extracted in the year compared with total proven, probable and possible reserves at the beginning of the year.
- (iii) Buildings and infrastructure – straight-line basis over 10 to 25 years.
- (iv) Rail track and trackside equipment – straight-line basis over 20 to 25 years.
- (v) Locomotives and rolling stock – straight-line basis over 10 to 20 years.
- (vi) Machinery, equipment and other assets – straight-line basis over 5 to 10 years.
- (vii) Assets under construction – no depreciation until asset is available for use.
- (viii) Assets held under finance lease are depreciated over the shorter of the lease term and their useful life.

Residual values and useful lives are reviewed, and adjusted if appropriate, at least annually, and changes to residual values and useful lives are accounted for prospectively.

The concession right is amortised on a straight-line basis over the life of the concession.

j. Impairment of plant, property and equipment and intangible assets (excluding goodwill)

Property, plant and equipment and finite life intangible assets are reviewed for impairment if there is any indication that the carrying amount may not be recoverable. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Any intangible asset with an indefinite useful life is tested for impairment annually and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value, using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which estimates of future cash flows have not been adjusted.

For mining properties, estimates of future cash flows are based on estimates of the quantities of proven, probable and possible reserves, and assumptions as to future production levels, future commodity prices, future cash costs of production and capital expenditure. IAS 36 “Impairment of assets” includes a number of restrictions on the future cash flows that can be recognised in respect of future restructurings and improvement related expenditure. When calculating value in use, it also requires that calculations should be based on exchange rates current at the time of assessment. For operations with a functional currency other than the US dollar, the impairment review is conducted in the relevant functional currency.

If the recoverable amount of an asset or cash generating unit is estimated to be less than its carrying amount, the carrying amount is reduced to the recoverable amount. An impairment is recognised immediately as additional depreciation. Where an impairment subsequently reverses, the carrying amount is increased to the revised estimate of recoverable amount but so that this does not exceed the carrying value that would have been determined if no impairment had previously been recognised. A reversal is recognised as a reduction in the depreciation charge immediately.

k. Investment property

Investment property, is property held to earn rentals and/or for capital appreciation and includes land held for a currently undetermined future use. The Group has elected to adopt the cost model in IAS 40 “Investment Property”. Accordingly, investment property is measured initially at cost, which includes transaction costs for the acquisition of the property, and is subsequently depreciated as detailed in note (i) relating to plant, property and equipment.

l. Inventory

Inventory and work-in-progress are valued at the lower of cost and net realisable value. The production cost of inventory includes an appropriate proportion of depreciation and production overheads. Raw materials and consumables are valued at cost on a weighted average basis. Finished products are valued at raw material cost, plus labour cost and a proportion of manufacturing overhead expenses including depreciation.

m. Taxation

Tax expense comprises the charges or credits for the period relating to both current and deferred tax.

Current tax is based on taxable profit for the year. Taxable profit may differ from net profit as reported in the income statement because it excludes items of income or expense that are taxable and deductible in different years and also excludes items that are not taxable or deductible. The liability for current tax is calculated using tax rates for each entity in the consolidated financial statements which have been enacted or substantively enacted at the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on temporary differences (i.e. differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of taxable profit). Deferred tax is accounted for using the balance sheet liability method and is provided on all temporary differences with certain limited exceptions as follows:

- tax payable on undistributed earnings of subsidiaries, associates and joint ventures is provided except where the Group is able to control the remittance of profits and it is probable that there will be no remittance of past profits earned in the foreseeable future;
- deferred tax is not provided on the initial recognition of an asset or liability in a transaction that does not affect accounting profit or taxable profit and is not a business combination; nor is deferred tax provided on subsequent changes in the carrying value of such assets and liabilities, for example where they are depreciated; and
- the initial recognition of any goodwill.

Deferred tax assets are recognised only to the extent that it is probable that they will be recovered through sufficient future taxable profit. The carrying amount of deferred tax assets is reviewed at each balance sheet date.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also taken directly to equity.

n. Provisions for decommissioning and site restoration costs

An obligation to incur decommissioning and site rehabilitation costs occurs when environmental disturbance is caused by the development or ongoing production of a mining property. Costs are estimated on the basis of a formal closure plan and are subject to regular formal review.

Such costs arising from the installation of plant and other site preparation work, discounted to their net present value, are provided and capitalised at the start of each project, as soon as the obligation to incur such costs arises. These decommissioning costs are charged against profits over the life of the mine, through depreciation of the asset and unwinding or amortisation of the discount on the provision. Depreciation is included in operating costs while the unwinding of the discount is included as financing costs. Changes in the measurement of a liability

relating to the decommissioning of plant or other site preparation work are added to, or deducted from, the cost of the related asset in the current period.

The costs for restoration of site damage, which is created on an ongoing basis during production, are provided for at their net present values and charged against operating profits as extraction progresses. Changes in the measurement of a liability relating to site damage created during production is charged against operating profit.

o. Provision for termination of water concession

Under the terms of the water concession from ESSAN, certain items of working capital recognised by Aguas de Antofagasta (as described in note (i) above) are to be transferred to the state-owned operator ESSAN at the end of the concession period for nil consideration. Provision is made for the estimated net present value of these assets and liabilities which are expected to be in existence when the concession come to an end. The unwinding of the discount is charged within financing costs.

p. Post-employment benefits

The Group operates defined contribution schemes for a limited number of employees. For such schemes, the amount charged to the income statement is the contributions paid or payable in the year.

Employment terms may also provide for payment of a severance indemnity when an employment contract comes to an end. This is typically at the rate of one month for each year of service (subject in most cases to a cap as to the number of qualifying years of service) and based on final salary level. The severance indemnity obligation is treated as an unfunded defined benefit plan, and the calculation is based on valuations performed by an independent actuary using the projected unit credit method which are regularly updated. The obligation recognised in the balance sheet represents the present value of the severance indemnity obligation. Actuarial gains and losses are immediately recognised in the income statement within operating cost.

q. Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, deposits held on call with banks, highly liquid investments that are readily convertible into known amount of cash and which are subject to insignificant risk of changes in value, net of bank overdrafts which are repayable on demand. Cash and cash equivalents normally have a maturity period of three months or less from the date of acquisition.

r. Leases

Rental costs under operating leases are charged to the income statement account in equal annual amounts over the term of the lease.

Assets under finance leases are recognised as assets of the Group at inception of the lease at the lower of fair value or the present value of the minimum lease payments derived by discounting at the interest rate implicit in the lease. The interest element is charged within financing costs so as to produce a constant periodic rate of interest on the remaining balance of the liability.

s. Other financial instruments

Financial assets and financial liabilities are recognised on the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument.

(i) Investments

Investments which are not subsidiaries, associates or joint ventures are initially measured at cost, including transaction costs.

Investments are classified as either held-for-trading or available-for-sale, and are normally measured at subsequent reporting dates at fair value. Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost.

Where securities are held for trading purposes, gains and losses arising from changes in fair value are included in net profit or loss for the period. For available-for-sale investments, gains and losses arising from

changes in fair value are recognised directly in equity, until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is included in the net profit or loss for the period.

Dividends on available for sale equity investments are recognised in the income statement when the right to receive payment is established.

(ii) *Trade and other receivables*

Trade and other receivables do not generally carry any interest and are normally stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts.

(iii) *Trade and other payables*

Trade and other payables are generally not interest bearing and are normally stated at their nominal value.

(iv) *Borrowings – loans and preference shares*

Interest-bearing loans and bank overdrafts are recorded at the proceeds received, net of direct issue costs.

Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accruals basis using the effective interest rate method. Amounts are either recorded as financing costs in the income statement or capitalised in accordance with the accounting policy set out in note (h). Finance charges are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

The sterling-denominated preference shares issued by the Company carry a fixed rate of return without the right to participate in any surplus. They are accordingly classified within borrowings and translated into US dollars at period end rates of exchange. Preference share dividends are included within finance costs.

(v) *Equity instruments*

Equity instruments issued are recorded at the proceeds received, net of direct issue costs. Equity instruments of the Company comprise its sterling-denominated issued ordinary share capital and related share premium.

As explained in note (c), the presentational currency of the Group and the functional currency of the Company is US dollars, and ordinary share capital and share premium are translated into US dollars at historical rates of exchange based on dates of issue.

(vi) *Derivative financial instruments*

As explained in the 2004 Annual Report and Financial Statements on pages 31 and 77, the Group uses derivative financial instruments to reduce exposure to foreign exchange, interest rate and commodity price movements. The Group does not use such derivative instruments for trading purposes. The Group has not presently applied the hedge accounting provisions of IAS 39 “Financial Instruments: Recognition and Measurement”.

Accordingly derivatives are initially measured at cost (which may be nil) including transaction costs, and are measured at subsequent reporting dates at fair value. Gains and losses arising from changes in fair value are included in the income statement as follows:

- gains and losses from commodity derivatives are recognised in other operating income or expense;
- gains and losses from currency derivatives are recognised in net finance costs as part of exchange gains or losses in the period;
- gains and losses from interest rate derivatives are recognised in net finance costs as part of interest income or expense in the period.

Derivatives embedded in other financial instruments or other host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of host contracts and the host contracts are not carried at fair value. Changes in fair value are reported in the income statement for the period. The treatment of embedded derivatives arising from provisionally-priced commodity sales contracts is set out in further detail in note (d) relating to turnover.

6. RESTATED FINANCIAL INFORMATION FOR 2004

Consolidated income statements for the six months ended 30 June 2004 and the year ended 31 December 2004

	Notes	Half Year to 30.06.04			Full Year to 31.12.04		
		UK GAAP US\$m	Adjustments US\$m	IFRS US\$m	UK GAAP US\$m	Adjustments US\$m	IFRS US\$m
Group turnover	6(a)	767.7	(14.3)	753.4	1,908.7	33.4	1,942.1
Total operating costs		(321.8)	(4.7)	(326.5)	(733.5)	(5.2)	(738.7)
Group operating profit	6(a)	445.9	(19.0)	426.9	1,175.2	28.2	1,203.4
Net finance costs	6(b)	(7.0)	(4.5)	(11.5)	(12.5)	7.6	(4.9)
Profit before tax		438.9	(23.5)	415.4	1,162.7	35.8	1,198.5
Income tax expense	6(c)	(82.4)	3.2	(79.2)	(238.7)	(3.2)	(241.9)
Profit for the financial year		<u>356.5</u>	<u>(20.3)</u>	<u>336.2</u>	<u>924.0</u>	<u>32.6</u>	<u>956.6</u>
Attributable to:							
Minority interests		134.2	(5.5)	128.7	365.7	11.4	377.1
Equity holders of the Company (net earnings)		<u>222.3</u>	<u>(14.8)</u>	<u>207.5</u>	<u>558.3</u>	<u>21.2</u>	<u>579.5</u>
		US cents	US cents	US cents	US cents	US cents	US cents
Basic earnings per share		112.7	(7.5)	105.2	283.1	10.8	293.9

There was no potential dilution of earnings per share in either period under either UK GAAP or IFRS.

The results relate wholly to continuing operations.

Consolidated balance sheets as at 30 June 2004 and 31 December 2004

	Notes	30.06.04			31.12.04		
		UK GAAP US\$m	Adjustments US\$m	IFRS US\$m	UK GAAP US\$m	Adjustments US\$m	IFRS US\$m
Non-current assets							
Intangible asset		83.1	-	83.1	93.2	-	93.2
Property, plant and equipment	6(d)	1,804.7	2.4	1,807.1	1,804.3	(8.2)	1,796.1
Investment property	6(d)	-	2.8	2.8	-	3.2	3.2
Investment in associate		-	-	-	2.9	-	2.9
Available for sale investments		0.4	(0.2)	0.2	0.3	(0.2)	0.1
Deferred tax assets	6(c)	-	1.5	1.5	-	1.6	1.6
		<u>1,888.2</u>	<u>6.5</u>	<u>1,894.7</u>	<u>1,900.7</u>	<u>(3.6)</u>	<u>1,897.1</u>
Current assets							
Inventories		80.9	-	80.9	69.9	-	69.9
Trade and other receivables	6(e)	191.5	(0.7)	190.8	299.3	50.5	349.8
Current tax assets	6(c)	-	4.7	4.7	-	1.0	1.0
Financial instruments -derivatives	6(f)	-	-	-	-	0.2	0.2
Cash and cash equivalents	6(g)	491.3	-	491.3	881.4	-	881.4
		<u>763.7</u>	<u>4.0</u>	<u>767.7</u>	<u>1,250.6</u>	<u>51.7</u>	<u>1,302.3</u>
Total assets		<u>2,651.9</u>	<u>10.5</u>	<u>2,662.4</u>	<u>3,151.3</u>	<u>48.1</u>	<u>3,199.4</u>
Current liabilities							
Short-term borrowings	6(g)	(125.5)	-	(125.5)	(104.7)	-	(104.7)
Financial instruments -derivatives	6(f)	-	(6.3)	(6.3)	-	(2.3)	(2.3)
Trade and other payables	6(h)	(202.9)	96.2	(106.7)	(423.7)	288.4	(135.3)
Current tax liabilities	6(c)	-	(66.6)	(66.6)	-	(162.2)	(162.2)
		<u>(328.4)</u>	<u>23.3</u>	<u>(305.1)</u>	<u>(528.4)</u>	<u>123.9</u>	<u>(404.5)</u>
Non-current liabilities							
Medium and long term borrowings	6(g)	(619.9)	(3.7)	(623.6)	(494.2)	(3.9)	(498.1)
Trade and other payables	6(h)	-	(1.3)	(1.3)	-	(1.3)	(1.3)
Post-employment benefit obligations	6(i)	(15.3)	2.5	(12.8)	(18.4)	2.2	(16.2)
Long-term provisions	6(i)	(9.7)	(2.0)	(11.7)	(10.6)	(2.6)	(13.2)
Deferred tax liabilities	6(c)	(139.2)	(1.5)	(140.7)	(188.1)	(8.0)	(196.1)
		<u>(784.1)</u>	<u>(6.0)</u>	<u>(790.1)</u>	<u>(711.3)</u>	<u>(13.6)</u>	<u>(724.9)</u>
Total liabilities		<u>(1,112.5)</u>	<u>17.3</u>	<u>(1,095.2)</u>	<u>(1,239.7)</u>	<u>110.3</u>	<u>(1,129.4)</u>
Net assets		<u>1,539.4</u>	<u>27.8</u>	<u>1,567.2</u>	<u>1,911.6</u>	<u>158.4</u>	<u>2,070.0</u>
Equity							
Share capital		21.6	(5.0)	16.6	22.8	(6.2)	16.6
Share premium		308.1	(35.7)	272.4	326.3	(53.9)	272.4
Translation reserves		-	(6.0)	(6.0)	-	8.5	8.5
Retained earnings		749.8	75.8	825.6	973.6	194.4	1,168.0
Net equity attributable to equity holders of the Company		<u>1,079.5</u>	<u>29.1</u>	<u>1,108.6</u>	<u>1,322.7</u>	<u>142.8</u>	<u>1,465.5</u>
Minority interests		459.9	(1.3)	458.6	588.9	15.6	604.5
Total equity		<u>1,539.4</u>	<u>27.8</u>	<u>1,567.2</u>	<u>1,911.6</u>	<u>158.4</u>	<u>2,070.0</u>

Consolidated cash flow statements for the six months ended 30 June 2004 and the year ended 31 December 2004

Notes	Half Year to 30.06.04			Full Year to 31.12.04		
	UK GAAP	Adjustments	IFRS	UK GAAP	Adjustments	IFRS
	US\$m	US\$m	US\$m	US\$m	US\$m	US\$m
Cash flows from operations	517.3	-	517.3	1,253.5	-	1,253.5
Dividends from associate	-	-	-	-	-	-
Income tax paid	(4.8)	-	(4.8)	(14.3)	-	(14.3)
Net cash flow from operating activities	512.5	-	512.5	1,239.2	-	1,239.2
Investing activities						
Acquisition of subsidiary	-	-	-	(0.1)	-	(0.1)
Recovery of IVA (Chilean VAT) paid on purchase of water concession	-	-	-	5.8	-	5.8
Acquisition of investment in associate	-	-	-	(2.9)	-	(2.9)
Purchases of property, plant and equipment	(31.1)	-	(31.1)	(80.4)	-	(80.4)
Proceeds from sale of property, plant and equipment	0.2	-	0.2	0.2	-	0.2
Purchase of available for sale investments	(0.4)	-	(0.4)	-	-	-
Proceeds from disposal of available for sale investments	0.1	-	0.1	0.1	-	0.1
Net cash used in investing activities	(31.2)	-	(31.2)	(77.3)	-	(77.3)
Financing activities						
Dividends paid to equity holders of the Company	(47.0)	-	(47.0)	(76.5)	-	(76.5)
Dividends paid to preference shareholders of the Company	(0.1)	-	(0.1)	(0.2)	-	(0.2)
Dividends paid to minority interests	(18.8)	-	(18.8)	(120.8)	-	(120.8)
Interest paid, including payments under interest derivatives	(14.2)	-	(14.2)	(32.5)	-	(32.5)
Interest received	2.2	-	2.2	11.1	-	11.1
Realised gains from currency swaps	7.5	-	7.5	7.5	-	7.5
Net proceeds from issue of new borrowings	0.3	-	0.3	558.0	-	558.0
Repayments of borrowings	(111.5)	-	(111.5)	(818.4)	-	(818.4)
Repayments of obligations under finance leases	(1.7)	-	(1.7)	(2.9)	-	(2.9)
Movement on medium term deposits	(299.9)	326.9	27.0	(689.4)	716.4	27.0
Net cash used in financing activities	(483.2)	326.9	(156.3)	(1,164.1)	716.4	(447.7)
Net (decrease)/increase in cash and cash equivalents	(1.9)	326.9	325.0	(2.2)	716.4	714.2
Cash and cash equivalents at beginning of period	7.6	161.1	168.7	7.6	161.1	168.7
Net (decrease)/increase in cash and cash equivalents	(1.9)	326.9	325.0	(2.2)	716.4	714.2
Effect of foreign exchange rate changes	(2.1)	(0.3)	(2.4)	(1.0)	(0.5)	(1.5)
Cash and cash equivalents at end of period	3.6	487.7	491.3	4.4	877.0	881.4

6(g)

Reconciliation of Group profit before tax to cash flows from operations

	Half Year to 30.06.04			Full Year to 31.12.04		
	UK GAAP	Adjustments	IFRS	UK GAAP	Adjustments	IFRS
	US\$m	US\$m	US\$m	US\$m	US\$m	US\$m
Profit before tax	438.9	(23.5)	415.4	1,162.7	35.8	1,198.5
Depreciation and amortisation	71.4	0.1	71.5	134.5	(0.3)	134.2
Amounts written off plant, property and equipment	7.3	-	7.3	19.1	-	19.1
Net finance costs	7.0	4.5	11.5	12.5	(7.6)	4.9
Increase in inventories	(20.1)	-	(20.1)	(9.5)	-	(9.5)
(Increase)/decrease in debtors	(2.9)	23.6	20.7	(112.8)	(27.9)	(140.7)
Increase in creditors and provisions	15.7	(4.7)	11.0	47.0	-	47.0
Cash flows from operations	517.3	-	517.3	1,253.5	-	1,253.5

Consolidated Statement of Changes of Equity under IFRS

For the six months ended 30 June 2004

	Share capital	Share premium	Translation reserves	Retained earnings	Net equity	Minority interests	Total
	US\$m	US\$m	US\$m	US\$m	US\$m	US\$m	US\$m
Balance at 1 January 2004	16.6	272.4	-	665.4	954.4	347.3	1,301.7
Profit for the financial period	-	-	-	207.5	207.5	128.7	336.2
Currency translation adjustment	-	-	(6.0)	-	(6.0)	0.1	(5.9)
Dividends	-	-	-	(47.3)	(47.3)	(17.5)	(64.8)
Balance at 30 June 2004	16.6	272.4	(6.0)	825.6	1,108.6	458.6	1,567.2

For the year ended 31 December 2004

	Share capital	Share premium	Translation reserves	Retained earnings	Net equity	Minority interests	Total
	US\$m	US\$m	US\$m	US\$m	US\$m	US\$m	US\$m
Balance at 1 January 2004	16.6	272.4	-	665.4	954.4	347.3	1,301.7
Profit for the financial year	-	-	-	579.5	579.5	377.1	956.6
Currency translation adjustment	-	-	8.5	-	8.5	(0.4)	8.1
Dividends	-	-	-	(76.9)	(76.9)	(119.5)	(196.4)
Balance at 31 December 2004	16.6	272.4	8.5	1,168.0	1,465.5	604.5	2,070.0

There were no items of recognised income and expense in either period other than the profit for the financial period.

Notes to the restated financial statements

a. Segmental analysis of turnover, EBITDA and operating profit

Turnover, EBITDA, depreciation and amortisation have been restated on a segmental basis from UK GAAP to IFRS as set out below. There are no adjustments to the amounts previously reported in respect of capital expenditure for either the six months ended 30 June 2004 or the year ended 31 December 2004.

The principal adjustments to turnover relate to:

- the mark-to-market of provisionally priced sales as set out in Section 3(a); and
- the reclassification of realised gains and losses on commodity derivatives from turnover to other operating expenses as set out in Section 3(b).

The principal adjustments to EBITDA and operating profit relate to:

- the mark-to-market of provisionally priced sales as set out in Section 3(a);
- the mark-to-market of commodity derivatives as set out in Section 3(b);
- the remeasurement of severance indemnities in accordance with actuarial methods as set out in Section 3(f); and
- the change of functional currency of the Chilean Railway network as set out in Section 3(g).

UK GAAP turnover figures for June 2004 have been restated from those previously reported for the restatement of turnover after deducting tolling charges for concentrate sales as explained in Section 4 “UK GAAP Financial Information”.

(i) Turnover

	Half Year to 30.06.04			Full Year to 31.12.04		
	UK GAAP US\$m	Adjustments US\$m	IFRS US\$m	UK GAAP US\$m	Adjustments US\$m	IFRS US\$m
Los Pelambres	511.2	(22.3)	488.9	1,338.5	24.3	1,362.8
El Tesoro	137.1	(0.9)	136.2	296.7	(0.1)	296.6
Michilla	57.4	8.9	66.3	142.9	9.2	152.1
Mining	705.7	(14.3)	691.4	1,778.1	33.4	1,811.5
Railway and other transport services	39.9	-	39.9	85.7	-	85.7
Water concession	22.1	-	22.1	44.9	-	44.9
	767.7	(14.3)	753.4	1,908.7	33.4	1,942.1

Los Pelambres turnover by type of metal is as follows:

	Half Year to 30.06.04			Full Year to 31.12.04		
	UK GAAP US\$m	Adjustments US\$m	IFRS US\$m	UK GAAP US\$m	Adjustments US\$m	IFRS US\$m
Copper	391.0	(20.9)	370.1	991.1	(4.1)	987.0
Molybdenum	113.3	(1.4)	111.9	331.1	28.4	359.5
Gold and silver	6.9	-	6.9	16.3	-	16.3
Los Pelambres	511.2	(22.3)	488.9	1,338.5	24.3	1,362.8

(ii) Earnings before interest, tax, depreciation and amortisation

	Half Year to 30.06.04			Full Year to 31.12.04		
	UK GAAP US\$m	Adjustments US\$m	IFRS US\$m	UK GAAP US\$m	Adjustments US\$m	IFRS US\$m
Los Pelambres	397.3	(22.6)	374.7	1,048.1	23.9	1,072.0
El Tesoro	83.5	(0.8)	82.7	180.2	(0.6)	179.6
Michilla	15.3	4.3	19.6	49.0	4.6	53.6
Exploration	(2.7)	-	(2.7)	(10.3)	-	(10.3)
Corporate and other items	(3.7)	-	(3.7)	(10.1)	(0.1)	(10.2)
Mining	489.7	(19.1)	470.6	1,256.9	27.8	1,284.7
Railway and other transport services	20.8	0.2	21.0	41.8	-	41.8
Water concession	14.1	-	14.1	30.1	0.1	30.2
	524.6	(18.9)	505.7	1,328.8	27.9	1,356.7

(iii) Depreciation and amortisation

	Half Year to 30.06.04			Full Year to 31.12.04		
	UK GAAP US\$m	Adjustments US\$m	IFRS US\$m	UK GAAP US\$m	Adjustments US\$m	IFRS US\$m
Los Pelambres	42.3	-	42.3	80.2	-	80.2
El Tesoro	11.2	-	11.2	22.3	-	22.3
Michilla	10.0	-	10.0	13.9	-	13.9
Corporate and other items	0.2	-	0.2	0.4	-	0.4
Mining	63.7	-	63.7	116.8	-	116.8
Railway and other transport services	4.1	0.1	4.2	9.4	(0.3)	9.1
Water concession	3.6	-	3.6	8.3	-	8.3
	71.4	0.1	71.5	134.5	(0.3)	134.2
Amounts written of property, plant and equipment	7.3	-	7.3	19.1	-	19.1
	78.7	0.1	78.8	153.6	(0.3)	153.3

(iv) Operating profit/(loss) by operation

	Half Year to 30.06.04			Full Year to 31.12.04		
	UK GAAP US\$m	Adjustments US\$m	IFRS US\$m	UK GAAP US\$m	Adjustments US\$m	IFRS US\$m
Los Pelambres	353.4	(22.6)	330.8	964.8	23.9	988.7
El Tesoro	67.4	(0.8)	66.6	152.0	(0.6)	151.4
Michilla	5.2	4.3	9.5	27.0	4.6	31.6
Exploration	(2.7)	-	(2.7)	(10.3)	-	(10.3)
Corporate and other items	(3.9)	-	(3.9)	(10.6)	(0.1)	(10.7)
Mining	419.4	(19.1)	400.3	1,122.9	27.8	1,150.7
Railway and other transport services	16.1	0.1	16.2	30.6	0.3	30.9
Water concession	10.4	-	10.4	21.7	0.1	21.8
	445.9	(19.0)	426.9	1,175.2	28.2	1,203.4
Group operating profit	445.9	(19.0)	426.9	1,175.2	28.2	1,203.4
Share of income from associates	-	-	-	-	-	-
Total profit from operations and associates	445.9	(19.0)	426.9	1,175.2	28.2	1,203.4

b. Net finance costs

The adjustments to net finance costs relate to:

- the mark-to-market of exchange and interest derivatives as explained in Section 3(b);
- inclusion of preference dividends as finance costs as explained in Section 3(e), and
- exchange differences previously included in reserves as explained in Section 3(i).

	Half Year to 30.06.04			Full Year to 31.12.04		
	UK GAAP	Adjustments	IFRS	UK GAAP	Adjustments	IFRS
	US\$m	US\$m	US\$m	US\$m	US\$m	US\$m
Interest receivable	9.8	-	9.8	19.2	-	19.2
Interest payable	(14.9)	-	(14.9)	(34.0)	-	(34.0)
Foreign exchange (losses)/gains	(1.5)	(7.9)	(9.4)	3.0	0.3	3.3
Mark-to-market gains on derivatives	-	3.5	3.5	-	7.5	7.5
Preference dividends	-	(0.1)	(0.1)	-	(0.2)	(0.2)
Discount charge relating to provisions	(0.4)	-	(0.4)	(0.7)	-	(0.7)
Net finance costs	(7.0)	(4.5)	(11.5)	(12.5)	7.6	(4.9)

c. Taxation

Adjustments to taxation relate mainly to:

- provision for deferred tax as explained in Section 3(k) for differences not requiring provision under UK GAAP; and
- the deferred tax effects of the other adjustments set out in Section 3.

No adjustments have been made to current tax. Deferred tax assets and liabilities and current tax asset and liabilities have been separately disclosed in the balance sheet, and netting off tax balances has only taken place where there is a legal right of set-off.

The adoption of IFRS has marginally increased the effective tax rate for the six month to 30 June 2004 from 18.8% under UK GAAP to 19.1% under IFRS, and marginally decreased the effective tax rate for the twelve months ended 31 December 2004 from 20.5% to 20.2%.

d. Property, plant and equipment; investment property

Adjustments to property, plant and equipment relate mainly to:

- the elimination of exchange differences which previously arose on consolidation on the change of functional currency of the Chilean Railway network from the Chilean peso to the US dollar as explained in Section 3(g);
- reclassification of forestry assets to investment property as explained in Section 3(n).

e. Trade and other receivables

Adjustments to trade and receivables are set out below.

	Half Year to 30.06.04			Full Year to 31.12.04		
	UK GAAP	Adjustments	IFRS	UK GAAP	Adjustments	IFRS
	US\$m	US\$m	US\$m	US\$m	US\$m	US\$m
Trade and other receivables						
Current	191.5	(0.7)	190.8	299.3	50.5	349.8

The adjustments comprise:

	Adjustments	Adjustments
	US\$m	US\$m
Los Pelambres - copper concentrate	0.8	17.6
Los Pelambres - molybdenum concentrate	3.1	32.9
El Tesoro - copper cathodes	-	0.8
Michilla - copper cathodes	0.1	0.4
Mark-to-market of provisional sales	4.0	51.7
Reclassification of financial derivatives	-	(0.2)
Reclassification of income tax	(4.7)	(1.0)
	(0.7)	50.5

f. Derivative financial instruments

As explained in Section 3(b), derivative financial instruments are marked-to-market under IFRS. The mark-to-market values included in the balance sheets at 30 June 2004 and 31 December 2004 are as follows:

	Half Year to 30.06.04			Full Year to 31.12.04		
	UK GAAP	Adjustments	IFRS	UK GAAP	Adjustments	IFRS
	US\$m	US\$m	US\$m	US\$m	US\$m	US\$m
Derivative financial instruments - assets						
Current assets	-	-	-	-	0.2	0.2
Derivative financial instruments - liabilities						
Current liabilities	-	(6.3)	(6.3)	-	(2.3)	(2.3)
	-	(6.3)	(6.3)	-	(2.1)	(2.1)

The net position at the end of each period is analysed between commodity, interest and exchange derivatives as follows:

	Half Year to 30.06.04			Full Year to 31.12.04		
	UK GAAP	Adjustments	IFRS	UK GAAP	Adjustments	IFRS
	US\$m	US\$m	US\$m	US\$m	US\$m	US\$m
Commodity	-	-	-	-	0.2	0.2
Interest	-	(6.3)	(6.3)	-	(2.2)	(2.2)
Exchange	-	-	-	-	(0.1)	(0.1)
	-	(6.3)	(6.3)	-	(2.1)	(2.1)

g. Cash, cash equivalents and borrowings

As explained in section 3(o), cash and cash equivalents under IFRS comprise short-term cash equivalents maturing within three months. Under UK GAAP, cash equivalents other than those available on demand were included within current asset investments, but have been presented on a combined basis in the UK GAAP balance sheet for convenience.

The adjustment relates to the reclassification of sterling denominated preference share capital from shareholders' funds to borrowings as explained in section 3(e). The mark-to-market values of interest derivatives are set out above in note (f).

	Half Year to 30.06.04			Full Year to 31.12.04		
	UK GAAP	Adjustments	IFRS	UK GAAP	Adjustments	IFRS
	US\$m	US\$m	US\$m	US\$m	US\$m	US\$m
Current asset investments	487.7			4.4		
Cash at bank and in hand	3.6			877.0		
Cash and cash equivalents	491.3	-	491.3	881.4	-	881.4
Short-term borrowings	(125.5)	-	(125.5)	(104.7)	-	(104.7)
Medium and long-term borrowings	(619.9)	(3.7)	(623.6)	(494.2)	(3.9)	(498.1)
Total borrowings	(745.4)	(3.7)	(749.1)	(598.9)	(3.9)	(602.8)
Net (debt)/cash	(254.1)	(3.7)	(257.8)	282.5	(3.9)	278.6

h. Trade and other payables

Adjustments to trade and other payables relate mainly to:

- The reversal of the proposed ordinary dividend as explained in Section 3(d).
- Reclassification of current tax liabilities which have been separately disclosed on the face of the balance sheet.

i. Post employment benefits and other long-term provisions

Adjustments to post employment benefits relate mainly to:

- The use of actuarial valuations to measure severance indemnity provisions;
- Reclassification of certain balances previously included in the severance indemnity provision to non-current trade and other creditors and other long-term provisions.

Consolidated balance sheet at 1 January 2004

	01.01.04		
	UK GAAP US\$m	Adjustment US\$m	IFRS US\$m
Non-current assets			
Intangible asset	90.6	-	90.6
Property, plant and equipment	1,863.2	(3.2)	1,860.0
Investment property	-	3.0	3.0
Available for sale investments	0.4	(0.2)	0.2
Deferred tax assets	-	2.9	2.9
	<u>1,954.2</u>	<u>2.5</u>	<u>1,956.7</u>
Current assets			
Inventories	60.5	-	60.5
Trade and other receivables	195.7	19.5	215.2
Current tax assets	-	8.1	8.1
Financial instruments – medium term deposits	-	27.0	27.0
Cash and cash equivalents	195.7	(27.0)	168.7
	<u>451.9</u>	<u>27.6</u>	<u>479.5</u>
Total assets	<u><u>2,406.1</u></u>	<u><u>30.1</u></u>	<u><u>2,436.2</u></u>
Current liabilities			
Short-term borrowings	(166.7)	-	(166.7)
Financial instruments -derivatives	-	(13.6)	(13.6)
Trade and other payables	(142.2)	47.8	(94.4)
Current tax liabilities	-	(0.5)	(0.5)
	<u>(308.9)</u>	<u>33.7</u>	<u>(275.2)</u>
Non-current liabilities			
Medium and long term borrowings	(690.9)	(3.5)	(694.4)
Trade and other payables	-	(1.7)	(1.7)
Post-employment benefit obligations	(15.7)	2.7	(13.0)
Long-term provisions	(8.9)	(2.7)	(11.6)
Deferred tax liabilities	(132.7)	(5.9)	(138.6)
	<u>(848.2)</u>	<u>(11.1)</u>	<u>(859.3)</u>
Total liabilities	<u><u>(1,157.1)</u></u>	<u><u>22.6</u></u>	<u><u>(1,134.5)</u></u>
Net assets	<u><u>1,249.0</u></u>	<u><u>52.7</u></u>	<u><u>1,301.7</u></u>
Equity			
Share capital	21.0	(4.4)	16.6
Share premium	300.4	(28.0)	272.4
Translation reserves	-	-	-
Retained earnings	584.5	80.9	665.4
Net equity attributable to equity holders of the Company	<u>905.9</u>	<u>48.5</u>	<u>954.4</u>
Minority interests	343.1	4.2	347.3
Total equity	<u><u>1,249.0</u></u>	<u><u>52.7</u></u>	<u><u>1,301.7</u></u>

7. Independent Auditors' Report to the Board of Directors Antofagasta plc on the Comparative IFRS Financial Information

We have audited the comparative IFRS financial information of Antofagasta plc for the year ended 31 December 2004 which comprises the consolidated balance sheet, consolidated income statement, the consolidated cash flow statement, the reconciliation of Group profit to cash flows from operations, the consolidated statement of changes in equity under IFRS and the related notes thereto set out on pages 23 to 27, together with, as set out on page 5, the related reconciliation of net earnings under UK GAAP to net earnings under IFRS and the reconciliations of shareholders' funds under UK GAAP to net equity under IFRS at both 1 January 2004 and 31 December 2004, together with the opening balance sheet as at 1 January 2004 (hereinafter referred to as "financial information").

This report is made solely to the Board of Directors, in accordance with our engagement letter engagement dated 29 July 2005 and solely for the purpose of assisting with the transition to IFRS. Our audit work will be undertaken so that we might state to the Company's board of directors those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we will not accept or assume responsibility to anyone other than the Company for our audit work, for our report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The Company's Directors are responsible for ensuring that the Company and the Group maintain proper accounting records and for the preparation of the financial information on the basis set out in Sections 2 and 5, which describe how IFRS will be applied under IFRS 1, including the assumptions the Directors have made about the standards and interpretations expected to be effective, and the policies expected to be adopted, when the company prepares its first complete set of IFRS financial statements as at 31 December 2005. Our responsibility is to audit the financial information in accordance with relevant United Kingdom legal and regulatory requirements and auditing standards and report to you our opinion as to whether the financial information is prepared, in all material respects, on the basis set out in Sections 2 and 5.

We read the other information contained in the financial information for the above year as described in the contents section and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial information.

Basis of audit opinion

We conducted our audit in accordance with United Kingdom auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the IFRS financial information. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the financial information and of whether the accounting policies are appropriate to the circumstances of the Group, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the IFRS financial information is free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the IFRS financial information.

Without qualifying our opinion, we draw attention to the fact that Section 1 explains why there is a possibility that the accompanying financial information may require adjustment before constituting the final financial information. Moreover, we draw attention to the fact that, under IFRSs, only a complete set of financial statements comprising a balance sheet, income statement, statement of changes in equity, cash flow statement, together with comparative financial information and explanatory notes, can provide a fair presentation of the Group's financial position, results of operations and cash flows in accordance with IFRSs.

Opinion

In our opinion the financial information is prepared, in all material respects, on the basis set out in Sections 2 and 5 which describe how IFRS will be applied under IFRS 1, including the assumptions the Directors have made about the standards and interpretations expected to be effective, and the policies expected to be adopted, when the Company prepares its first complete set of IFRS financial statements as at 31 December 2005.

Deloitte & Touche LLP

Chartered Accountants
London

12 September 2005

8. Independent Review Report to the Board of Directors of Antofagasta plc on the Comparative Financial Information for the six months ended 30 June 2004

We have reviewed the accompanying International Financial Reporting Standards (IFRS) consolidated financial information of Antofagasta plc (“the Company”) and its subsidiaries (together, “the Group”) for the six months ended 30 June 2004 which comprises the consolidated income statement, the consolidated balance sheet, the consolidated cash flow statement, the reconciliation of Group profit to cash flows from operations, the consolidated statement of changes in equity under IFRS and the related notes thereto set out on pages 23 to 27, together with, as set out on page 5, the related reconciliation of net earnings under UK GAAP to net earnings under IFRS and the related reconciliation of shareholders’ funds under UK GAAP to net equity under IFRS at 30 June 2004 (hereinafter referred to as “financial information”).

This financial information is the responsibility of the Company’s directors. It has been prepared as part of the Company’s conversion to IFRS in accordance with the basis set out in Sections 2 and 5 which describe how IFRSs have been applied under IFRS 1, including the assumptions the directors have made about the standards and interpretations expected to be effective, and the policies expected to be adopted, when the company prepares its first complete set of IFRS financial statements as at 31 December 2005. Our responsibility is to express an opinion on this IFRS comparative financial information based on our review.

Our review report is made solely to the Company in accordance with Bulletin 1999/4 issued by the Auditing Practices Board. Our work has been undertaken so that we might state to the Company those matters we are required to state to them in an independent review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company, for our review work, for this report, or for the conclusions we have formed.

Review work performed

We conducted our review in accordance with Bulletin 1999/4 issued by the Auditing Practices Board. A review consists principally of making enquiries of management and applying analytical procedures to the financial information and underlying financial data and, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of control and verification of assets, liabilities and transactions. It is substantially less in scope than an audit performed in accordance with United Kingdom auditing standards and therefore provides a lower level of assurance than an audit. Accordingly, we do not express an opinion on the financial information.

Emphasis of matter

Without modifying our review conclusion, we draw attention to the fact that Section 1 explains why there is a possibility that the accompanying financial information may require adjustment before constituting the final IFRS comparative information for the six months ended 30 June 2004. Moreover, we draw attention to the fact that, under IFRSs, only a complete set of financial statements comprising an income statement, balance sheet, statement of changes in equity, cash flow statement, together with comparative financial information and explanatory notes, can provide a fair presentation of the Group’s financial position, results of operations and cash flows in accordance with IFRSs.

Review conclusion

On the basis of our review we are not aware of any material modifications that should be made to the financial information for the six months ended 30 June 2004 which has been prepared in accordance with the basis set out in Sections 2 and 5.

Deloitte & Touche LLP
Chartered Accountants
London
12 September 2005