

Preliminary Results Announcement for the year ended 31 December 2005

14 March 2006

HIGHLIGHTS

- **Record financial results:**
 - cash flow from operations was up 31% to US\$1.6 billion;
 - profit before tax was up 28% to US\$1.5 billion;
 - earnings per share were up 25% to 368.1 cents.
- **Total dividend for the year up 39% to 110 cents per share.** The final dividend of 94 cents* comprises:
 - an ordinary dividend of 24 cents;
 - a special dividend of 70 cents.
- **Strong metal prices have benefited the Group, offsetting an expected 6.2% decrease in copper production and higher operating costs mainly from industry-wide pressures:**
 - Average LME copper price up 29% to 167.1 cents per pound;
 - Average market molybdenum price doubled to US\$32 per pound;
 - Group weighted average cash costs down 43% to 13.9 cents per pound to strong by-product credits.
- **Molybdenum production increased by 10% to 8,700 tonnes, partly as a result of maximising production to benefit from high prices.**
- Two major capital expenditure programmes with a combined cost of US\$0.6 billion, the Mauro dam and plant expansion, are underway at Los Pelambres. These will allow the 2 billion tonne ore reserves to be utilised and will increase production from 2007 as planned.
- Throughput expansion at El Tesoro to 10.5 million tonnes per annum completed.
- Esperanza now expected to complete the feasibility stage by the end of 2006. The estimated drilled inferred ore resource has increased to 786 million tonnes with a 42% increase in contained copper, and with gold and molybdenum credits.
- Solid results from the railway and water businesses. Both have signed contracts with new mine developments, and are well-placed to benefit from the increase in mining activity in northern Chile.
- The Group continues to look at opportunities to secure world-class mining assets to enhance its overall growth profile. The offer announced on 14 February 2006 to acquire Tethyan Copper Company in order to develop its assets jointly with Barrick Gold Corporation is an example of this.

FULL YEAR TO 31 DECEMBER		2005	2004	% Change
Group turnover	US\$'m	2,445.3	1,942.1	25.9%
Cash flow from operations	US\$'m	1,647.5	1,253.5	31.4%
Profit before tax	US\$'m	1,536.3	1,198.5	28.2%
Earnings per share	cents	368.1	293.9	25.2%
Interim dividend (paid in October)	cents	16	15	6.7%
Recommended final ordinary dividend*	cents	24	24	-%
Recommended special dividend*	cents	70	40	75%
Total dividends	cents	<u>110</u>	<u>79</u>	39.2%
LME copper price (per pound)	cents	167.1	130.0	28.5%
Group copper production	'000 tonnes	467.3	498.4	(6.2)%
Group weighted average cash costs** (net of by-products)	cents	13.9	24.3	(42.8)%
Market molybdenum price	US\$	32.0	16.2	97.5%
Group molybdenum production	'000 tonnes	8.7	7.9	10.1%

HIGHLIGHTS (continued)

Marcelo Awad, Chief Executive Officer of Antofagasta Minerals S.A., commented, “These are excellent results for Antofagasta, with high metal prices supporting a sound operating performance. Following an already strong year in 2004, results in 2005 increased by over 25%. Antofagasta is also seeking to enhance its overall growth profile, both by developing its existing assets and by seeking to secure rights to world-class mining assets. The Group’s strong financial position has enabled it to increase total dividends for the year by 39% while continuing to invest in profitable growth.”

Antofagasta is a Chilean-based mining group listed in the United Kingdom. In addition to copper mining, its interests include rail and road transport operations and water distribution.

** Dividends are paid in either sterling or US dollars. The conversion rate for dividends to be paid in sterling will be set on 16 May 2006.*

*** Cash cost is a method used by the mining industry to express the cost of production in cents per pound of copper, and is further explained in Note 2(b)(iii) to the Preliminary Results Announcement.*

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DIRECTORS' COMMENTS FOR THE YEAR TO 31 DECEMBER 2005

The Group achieved strong results, capitalising on a background of favourable market conditions. Profit before tax was up 28.2% to US\$1,536.3 million (2004 – US\$1,198.5 million) with earnings per share up 25.2% to 368.1 cents (2004 – 293.9 cents). LME copper prices averaged 167.1 cents per pound (2004 – 130.0 cents per pound), an increase of 28.5%, while molybdenum market prices nearly doubled to average US\$32.0 per pound (2004 – US\$16.2 per pound). The Group also benefited from higher molybdenum production of 8,700 tonnes (2004 – 7,900 tonnes), but as expected Group copper production decreased by 6.2% at 467,300 tonnes (2004 – 498,400 tonnes). This was mainly due to lower ore grades at Los Pelambres, partly as a result of the decision to maximise molybdenum production to take advantage of high prices. Weighted average cash costs, which include by-product credits, were 42.8% lower at 13.9 cents per pound as the strong prices and increased molybdenum production offset increased operating costs. The Group's transport and water operations also had a satisfactory year with strong volumes.

During 2005, the Group progressed with a number of important steps regarding its future development. At Los Pelambres, work continued with the Mauro tailings dam, which will enable the existing 2 billion tonne ore reserves to be utilised with a mine life extending to 2047. A plant expansion to increase ore throughput to 140,000 tonnes per day was also begun to increase future copper production. Both these programmes should be completed in 2007. El Tesoro completed its expansion of throughput to 10.5 million tonnes per annum, which will help offset the effect of lower ore grades. Michilla initiated a technical review of its reserves with a view to developing a new mine plan in 2006 to determine future production levels. The Group also progressed with a number of exploration projects, notably the Esperanza copper project, where the drill-inferred resource has increased to 786 million tonnes of ore (representing a 42% increase in contained copper), with gold and now also molybdenum credits. This project is now expected to complete the feasibility stage by the end of 2006. The Group also examined a number of new opportunities in the course of the year. On 14 February 2006 it announced an offer to acquire the Tethyan Copper Company Limited, which if successful, would provide it with an opportunity to develop copper-gold assets in North-West Pakistan in partnership with Barrick Gold Corporation, the largest gold producer in the world. The railway and water businesses have also signed contracts with new mine developments, and are well-placed to benefit from any increase in mining activity in Northern Chile.

Cash flow from operations in 2005 was US\$1,647.5 million (2004 – US\$1,253.5 million) and the net increase in cash and cash equivalents (after taxes paid, debt repayment, capital expenditure and dividends) was US\$427.5 million (2004 – US\$714.2 million). Net cash at the year-end was US\$851.5 million (2004 – US\$278.6 million). These cash reserves will fund the Group's capital expenditure programmes, including the Mauro dam and plant expansion projects at Los Pelambres, tax payments relating to 2005 profits and new opportunities which may arise. The Board recommends a final dividend of 24 cents and a special

dividend of 70 cents, bringing the total dividend for the year, including the interim dividend paid in October 2005, to 110 cents (2004 – 79 cents).

Review of Operations

Los Pelambres

Los Pelambres had a record year with operating profit up 36.6% to US\$1,350.4 million, compared with US\$988.7 million in 2004. Realised copper prices were 189.2 cents per pound (2004 – 141.5 cents per pound), reflecting strong LME prices and pricing adjustments on close-out of provisional sales, while realised molybdenum prices were US\$31.4 per pound (2004 – US\$21.5 per pound).

Los Pelambres produced 322,800 tonnes of payable copper compared with 350,600 tonnes in 2004. Lower ore grades averaged 0.80% (2004 – 0.88%) due to normal grade decline anticipated under the mine plan and also as a result of maximising molybdenum production. The decrease was partly offset by higher ore throughput as average processing levels increased to 128,100 tonnes per day (tpd) of ore compared with 125,900 tpd in 2004.

Molybdenum production increased to 8,700 tonnes (2004 – 7,900 tonnes) as selective mining resulted in higher grades and improved recoveries. Cash costs, which are stated net of by-product credits, reached negative 17.1 cents per pound, as molybdenum revenues outweighed Los Pelambres' operating costs. Excluding by-product credits, copper and molybdenum production cash costs in the period increased to 74.7 cents per pound of copper produced (2004 - 53.7 cents per pound). This was partly due to higher treatment and refining charges for copper and higher roasting charges for molybdenum which together increased by 11.1 cents per pound to 27.6 cents per pound in 2005. Input prices such as steel, energy and oil have also risen in the current strong economic environment. Costs were to a lesser extent also affected by the lower ore grade.

During 2005, Los Pelambres further reduced its borrowings with repayments totalling US\$81.5 million, following the replacement of its project finance loans with unsecured corporate loan facilities at the end of 2004. Total borrowings were US\$395.8 million at 31 December 2005.

Los Pelambres is currently undertaking two major capital expenditure programmes, the Mauro tailings dam project and the expansion of the plant to 140,000 tpd. These have a combined budget of US\$639 million and are being financed by the cash resources of Los Pelambres.

Work began on the Mauro tailings dam at the end of 2004, following approval of the Environmental Impact Study earlier that year. The dam provides Los Pelambres with sufficient storage capacity for its 2 billion tonnes of existing ore reserves, with a mine plan now extending to 2047. During 2005, all necessary

permits for the completion of the Mauro tailings dam were obtained. Physical progress of 20% was achieved, and the project is expected to be completed as planned by the end of 2007. The Mauro project has a budget of US\$457 million, although the stronger Chilean peso and higher steel costs may increase the eventual total costs. Cumulative expenditure to 31 December 2005 since the project began has been US\$71.9 million, of which US\$50.3 million was incurred during the year.

In the first half of 2005, the Los Pelambres board approved an expansion of the concentrator plant to increase average ore throughput to 140,000 tpd. This will be achieved by re-powering the grinding lines and installing an additional fifth ball mill at the concentrator plant. Work on this project, costing approximately US\$182 million, has begun and is expected to be completed on time and within budget by mid-2007, when Los Pelambres should start to benefit from the resulting higher production. Costs of US\$10.7 million had been incurred by the end of 2005.

In 2006, the ore processing level is expected to average 126,300 tpd while the ore grade is expected to average 0.77%. As a result, production of payable copper in 2006 is expected to be around 308,000 tonnes compared with the 322,800 tonnes produced in 2005. Copper production should increase from mid-2007 as the plant expansion comes on stream. Molybdenum production in 2006 is forecast to increase to around 10,800 tonnes with better grades processed averaging 0.030% (2004 – 0.022%) to maximise production.

Cash costs before by-product credits in 2006 are expected to increase by around 13 cents per pound from the 2005 level mainly as a result of industry pressures. These include higher treatment and refining charges (which partly depend on the copper price), roasting charges for molybdenum, the continued strength of the Chilean peso and inflation, combined to a lesser degree with the impact of slightly lower copper grades. Nevertheless, molybdenum prices remain well above historical averages and, together with increased molybdenum production, should continue to benefit Los Pelambres. Capital expenditure for 2006 is estimated at US\$460 million, which includes US\$257 million on the Mauro dam and US\$136 million on the plant expansion.

Los Pelambres is reviewing options for possible further expansion and, as part of this review, will begin the first stage of a two-year exploration programme to identify additional deposits beyond the existing 3.1 billion tonne resource.

El Tesoro

Operating profit at El Tesoro rose by 14.2% from US\$151.4 million in 2004 to US\$172.9 million this year. Realised copper prices were 175.7 cents per pound, compared with 136.9 cents per pound last year, reflecting the improved LME prices as well as strong premiums due to the tight cathode market.

Production at El Tesoro increased to 98,100 tonnes (2004 – 97,800 tonnes) as the higher ore throughput level compensated for the expected reduction in ore grade from 1.35% to 1.23%.

Cash costs rose to 66.1 cents per pound compared with 52.4 cents in 2004. This increase was partly due to mine-specific factors including a higher waste-to-ore ratio and lower ore grades, but also to cost pressures common to other Chilean mines, including the stronger Chilean peso and higher fuel, energy and sulphuric acid costs which have risen in the current economic environment. El Tesoro's results were also affected by the effect of commodity hedging, which reduced operating profit in 2005 by US\$24.8 million, including mark-to-market adjustments of US\$17.0 million for hedges due to mature in 2006.

In December 2004, El Tesoro replaced its project finance loans with unsecured corporate facilities. During 2005, repayments of US\$56.2 million were made. This included scheduled repayments of US\$20 million and additional prepayments of US\$24 million on the corporate facilities, and early repayment of finance lease obligations of US\$12.2 million. El Tesoro's borrowings at 31 December 2005 were US\$56.1 million.

During January 2006, El Tesoro obtained formal approval from the relevant environmental authorities regarding the plant optimisation carried out during 2005. This increases the current annual ore throughput to 10.5 million tonnes, compared with the previous level of 9.7 million tonnes, and will partly compensate for lower ore grades in the following years. In 2006, El Tesoro expects to produce 91,600 tonnes of cathodes mainly reflecting reduction in the ore grade under the mine plan to 1.14%. Cash costs are expected to be approximately 78 cents per pound, reflecting the impact of lower production and the higher waste-to-ore ratio, as well as other cost factors including exchange rates and local inflation.

Michilla

Michilla faced a challenging year despite the strong commodity price environment. Cathode production for 2005 was 46,400 tonnes (2004 – 50,000 tonnes), a decrease of 7.2% due to lower throughput and slightly lower ore grades. The lower throughput resulted from operational difficulties at the underground mine in the first half of the year, which have since been resolved, and modifications required to the secondary crushing line, together with lower ore grades at the Lince open pit.

Cash costs reached 118.8 cents per pound in 2005, 33.2 cents higher than the previous year, due to these operational issues as well as similar industry-wide cost pressures to El Tesoro. Michilla's results were also affected by the effect of commodity hedging, which reduced operating profit by US\$43.8 million, including mark-to-market adjustments of US\$27.5 million for hedges due to mature in 2006. Following a review of carrying values, a US\$30.0 million impairment charge was also recognised. Consequently, Michilla recorded an operating loss of US\$31.1 million in 2005 compared with an operating profit of US\$31.6 million in 2004. Excluding the mark-to-market hedging losses relating to 2006 and the impairment

provision, EBITDA (earnings before interest, taxes, depreciation and amortisation, further explained in Note 4(a)(vi)) and operating profit at Michilla for 2005 would have been US\$43.8 million and US\$26.4 million respectively.

Cathode production for 2006 is expected to be 41,900 tonnes mainly due to the effect of ore grades, with cash costs around 127 cents per pound. In the second half of 2005, Michilla initiated a detailed technical review of its resources, which will result in a revised mine plan. This should be completed in the first half of 2006 and will determine Michilla's future production level.

Projects, exploration and new opportunities

The Group spent US\$22.4 million on exploration activities in 2005, compared with US\$10.3 million in 2004. This included US\$9.8 million at Esperanza (2004 – US\$2.1 million), US\$9.0 million at Michilla (2004 – US\$3.0 million) and US\$3.6 million on other targets mainly in Chile (2004 – US\$5.2 million).

The principal focus remains the Esperanza project, located approximately 5 kilometres from El Tesoro, which will now advance to the feasibility stage. During 2005, 1.4 kilometres of the 2.25 kilometre exploration decline were completed, together with the 40,000 metre drilling campaign. The drill-inferred sulphide resource at Esperanza has been increased following analysis of the drill results to 786 million tonnes of ore with an average copper grade of 0.53%, an average gold grade of 0.20 g/t, and an average molybdenum grade of 0.0123%, with an unchanged cut-off grade for copper of 0.30%. This compares with the previous estimate of 469 million tonnes of ore with an average copper grade of 0.63% and 0.27 g/t of gold and represents a 42% increase in copper contained in the ore resource and the identification of molybdenum as an additional by-product. The feasibility stage is expected to be completed by the end of 2006.

During 2004 and 2005, Michilla carried out an exploration programme to identify further ore reserves, mainly in targets such as the Estefania Este and Lince Este which are adjacent to current orebodies. The results were disappointing and no significant increases in reserves were discovered. The Group is seeking to obtain further reserves and is acquiring the Antucoya deposit, located 45 kilometres north-east of Michilla.

During 2006, in addition to completion of the Esperanza pre-feasibility study, the exploration team will focus on examining new targets principally in Chile and Latin America (with a budget of US\$6.4 million), and also on drilling and exploratory work around the Group's existing operations (with a budget of US\$4.5 million, including US\$3.1 million for Los Pelambres).

The Group also continues to look at opportunities to secure rights to world-class mining assets. On 14 February 2006, the Group announced its intention to make a cash takeover offer for Tethyan Copper

Company Limited (“Tethyan”). Tethyan is a company listed on the Australian Stock Exchange, with copper-gold interests in North-West Pakistan. The Group currently holds an interest in 14.85% of Tethyan's issued share capital. If successful, the acquisition of Tethyan would provide the Group with an opportunity to develop copper-gold assets in a very prospective mining region, in partnership with Barrick Gold Corporation, the world's largest gold-producer.

Railway and other transport services

Rail and road transport volumes in 2005 were 4.3 million tons (2004 – 4.5 million tons) and 1.5 million tons (2004 – 1.4 million tons) respectively. The combined volumes were marginally below 2004 due to minor differences in tonnages moved by some customers. Operating profit (excluding income from associates) was US\$27.4 million (2004 – US\$30.9 million).

The FCAB's medium to longer term prospects remain positive. During the first half of 2005, the FCAB signed two new contracts; firstly with Apex Silver Mines' San Cristobal polymetallic project in south-western Bolivia and secondly with BHP Billiton's Spence copper project in Chile's Region II. The FCAB also expects to increase tonnages from Escondida's sulphide leach project. While some increase in tonnages is expected in 2006, these new mining projects should provide a significant uplift to existing transport volumes through 2007 and 2008. Other new developments, such as Coldeco's Gaby project and expansions to existing mines, could further increase tonnages as mining activity responds to the strength and duration of the current commodity cycle.

Aguas de Antofagasta

Aguas de Antofagasta had a successful second year of operations. Combined industrial and domestic water sales increased from 32.2 million cu. m. in 2004 to 33.1 million cu. m. this year, with operating profit of US\$25.1 million (2004 – US\$21.8 million), as Aguas benefited from increased sales to mining and industrial customers as well as from the stronger Chilean peso, the currency in which revenues from domestic customers are received. Aguas has improved services and productivity levels and is progressively reducing water losses.

A contract to supply water to BHP Billiton's Spence project during the construction period and subsequently for its operations was signed in 2005, and detailed engineering studies are underway to supply water for a possible future expansion of the Collahuasi mine owned by Noranda and Anglo American.

Dividends

The Board's policy is to maintain a progressive dividend policy which can be sustained through the economic cycle, with a dividend level that could be expected to be maintained at conservative long-term copper prices. The Board recommends special dividends when it considers these appropriate after taking into account the level of profits earned in the period under review, the existing cash position of the Group and significant known or expected funding commitments.

The Board recommends a final dividend of 94 cents per ordinary share payable on 15 June 2006 to shareholders on the Register at the close of business on 12 May 2006. The final dividend comprises an ordinary dividend of 24 cents and a special dividend of 70 cents. Including the interim dividend, this represents a distribution of just below 30% of net earnings (profit attributable to equity holders of the Company). In determining this, the Board has considered the remaining capital expenditures on the Mauro tailings dam and plant expansion projects, the balance of corporation and withholding taxes accrued for profits earned in 2005 to be paid in 2006, and the expected costs of the potential acquisition of Tethyan. The Board considers that this also provides the Group with sufficient flexibility to take advantage of new opportunities which may arise in the future.

Dividends per share proposed in relation to the year are as follows:

	US dollars		
	2005 cents	2004 cents	% increase
Ordinary			
Interim	16	15	
Final	24	24	
	<hr/>		
	40	39	2.6%
Special			
Final	70	40	75.0%
	<hr/>		
Total	110	79	39.2%

Dividends per share actually paid in the year and recognised as a deduction from net equity under IFRS were 80 cents (2004 – 39 cents) being the interim dividend for the year and the final dividend proposed in respect of the previous year.

Further details are given in Note 9 to this Preliminary Results Announcement.

Current Trading Prospects

Copper prices increased steadily through 2005, increasing from the 140 cents per pound range at the start of the year to over 200 cents by December, and have averaged 220 cents in the first two months of 2006. While total visible inventories have increased to around 200,000 tonnes, copper stocks still remain at critically low levels. Most commentators believe now that the market remained in deficit during 2005, with further destocking having taken place. This has been supported by supply disruptions and continued

smelter bottlenecks. Metal prices were also buoyed by increased demand for commodities as an investment alternative by institutional and mainstream investors in addition to index funds and commodity traders which are attracted to these markets.

Copper prices remain very volatile, against a background of strong global economic growth, smelting constraints, supply disruption and increased commodity fund activity. Nevertheless, demand remains healthy, supported by continued growth in China, India and Russia and prices should remain well above historical levels through 2006.

Molybdenum prices have retreated from the peak of US\$39 per pound reached in June 2005, as increases from primary producers and from copper mines producing molybdenum as a by-product have resulted in additional supplies reaching the market. Prices have averaged US\$23 per pound in the first two months of 2006, stabilising at a range of US\$20-US\$25 per pound. Demand remains strong, both in the steel sector and non-metallurgical applications. Prices should continue to remain above historical averages, although some softening from current levels may occur as supply increases and last year's disruptions in China are eventually resolved.

Group copper production this year is expected to be just over 440,000 tonnes, and molybdenum production up to 10,800 tonnes. Although underlying cash costs will increase as a result of continued industry pressures, the Group should continue to benefit from strong demand and high metal prices. During 2006, the Group will advance with its capital projects including the plant expansion and tailings dam at Los Pelambres and its exploration programmes, which include taking Esperanza to the feasibility stage.

Whilst the Group's primary region of focus continues to be Latin America, and Chile in particular, its financial position remains strong and it will continue to seek to enhance its growth profile by developing its existing assets and properties, and through seeking opportunities globally to secure world-class mining assets.

FINANCIAL COMMENTARY FOR THE YEAR TO 31 DECEMBER 2005

Results

Turnover

Group turnover increased by 25.9% to US\$2,445.3 million, compared with US\$1,942.1 million in 2004. The increase was mainly due to higher copper and molybdenum prices and higher molybdenum volumes.

Turnover from the mining division increased by 26.9% or US\$487.6 million to US\$2,299.1 million, mainly reflecting significantly improved market prices for copper and molybdenum. The Group's average realised copper price was 185.2 cents per pound (2004 – 140.2 cents), while the realised molybdenum price averaged US\$31.4 per pound (2004 – US\$21.5 per pound). Realised copper and molybdenum prices are determined by comparing turnover (gross of tolling charges for concentrates) with sales volumes in the period. Realised copper prices exceeded market prices mainly because, in line with industry practice, concentrate sales agreements at Los Pelambres generally provide for provisional pricing at the time of shipment with final pricing based on the average market price for future periods (normally 30 to 180 days after delivery to the customer). These adjustments were positive as the price of copper generally increased during the year. Sales of LME-registered cathodes by El Tesoro and Michilla also benefited from strong cathode premiums, reflecting tight market conditions. Molybdenum prices, which started the year over US\$30 per pound weakened slightly toward the end of 2005 to US\$25.0 per pound. Molybdenum also has provisional pricing and, as a result, the realised price of US\$31.4 per pound was below the market average for 2005 of US\$32.0 per pound.

The benefit of higher metal prices was partly offset by the decline in copper sales which decreased 8.0% from 500,700 tonnes in 2004 to 460,500 tonnes this year, mainly as a result of lower ore grades at Los Pelambres and lower throughput at Michilla. Molybdenum sales volumes increased by 7.6% to 8,500 tonnes following the decision to maximise molybdenum output to benefit from high prices.

Turnover from the transport division (FCAB) increased by US\$6.8 million to US\$92.5 million, despite similar volumes, mainly because rail tariffs are indexed to cost factors including inflation, the peso-dollar exchange rate and fuel costs which increased in the year. Turnover at Aguas de Antofagasta, which operates the Group's water business, increased by US\$8.8 million to US\$53.7 million, mainly reflecting the stronger Chilean peso and increased volumes.

Operating profit from subsidiaries and EBITDA

Operating profit from subsidiaries increased by 25.2% from US\$1,203.4 million to US\$1,506.4 million.

Operating profit at the mining division increased by 26.3% from US\$1,150.7 million to US\$1,453.9 million, mainly as a result of the strong metal prices and higher molybdenum volumes. This was partly offset by lower copper volumes as described above and also increased operating costs. Excluding by-product credits (which are reported as part of turnover), weighted average cash costs for the Group as a whole increased from 56.6 cents per pound in 2004 to 77.3 cents per pound, reflecting the impact of higher treatment and refining charges and input costs, as well as lower grades and higher waste-to-ore ratios. Operating profits were also affected by losses on commodity derivatives of US\$68.6 million at Michilla and El Tesoro (which includes US\$44.5 million of mark-to-market losses, recognised as a result of IFRS, relating to derivatives which mature in 2006), the impairment charge of US\$30 million at Michilla and higher exploration expenditure which increased by US\$12.1 million to US\$22.4 million in 2005.

Operating profits (excluding income from associates) at the transport division decreased by US\$3.5 million compared to 2004 despite similar volumes. This was mainly due to higher maintenance costs, increased overheads in anticipation of new contracts and costs associated with concluding a four-year labour agreement with its unions in December. Aguas de Antofagasta contributed US\$25.1 million compared to US\$21.8 million last year, reflecting similar operating margins as both its costs and revenues are peso-denominated allowing it to benefit from the stronger exchange rate and increased volumes.

EBITDA (earnings before interest, depreciation, tax and amortisation) in 2005 was US\$1,674.1 million, compared with US\$1,356.7 million in 2004, up 23.4%. This is calculated by adding back to operating profit from subsidiaries the items of depreciation and amortisation of US\$128.0 million (2004 – US\$134.2 million), disposals of property, plant and equipment of US\$9.7 million (2004 – US\$19.1 million) and the impairment provision of US\$30 million (2004 – US\$ nil).

The Group's share of net profit from its 30% investment in Antofagasta Terminal Internacional S.A. ("ATI"), acquired at the end of 2004, was US\$0.9 million. This compares with an acquisition cost of US\$2.9 million in 2004.

Net finance income/(cost)

Net finance income in 2005 was US\$29.0 million, compared with net finance costs of US\$4.9 million in 2004.

Interest receivable increased from US\$19.2 million in 2004 to US\$39.7 million, due to the higher level of cash and deposit balances and higher market interest rates compared with 2004. Interest expense (excluding the mark-to-market effect of interest rate derivatives) decreased from US\$34.9 million in 2004 to US\$26.0 million. Regular loan repayments as well as pre-payments at El Tesoro have decreased the level of borrowings, offsetting the effect of higher interest rates.

Exchange gains included in finance items were US\$13.3 million, compared with US\$3.3 million in the previous year. These resulted mainly from the strengthening of the Chilean peso, which resulted in exchange gains to peso-denominated monetary items, principally peso-denominated inter-company receivables and cash balances held by Group companies with US dollar functional currencies. As explained below, income tax expense includes credits for exchange of US\$20.2 million resulting in total exchange items included in the income statement of US\$33.5 million.

The mark-to-market effect of interest and exchange derivatives was less significant at US\$2.0 million compared with US\$7.5 million in 2004, as market interest rates increased and the outstanding maturity of the interest rate swaps reduced over the year.

Profit before tax, income tax expense and earnings per share

The resulting profit before tax for the period was US\$1,536.3 million compared to US\$1,198.5 million in 2004, reflecting the improved operating results and increased finance income.

Tax (including deferred tax) amounted to US\$308.1 million (2004 – US\$241.9 million), reflecting the increased profit for the period. The tax charge comprises current tax of US\$285.0 million (2004 – US\$183.1 million) and deferred tax of US\$23.1 million (2004 - US\$58.8 million). The tax charge in 2005 also includes a provision of US\$59.9 million (2004 – US\$36.0 million) for withholding taxes. This was partly offset by exchange gains of US\$20.2 million (2004 – US\$0.2 million) on peso-denominated tax receivables through the year, arising mainly as a result of monthly tax payments on account at Los Pelambres and El Tesoro. Primarily as a result of these factors, the effective tax rate of 20.1% (2004 – 20.2%) exceeded the Chilean statutory tax rate of 17%. The effect of the new Chilean mining industry tax is set out further below.

Basic earnings per share were 368.1 cents compared with 293.9 cents for 2004 reflecting the higher profit after tax and minority interests.

As explained above, results in 2005 were affected by positive exchange gains (US\$33.5 million), mark-to-market losses, recognised as a result of IFRS, on derivatives which mature in 2006 (US\$44.5 million) and the impairment charge in respect of Michilla (US\$30 million). Excluding these items, profit before tax would have been US\$1,577.3 million as opposed to the IFRS amount reported of US\$1,536.3 million.

Derivative financial instruments

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 speculative trading purposes, but as it has not yet applied the hedge accounting provisions of IAS 39 “Financial Instruments:

Recognition and Measurement”, derivatives are measured at fair value in the balance sheet with changes in value recognised in the income statement.

At 31 December 2005, the Group had min/max instruments for 42,000 tonnes of copper production, with a weighted average floor of 115.7 cents per pound and a weighted average cap of 146.7 cents per pound. These instruments had an average duration of five months. The Group’s exposure to the copper price up to this level of production will be limited to the extent that market prices exceed the cap or fall below the floor at each relevant exercise date. The Group also had futures for 2,650 tonnes of copper production with an average price of 183.1 cents, and a weighted average duration of eight months.

Details of the mark-to-market position of these instruments, together with details of interest and commodity derivatives held by the Group, are given in Note 5 to this Preliminary Announcement.

Commodity price sensitivities

Based on 2005 production volumes and without taking into account the effects of provisional pricing and any hedging activity, a one-cent change in the average copper price would affect turnover and profit before tax by US\$10.3 million and earnings per share by 2.7 cents. Similarly, a one-dollar change in the average molybdenum price would affect turnover and profit before tax by US\$19.2 million and earnings per share by 4.8 cents.

Impact of the new tax legislation for the Chilean mining industry

During 2005, the new tax legislation on Chilean mining companies was passed into law with effect from 1 January 2006. The legislation sets a rate of up to 5% of tax-adjusted operating profit, with the option for mining companies to elect for a lower rate of 4% by entering into a new tax stability regime for a period of 12 years, after which the rate of 5% will apply. For 2006 and 2007, 50% of the new mining tax can be offset against first category (i.e. corporation) tax and the remaining 50% is tax deductible (i.e. an allowable expense in determining liability to first category tax). From 2008, when the ability to offset will no longer be available, 100% of the new mining tax will be tax deductible.

The Group’s three mining companies (Los Pelambres, El Tesoro and Michilla) have opted to enter into the new tax stability agreement. Consequently, the effect of the legislation will be to increase the effective tax rate for these operations by approximately 2% in 2006 and 2007 and 4% thereafter.

Cash flows, cash and debt

Cash flows from operations were US\$1,647.5 million in 2005 compared with US\$1,253.5 million last year, reflecting the improved operating results adjusted for depreciation, amortisation and normal working capital movements. A dividend of US\$1.0 million was received from the Group's investment in ATI, acquired at the end of 2004.

Cash tax payments in the period were US\$343.8 million, compared with US\$14.3 million in 2004. The significant increase in corporation tax payments was due to the fact that at the beginning of 2004, Los Pelambres and El Tesoro absorbed the tax losses which derived from the start up of their operations in 1999 and 2001 respectively. The current tax liability for these operations in respect of 2004 was paid in the first half of 2005. During 2005, monthly payments on account were also made in respect of current year profits. The total payment in 2005 also included withholding tax payments of US\$44.9 million.

Capital expenditure in 2005 was US\$223.0 million compared with US\$80.4 million in 2004. This included expenditure of US\$90.0 million (on a cash basis) relating to the Mauro tailings dam project and US\$10.7 million relating to the plant expansion at Los Pelambres, as well as the investment in additional ore processing capacity at El Tesoro for US\$5.9 million.

Dividends paid to ordinary shareholders of the Company this year were US\$155.4 million (2004 – US\$76.5 million), which related to the final dividend declared in respect of 2004 including a special dividend of 40 cents per ordinary share. Dividends paid by subsidiaries to minority shareholders were US\$385.6 million (2004 – US\$120.8 million), principally due to increased distributions by Los Pelambres and El Tesoro.

Net repayment of borrowings and finance leasing obligations in 2005, mainly at Los Pelambres and El Tesoro, were US\$139.4 million, which included voluntary prepayments of US\$36.2 million at El Tesoro. In 2004, net repayment of borrowings amounted to US\$263.3 million, which included voluntary prepayments of US\$74.1 million as part of the debt refinancing carried out by both Los Pelambres and El Tesoro at the end of that year. The repayments in 2004 also included the repayment of short-term facilities of US\$41.0 million drawn down the previous year. Regular repayments are now lower following these prepayments and refinancings.

Details of other cash inflows and outflows in the period are contained in the Consolidated Cash Flow Statement.

At 31 December 2005, the Group had cash and cash equivalents of US\$1,316.8 million (2004 – US\$881.4 million), which includes cash balances of US\$559.7 million held by Los Pelambres to finance the remainder of the Mauro tailings dam and the plant expansion projects. Excluding the minority share in each partly-

owned operation, the Group's attributable share of total cash and cash equivalents was US\$1,085.8 million (2004 – US\$655.8 million).

Total Group borrowings at 31 December 2005 were US\$465.3 million (2004 – US\$602.8 million). Of this, US\$283.6 million (2004 – US\$366.5 million) is proportionally attributable to the Group after excluding the minority shareholdings in partly-owned operations. The decrease in debt is mainly due to further principal repayments at Los Pelambres and El Tesoro as explained above.

Balance Sheet

Net equity (i.e. equity attributable to ordinary shareholders of the Company) increased from US\$1,465.5 million at 1 January 2005 to US\$2,041.7 million at 31 December 2005, relating mainly to profit after tax and minority interests for the period less ordinary dividends declared and paid in the year.

Minority interests increased from US\$604.5 million at 1 January 2005 to US\$721.3 million at 31 December 2005, principally reflecting the minority's share of profit after tax less the minority's share of the dividends paid by subsidiaries in the year.

International Financial Reporting Standards

The financial information contained in this Preliminary Results Announcement, including all comparatives, has been prepared in accordance with International Financial Reporting Standards ("IFRS") in place of United Kingdom Generally Accepted Accounting Principles ("UK GAAP"). Further details are given in Notes 1 and 21 to this Preliminary Results Announcement. The Group also published financial information in accordance with IFRS for 2004 on 13 September 2005. The news release, together with the full statement "Adoption of International Financial Reporting Standards and Restatements for 2004", is available on the Company's website and from the Company's registered office. The statement includes explanations and quantifications of the significant UK GAAP to IFRS differences, a summary of which is contained in Note 21 to this Preliminary Results Announcement.

Consolidated Income Statement

		Year ended 31.12.05	Year ended 31.12.04
	Notes	US\$m	US\$m
Group turnover	3,4	2,445.3	1,942.1
Total operating costs		(938.9)	(738.7)
Operating profit from subsidiaries	3,4	1,506.4	1,203.4
Share of income from associate	13	0.9	-
Total profit from operations and associates	3,4	1,507.3	1,203.4
Investment income		39.7	19.2
Interest expense		(26.0)	(34.9)
Other finance items		15.3	10.8
Net finance income/(cost)	6	29.0	(4.9)
Profit before tax		1,536.3	1,198.5
Income tax expense	7	(308.1)	(241.9)
Profit for the financial year		1,228.2	956.6
Attributable to:			
Minority interests		502.4	377.1
Equity holders of the Company (net earnings)		725.8	579.5
		US cents	US cents
Basic earnings per share	8	368.1	293.9
Dividends to ordinary shareholders of the Company			
Per share		US cents	US cents
Dividends per share proposed in relation to the year	9		
- ordinary dividends (interim and final)		40.0	39.0
- special dividend (final)		70.0	40.0
		110.0	79.0
Dividends per share paid in the year and deducted from net equity		80.0	39.0
In aggregate		US\$m	US\$m
Dividends proposed in relation to the year	9	216.9	155.8
Dividends paid in the year and deducted from net equity		157.7	76.9

There was no potential dilution of earnings per share in either year set out above.

Turnover and operating profit are derived from continuing operations.

Consolidated Balance Sheet

		At 31.12.05	At 31.12.04
	Notes	US\$m	US\$m
Non-current assets			
Intangible asset	10	97.7	93.2
Property, plant and equipment	11	1,820.0	1,796.1
Investment property	12	3.4	3.2
Investment in associate	13	2.8	2.9
Available for sale investments	14	0.1	0.1
Deferred tax assets	18	6.6	1.6
		<u>1,930.6</u>	<u>1,897.1</u>
Current assets			
Inventories		98.8	69.9
Trade and other receivables		428.1	349.8
Current tax assets		5.3	1.0
Derivative financial instruments	5	-	0.2
Cash and cash equivalents	20	1,316.8	881.4
		<u>1,849.0</u>	<u>1,302.3</u>
Total assets		<u><u>3,779.6</u></u>	<u><u>3,199.4</u></u>
Current liabilities			
Short-term borrowings	15	(97.2)	(104.7)
Derivative financial instruments	5	(40.3)	(2.3)
Trade and other payables		(142.9)	(135.3)
Current tax liabilities		(108.7)	(162.2)
		<u>(389.1)</u>	<u>(404.5)</u>
Non-current liabilities			
Medium and long term borrowings	15	(368.1)	(498.1)
Trade and other payables		(3.5)	(1.3)
Post-employment benefit obligations	16	(20.6)	(16.2)
Long-term provisions	17	(9.8)	(13.2)
Deferred tax liabilities	18	(225.5)	(196.1)
		<u>(627.5)</u>	<u>(724.9)</u>
Total liabilities		<u><u>(1,016.6)</u></u>	<u><u>(1,129.4)</u></u>
Net assets		<u><u>2,763.0</u></u>	<u><u>2,070.0</u></u>
Equity			
Share capital		16.6	16.6
Share premium		272.4	272.4
Translation reserves		16.6	8.5
Retained earnings		1,736.1	1,168.0
Net equity attributable to equity holders of the Company		<u>2,041.7</u>	<u>1,465.5</u>
Minority interests		721.3	604.5
Total equity		<u><u>2,763.0</u></u>	<u><u>2,070.0</u></u>

The preliminary information was approved by the Board of Directors on 13 March 2006.

Consolidated Cash Flow Statement

		Year ended 31.12.05	Year ended 31.12.04
	Notes	US\$m	US\$m
Cash flows from operations	19	1,647.5	1,253.5
Dividends from associate		1.0	-
Income tax paid		(343.8)	(14.3)
Net cash from operating activities		1,304.7	1,239.2
Investing activities			
Acquisition of subsidiary		-	(0.1)
Recovery of IVA (Chilean VAT) paid on purchase of water concession		7.7	5.8
Acquisition of investment in associate		-	(2.9)
Purchases of property, plant and equipment		(223.0)	(80.4)
Proceeds from sale of property, plant and equipment		4.1	0.2
Proceeds from disposal of available for sale investments		-	0.1
Net cash used in investing activities		(211.2)	(77.3)
Financing activities			
Dividends paid to equity holders of the Company		(155.4)	(76.5)
Dividends paid to preference shareholders of the Company		(0.2)	(0.2)
Dividends paid to minority interests		(385.6)	(120.8)
Interest paid, including payments under interest derivatives		(23.3)	(32.5)
Interest received		37.9	11.1
Realised gains from currency swaps		-	7.5
Net proceeds from issue of new borrowings		0.2	558.0
Repayments of borrowings		(126.2)	(818.4)
Repayments of obligations under finance leases		(13.4)	(2.9)
Movement on medium term deposits		-	27.0
Net cash used in financing activities		(666.0)	(447.7)
Net increase in cash and cash equivalents		427.5	714.2
Cash and cash equivalents at beginning of the year		881.4	168.7
Net increase in cash and cash equivalents		427.5	714.2
Effect of foreign currency exchange rate changes		7.9	(1.5)
Cash and cash equivalents at end of the year	20	1,316.8	881.4

Consolidated Statement of Changes in Equity

For the years ended 31 December 2004 and 2005

	Share capital	Share premiu m	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 paid or approved for payment	-	-	-	(76.9)	(76.9)	(119.5)	(196.4)
Balance at 31 December 2004 and 1 January 2005	16.6	272.4	8.5	1,168.0	1,465.5	604.5	2,070.0
Profit for the financial year	-	-	-	725.8	725.8	502.4	1,228.2
Currency translation adjustment	-	-	8.1	-	8.1	-	8.1
Dividends paid	-	-	-	(157.7)	(157.7)	(385.6)	(543.3)
Balance at 31 December 2005	16.6	272.4	16.6	1,736.1	2,041.7	721.3	2,763.0

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

Notes

1. General information and accounting policies

For accounting periods beginning on or after 1 January 2005, the Group is required to prepare consolidated financial statements in accordance with International Financial Reporting Standards (“IFRSs”) in place of United Kingdom Generally Accepted Accounting Principles (“UK GAAP”). For these purposes, IFRSs comprise the Standards and Interpretations 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 European Union by 31 December 2005.

This preliminary results announcement is for the year ended 31 December 2005. The announcement, including all comparatives, has been prepared using the accounting policies consistent with all IFRS Standards and Interpretations published by 31 December 2004 which are mandatory for accounting periods beginning on or after 1 January 2005. The Group has chosen to adopt IFRS 6 “Exploration for and Evaluation of Mineral Resources” early.

The accounting policies and methods of computation followed in this announcement are those set out in the news release “Adoption of International Financial Reporting Standards and Restatements for 2004” published by the Company on 13 September 2005. The news release, including full disclosure of these accounting policies, is available on the Company’s website www.antofagasta.co.uk or from the Company’s Registered Office. These policies have been consistently applied to both years presented in this preliminary results announcement.

While the financial information contained in this preliminary results announcement has been computed in accordance with IFRS, this announcement does not itself contain sufficient information to comply with IFRSs. This announcement does not constitute the Group’s statutory accounts for the year ended 31 December 2005, which will subsequently be prepared to comply with IFRSs and will be approved by the Board and, with the exception of Note 2, reported on by the auditors and filed with the Registrar of Companies. Accordingly, the financial information included in this preliminary results announcement for 2005 is unaudited.

The information contained in this announcement for the year ended 31 December 2004 does not constitute statutory accounts. A copy of the statutory accounts for that year, which were prepared under UK GAAP, has been delivered to the Registrar of Companies. The auditors’ report on those accounts 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 information contained in Note 2 of the Preliminary Results Announcement is not derived from the statutory accounts for the year ended 31 December 2004 and is accordingly not covered by the auditors’ report.

2. Production and Sales Statistics (not subject to audit)

(See notes following Note 2(b).)

a) Production and sales volumes for copper and molybdenum

	<u>Production</u>		<u>Sales</u>	
	Year ended 31.12.05	Year ended 31.12.04	Year ended 31.12.05	Year ended 31.12.04
	000 tonnes	000 tonnes	000 tonnes	000 tonnes
Copper				
Los Pelambres	322.8	350.6	319.1	352.2
El Tesoro	98.1	97.8	96.1	98.3
Michilla	46.4	50.0	45.3	50.2
Group total	467.3	498.4	460.5	500.7
Molybdenum				
Los Pelambres	8.7	7.9	8.5	7.9

b) Cash costs per pound of copper produced and realised prices per pound of copper and molybdenum sold

	<u>Cash cost</u>		<u>Realised prices</u>	
	Year ended 31.12.05 cents	Year ended 31.12.04 cents	Year ended 31.12.05 cents	Year ended 31.12.04 cents
Copper				
Los Pelambres	(17.1)	7.9	189.2	141.5
El Tesoro	66.1	52.4	175.7	136.9
Michilla	118.8	85.6	177.1	137.4
Group weighted average (net of by-products)	13.9	24.3	185.2	140.2
Group weighted average (before deducting by-products)	77.3	56.6		
Cash costs at Los Pelambres comprise:				
On-site shipping cost	47.1	37.2		
Tolling charges for concentrates	27.6	16.5		
Cash costs before deducting by-product credits	74.7	53.7		
By-product credits (principally molybdenum)	(91.8)	(45.8)		
Cash costs (net of by-product credits)	(17.1)	7.9		
LME average			167.1	130.0
			US\$	US\$
Molybdenum				
Los Pelambres			31.4	21.5
Market average price			32.0	16.2

Notes to the production and sales statistics

- (i) The production and sales figures represent the actual amounts produced and sold, not the Group's share of each mine. The Group owns 60% of Los Pelambres, 61% of El Tesoro and 74.2% of Michilla.
- (ii) Los Pelambres produces copper and molybdenum concentrates, and the figures for Los Pelambres are expressed in terms of payable metal contained in concentrate. Los Pelambres is also credited for the gold and silver contained in the copper concentrate sold. El Tesoro and Michilla produce cathodes with no by-products.
- (iii) Cash costs are a measure of the cost of operational production expressed in terms of cents per pound of payable copper produced. Cash costs are stated net of by-product credits and include tolling charges for concentrates at Los Pelambres. Cash costs exclude depreciation, financial income and expenses, exchange gains and losses and corporation tax for all three operations. By-product calculations do not take into account mark-to-market gains for molybdenum at the beginning or end of each period.
- (iv) Realised copper prices are determined by comparing turnover from copper sales (grossing up for tolling charges for concentrates) with sales volumes for each mine in the period. Realised molybdenum prices at Los Pelambres are calculated on a similar basis.
- (v) The totals in the tables above may include some small apparent differences as the specific individual figures have not been rounded.

3. Total profit from operations and associates

	Year ended 31.12.05	Year ended 31.12.04
	US\$m	US\$m
Turnover	2,445.3	1,942.1
Cost of sales	(685.6)	(593.4)
Gross profit	1,759.7	1,348.7
Administrative expenses	(132.0)	(118.1)
Closure provision	3.4	(1.2)
Severance charges	(3.9)	(3.2)
Exploration costs	(22.4)	(10.3)
Other operating income	5.4	4.7
Other operating expenses	(103.8)	(17.2)
Operating profit from subsidiaries	1,506.4	1,203.4
Share of income from associate	0.9	-
Total profit from operations and associates	1,507.3	1,203.4

4. Segmental analysis

a) Turnover, EBITDA and operating profit /(loss) from subsidiaries analysed by business segment

	<u>Turnover</u>		<u>EBITDA</u>		<u>Operating profit from subsidiaries</u>	
	Year ended 31.12.05	Year ended 31.12.04	Year ended 31.12.05	Year ended 31.12.04	Year ended 31.12.05	Year ended 31.12.04
	US\$m	US\$m	US\$m	US\$m	US\$m	US\$m
Los Pelambres	1,749.8	1,362.8	1,420.5	1,072.0	1,350.4	988.7
El Tesoro	372.2	296.6	203.2	179.6	172.9	151.4
Michilla	177.1	152.1	16.3	53.6	(31.1)	31.6
Exploration	-	-	(22.4)	(10.3)	(22.4)	(10.3)
Corporate and other items	-	-	(15.6)	(10.2)	(15.9)	(10.7)
Mining	2,299.1	1,811.5	1,602.0	1,284.7	1,453.9	1,150.7
Railway and other transport services	92.5	85.7	38.2	41.8	27.4	30.9
Water concession	53.7	44.9	33.9	30.2	25.1	21.8
Turnover, EBITDA and operating profit from subsidiaries	2,445.3	1,942.1	1,674.1	1,356.7	1,506.4	1,203.4

Notes to turnover by business segment

- (i) Turnover from Railway and other transport services is stated after eliminating inter-segmental sales to the mining division of US\$8.8 million (2004 – US\$6.9 million).
- (ii) Turnover includes the effect of both final pricing and mark-to-market adjustments to provisionally priced sales of copper and molybdenum concentrates and copper cathodes. Further details of such adjustments are given in Note 5(a).
- (iii) Turnover does not include the effect of gains and losses on commodity derivatives, which are included as part of operating profit in other operating income or expense. Further details of such gains or losses are given in Note 5(b).

- (iv) Los Pelambres produces and sells copper and molybdenum concentrates. It is also credited for the gold and silver content in the copper concentrate it sells. Turnover by type of metal is analysed below to show separately, the amounts prior to deduction of tolling charges, the tolling charges involved and the net amounts included in turnover. El Tesoro and Michilla do not generate by-products from their copper cathode operations.

Notes to EBITDA and operating profit from subsidiaries by business segment

- (v) Operating profit for the separate businesses equates to segment result as defined by IAS 14. The Group considers its business segments to be Los Pelambres, El Tesoro, Michilla, exploration, railway and other transport services and the water concession. This excludes the share of income from associate of US\$0.9 million (2004 – US\$ nil).
- (vi) EBITDA is calculated by adding back depreciation, amortisation and disposals of plant, property and equipment and impairment charges (see Note 4(b)) to operating profit from subsidiaries.
- (vii) EBITDA and operating profit are stated after deducting losses on commodity derivatives (including both losses realised in each period and period-end mark-to-market adjustments) at El Tesoro of US\$24.8 million; (2004 – US\$ nil) and Michilla of US\$43.8 million; (2004 – US\$5.5 million). Further details are given in Note 5(b).
- (viii) Operating profit is also stated after deducting an impairment charge against the carrying value of property, plant and equipment at Michilla of US\$30.0 million (2004 – US\$ nil).

Turnover at Los Pelambres by mineral:

	<u>Before deducting tolling charges</u>		<u>Tolling charges</u>		<u>Net of tolling charges</u>	
	Year ended 31.12.05	Year ended 31.12.04	Year ended 31.12.05	Year ended 31.12.04	Year ended 31.12.05	Year ended 31.12.04
	US\$m	US\$m	US\$m	US\$m	US\$m	US\$m
Copper	1,331.0	1,098.4	(166.9)	(111.4)	1,164.1	987.0
Molybdenum	588.4	374.9	(25.6)	(15.4)	562.8	359.5
Gold and silver	23.4	16.8	(0.5)	(0.5)	22.9	16.3
Los Pelambres	1,942.8	1,490.1	(193.0)	(127.3)	1,749.8	1,362.8

b) Depreciation and amortisation, loss on disposal of property, plant and equipment and impairment charges by operation

	<u>Depreciation and amortisation</u>		<u>Loss on disposals</u>		<u>Impairment charge</u>	
	Year ended 31.12.05	Year ended 31.12.04	Year ended 31.12.05	Year ended 31.12.04	Year ended 31.12.05	Year ended 31.12.04
	US\$m	US\$m	US\$m	US\$m	US\$m	US\$m
Los Pelambres	(66.6)	(80.2)	(3.5)	(3.1)	-	-
El Tesoro	(29.1)	(22.3)	(1.2)	(5.9)	-	-
Michilla	(13.8)	(13.9)	(3.6)	(8.1)	(30.0)	-
Corporate and other items	(0.3)	(0.4)	-	(0.1)	-	-
Mining	(109.8)	(116.8)	(8.3)	(17.2)	(30.0)	-
Railway and other transport services	(9.5)	(9.1)	(1.3)	(1.8)	-	-
Water concession	(8.7)	(8.3)	(0.1)	(0.1)	-	-
	(128.0)	(134.2)	(9.7)	(19.1)	(30.0)	-

c) **Capital expenditure by operation**

	Year ended 31.12.05	Year ended 31.12.04
	US\$m	US\$m
Los Pelambres	101.4	47.7
El Tesoro	39.6	10.0
Michilla	18.7	14.8
Corporate and other items	1.6	0.2
Mining	161.3	72.7
Railway and other transport services	23.2	7.1
Water concession	1.8	1.4
	186.3	81.2

Capital expenditure represents purchase of property, plant and equipment stated on an accruals basis (see Note 11) and may therefore differ from the amount included in the cash flow statement.

5. Derivatives and embedded derivatives

a) Embedded derivatives – 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 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. The Group determines 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.

The mark-to-market adjustments at the end of each period and the effect on turnover in the income statement for each period are as follows:

	<u>Balance sheet</u>		<u>Income statement</u>	
	<u>net mark to market effect</u>		<u>net mark to market effect</u>	
	<u>on debtors</u>		<u>on turnover</u>	
	At 31.12.05	At 31.12.04	Year ended 31.12.05	Year ended 31.12.04
	US\$m	US\$m	US\$m	US\$m
Los Pelambres - copper concentrate	33.2	17.6	15.6	(4.1)
Los Pelambres - molybdenum concentrate	(12.6)	32.9	(45.5)	28.4
El Tesoro - copper cathodes	0.2	0.8	(0.6)	(0.1)
Michilla - copper cathodes	(0.1)	0.4	(0.5)	(0.1)
	20.7	51.7	(31.0)	24.1

Copper concentrate sales at Los Pelambres

Revenues in the year to 31 December 2005 included total positive pricing adjustments of US\$154.5 million, representing the difference between reported revenues and initially invoiced amounts. This comprised actual pricing adjustments compared with initial provisionally invoiced prices of US\$139.9 million (of which US\$41.4 million related to sales of concentrate open at 31 December 2004 and US\$98.5 million related to sales of concentrate during 2005) together with net mark-to-market adjustments of US\$15.6 million as disclosed above. At 31 December 2005, copper concentrate sales at Los Pelambres totalling 114,500 tonnes remained open as to price, with an average mark-to-market price of 201.4 cents per pound.

Revenues in the year to 31 December 2004 included total positive pricing adjustments of US\$89.3 million, representing the difference between reported revenues and initially invoiced amounts. This comprised actual pricing adjustments compared with initial provisionally invoiced prices of US\$94.5 million (of which US\$62.5 million related to sales of concentrate open at 31 December 2003 and US\$32.0 million related to sales of concentrate during 2004) together with net negative mark-to-market adjustments of US\$5.2 million as disclosed above. At 31 December 2004, copper concentrate sales at Los Pelambres totalling 134,600 tonnes remained open as to price, with an average mark-to-market price of 143.2 cents per pound.

Molybdenum concentrate sales at Los Pelambres

Revenues in the year to 31 December 2005 included total negative pricing adjustments of US\$22.7 million, representing the difference between reported revenues and initially invoiced amounts. This comprised positive actual pricing adjustments compared with initial provisionally invoiced prices of US\$22.8 million (of which positive US\$32.9 million related to sales of concentrate open at 31 December 2004 and negative US\$10.1 million related to sales of concentrate during 2005) together with net negative mark-to-market adjustments of US\$45.5 million as disclosed above. At 31 December 2005, molybdenum concentrate sales at Los Pelambres totalling 1,400 tonnes remained open as to price, with an average mark-to-market price of US\$27.4 per pound.

Revenues in the year to 31 December 2004 included total positive pricing adjustments of US\$106.9 million, representing the difference between reported revenues and initially invoiced amounts. This comprised actual pricing adjustments compared with initial provisionally invoiced prices of US\$78.5 million (of which US\$8.2 million related to sales of concentrate open at 31 December 2003 and US\$70.3 million related to sales of concentrate during 2004) together with net positive mark-to-market adjustments of US\$28.4 million as disclosed above. At 31 December 2004, molybdenum concentrate sales at Los Pelambres totalling 1,700 tonnes remained open as to price, with an average mark-to-market price of US\$31.0 per pound.

b) Derivative financial instruments

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 speculative trading purposes. The Group has not adopted the hedge accounting provisions of IAS 39 "Financial Instruments: Recognition and Measurement". Accordingly, derivatives are measured at each balance sheet date at fair value. Gains and losses arising from changes in fair value are included in the income statement for the year, within operating profit from subsidiaries for commodity derivatives and within net finance costs for exchange and interest derivatives.

The mark-to-market adjustments at the end of each year and the effect on operating profit and net finance costs in the income statement for each year are as follows:

	At 31.12.05	At 31.12.04
	US\$m	US\$m
Balance sheet		
Current assets - derivative financial instruments	-	0.2
Current liabilities - derivative financial instruments	<u>(40.3)</u>	<u>(2.3)</u>
	<u>(40.3)</u>	<u>(2.1)</u>

	<u>Balance sheet</u>		<u>Income statement</u>	
	<u>net mark to market effect</u>		<u>net mark to market effect on</u>	
	<u>on debtors/(creditors)</u>		<u>operating profit/finance cost</u>	
	At 31.12.05	At 31.12.04	Year ended 31.12.05	Year ended 31.12.04
	US\$m	US\$m	US\$m	US\$m
Commodity	(40.0)	0.2	(44.7)	4.0
Interest	(0.3)	(2.2)	1.9	7.2
Exchange	-	(0.1)	0.1	0.3
	<u>(40.3)</u>	<u>(2.1)</u>	<u>(42.7)</u>	<u>11.5</u>

Commodity derivatives

The Group periodically uses commodity derivatives to reduce its exposure to the copper price. During 2005, the amount charged to operating profit on commodity derivatives was US\$68.6 million, comprising US\$24.8 million at El Tesoro and US\$43.8 million at Michilla. This comprised losses on derivatives which matured in 2005 of US\$24.1 million and mark-to-market losses at 31 December 2005 of US\$44.5 million in respect of derivatives maturing in 2006 (which, net of margin calls of US\$4.5 million in respect of these derivatives, results in a net balance sheet position of US\$40.0 million).

The Group had min/max instruments at 31 December 2005 for 42,000 tonnes of copper production, with a weighted average floor of 115.7 cents per pound and a weighted average cap of 146.7 cents per pound. These instruments had a weighted average duration of 5 months and covered a period of 1 year. It also had futures for 2,650 tonnes of copper production with an average price of 183.1 cents, with a weighted average duration of 8 months.

During 2004, the amount charged to operating profit from subsidiaries on commodity derivatives was US\$5.5 million relating to Michilla. This comprised losses on derivatives which matured in 2004 of US\$9.3 million partly offset by mark-to-market provisions in respect of those hedges of US\$3.8 million at 31 December 2003.

Interest derivatives

The Group had interest rate collars at 31 December 2005 with a notional principal amount of US\$ 108.7 million, with a weighted average floor of 5.02% and a weighted average cap of 6.00%. These instruments had a weighted average duration of 7 months. The mark-to-market loss at 31 December 2005 was US\$0.3 million (2004 – US\$2.2 million), and the effect in the income statement is included within other finance items.

Exchange derivatives

During 2005, the Group entered into exchange swap derivatives to buy or sell Chilean pesos using US dollars with a net notional value of US\$33 million. The average duration of these derivatives was one month and the net loss was US\$0.3 million (2004 – net gain of US\$7.5 million). There were no outstanding instruments at 31 December 2005 (2004 – period end mark-to-market loss of US\$0.1 million), and the effect in the finance statement is included within other finance items.

6. Net finance income/(cost)

	Year ended 31.12.05	Year ended 31.12.04
	US\$m	US\$m
Investment income		
Interest receivable	<u>39.7</u>	19.2
Interest expense		
Interest payable	(23.8)	(30.8)
Amortisation of deferred finance costs	(0.4)	(3.2)
Discount charge relating to provisions	(1.6)	(0.7)
Preference dividends	<u>(0.2)</u>	(0.2)
	<u>(26.0)</u>	<u>(34.9)</u>
Other finance items		
Mark-to-market effect of derivatives	2.0	7.5
Foreign exchange	<u>13.3</u>	3.3
	<u>15.3</u>	10.8
Net finance income/(cost)	<u>29.0</u>	<u>(4.9)</u>

In 2004, interest receivable and similar income included realised gains of US\$7.5 million relating to gains under currency swaps.

7. Taxation

The tax charge for the year comprised the following:

	Year ended 31.12.05	Year ended 31.12.04
	US\$m	US\$m
Current tax charge	(285.0)	(183.1)
Deferred tax charge	<u>(23.1)</u>	(58.8)
	<u>(308.1)</u>	<u>(241.9)</u>

Current tax is based on taxable profit for the period. 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. The Group incurs withholding taxes on the remittance of profits from Chile and the other countries in which it operates and deferred tax is provided on undistributed earnings to the extent that remittance is probable in the foreseeable future.

Taxes (current and deferred) may be analysed by type as follows:

	Year ended 31.12.05	Year ended 31.12.04
	US\$m	US\$m
Corporate tax (principally first category tax in Chile)	(267.9)	(206.1)
Exchange gains on corporate tax balances	20.2	0.2
Royalty (initial deferred tax provision)	(0.5)	-
Withholding tax provision	<u>(59.9)</u>	(36.0)
	<u>(308.1)</u>	<u>(241.9)</u>

The effective tax rate for 2005 was 20.1%, compared with the Chilean statutory tax rate of 17%. This was principally due to the provision of additional withholding tax of US\$59.9 million, partly offset by exchange gains of US\$20.2 million on Chilean peso-denominated tax receivable balances during the year. In 2004, the effective tax rate was 20.2% principally due to the provision of withholding taxes of US\$36 million that year.

8. Basic earnings per share

Basic earnings per share is calculated on profit after tax and minority interest giving net earnings of US\$725.8 million (2004 – US\$579.5 million) and based on 197,171,339 ordinary shares in issue throughout both periods.

There was no potential dilution of ordinary shares in either 2004 or 2005.

9. Dividends

Dividends are declared in US dollars but may be paid in either dollars or sterling. Shareholders on the register of members with an address in the United Kingdom receive dividend payments in sterling, unless they elect to be paid in dollars. All other shareholders are paid by cheque in dollars, unless they have previously instructed the Company's registrar to pay dividends by bank transfer to a sterling bank account, or they elect for payment by cheque in sterling. The Company's registrar must receive any such election before the record date of 12 May 2006. The exchange rate to be applied to dividends to be paid in sterling will be set on 16 May 2006.

The Board will recommend a final dividend of 94 cents per ordinary share, which comprises an ordinary dividend of 24 cents per share and a special dividend of 70 cents per share. Together with the interim dividend of 16 cents per share which was paid on 13 October 2005, this gives total dividends proposed in relation to 2005 of 110 cents per share.

The final dividend will be paid on 15 June 2006 to shareholders on the register at the close of business on 12 May 2006. Dividends are declared and paid gross. The conversion rate for the final dividend of 94 cents to be paid in sterling will be set on 16 May 2006.

The final dividend proposed in relation to 2004 was 64 cents, which comprised an ordinary dividend of 24 cents per share and a special dividend of 40 cents per share. Together with the interim dividend that year of 15 cents per share, this gave total dividends proposed in relation to 2004 of 79 cents per share.

Dividends per share actually paid in the year and recognised as a deduction from net equity under IFRS were 80 cents (2004 – 39 cents) being the interim dividend for the year and the final dividend proposed in respect of the previous year.

10. Intangible asset – concession right

Concession right	Year ended	Year ended
	31.12.05	31.12.04
	US\$m	US\$m
Balance at the beginning of the year	93.2	90.6
Amortisation	(3.4)	(3.3)
Foreign currency exchange difference	7.9	5.9
Balance at the end of the year	97.7	93.2

The intangible asset relates to the 30-year concession to operate the water rights and facilities in the Antofagasta Region of Chile which the Group's wholly-owned subsidiary, Aguas de Antofagasta S.A., acquired in December 2003. The intangible asset is being amortised on a straight-line basis over the life of the concession.

11. Property, plant and equipment

	Mining	Railway and other transport	Water Concession	Year ended 31.12.05	Year ended 31.12.04
	US\$m	US\$m	US\$m	US\$m	US\$m
Balance at the beginning of the year	1,627.2	99.7	69.2	1,796.1	1,860.0
Additions	161.3	23.2	1.8	186.3	81.2
Acquisition	-	-	-	-	0.2
Transfers and reclassifications	(0.8)	-	-	(0.8)	0.3
Depreciation	(109.8)	(9.5)	(5.3)	(124.6)	(130.9)
Disposals	(9.9)	(3.8)	(0.1)	(13.8)	(19.1)
Impairment charge	(30.0)	-	-	(30.0)	-
Foreign currency exchange difference	0.1	1.0	5.7	6.8	4.4
Balance at the end of the year	1,638.1	110.6	71.3	1,820.0	1,796.1

12. Investment property

	Year ended 31.12.05	Year ended 31.12.04
	US\$m	US\$m
Balance at the beginning of the year	3.2	3.0
Foreign currency exchange difference	0.2	0.2
Balance at the end of the year	3.4	3.2

Investment property represents the Group's forestry properties, which are held for long-term potential and accordingly classified as investment property held at cost.

13. Investment in associate

	Year ended 31.12.05	Year ended 31.12.04
	US\$m	US\$m
Balance at the beginning of the year	2.9	-
Acquisition	-	2.9
Share of profit before tax	1.1	-
Share of tax	(0.2)	-
Dividends received	(1.0)	-
Balance at the end of the year	2.8	2.9

The investment in associate refers to the Group's 30% interest in Antofagasta Terminal Internacional S.A. ("ATI"), which operates a concession to manage installations in the port of Antofagasta. The investment was acquired on 16 December 2004 and did not have any material effect on the Group's earnings or operating cash flows in that year.

14. Available for sale investments

Available for sale investments represent those investments which are not subsidiaries, associates or joint ventures and are not held for trading purposes. The fair value of the available for sale investments held by the Group did not differ materially from cost at either year end.

15. Borrowings

	At 31.12.05	At 31.12.04
	US\$m	US\$m
Los Pelambres		
Corporate loans	(381.5)	(457.9)
Other loans	(14.3)	(19.1)
El Tesoro		
Corporate loans	(55.8)	(99.7)
Finance leases	(0.3)	(12.2)
Michilla		
Finance leases	(2.6)	(2.1)
Railway and other transport services		
Loans	(7.2)	(7.9)
Other		
Preference shares	(3.6)	(3.9)
Total (see Note 20)	<u>(465.3)</u>	<u>(602.8)</u>

Loans at 31 December 2005 are shown net of deferred financing costs of US\$2.0 million (2004 – US\$2.4 million). The amount in relation to Los Pelambres was US\$1.7 million (2004 – US\$2.1 million). The amount in relation to El Tesoro was US\$0.3 million (2004 – US\$0.3 million).

Maturity of borrowings

	At 31.12.05	At 31.12.04
	US\$m	US\$m
Short-term borrowings	(97.2)	(104.7)
Medium and long-term borrowings	(368.1)	(498.1)
Total (see Note 20)	<u>(465.3)</u>	<u>(602.8)</u>

Loans are predominantly floating rate. However the Group periodically enters into interest rate derivative contracts to manage its exposure to interest rates. Details of derivative instruments held by the Group are given in Note 5.

16. Post-employment benefit obligation

	Year ended 31.12.05	Year ended 31.12.04
	US\$m	US\$m
Balance at the beginning of the year	(16.2)	(13.0)
Charge to operating profit in the year	(3.9)	(3.2)
Release of discount to net interest in year	(1.0)	(0.1)
Utilised in year	1.8	0.7
Foreign currency exchange difference	(1.3)	(0.6)
Balance at the end of the year	(20.6)	(16.2)

The post employment benefit obligation relates to the provision for severance indemnities which are payable when an employment contract comes to an end, in accordance with normal employment practice in Chile and other countries in which the Group operates. The severance indemnity obligation is treated as an unfunded defined benefit plan, and the calculation is based on valuations performed by an independent actuary.

17. Long-term provisions

	Year ended 31.12.05	Year ended 31.12.04
	US\$m	US\$m
Balance at the beginning of the year	(13.2)	(11.6)
Credit/(charge) to operating profit in the year	3.4	(1.2)
Release of discount to net interest in year	(0.6)	(0.6)
Amount capitalised (see Note 11)	0.8	-
Utilised in year	-	0.2
Foreign currency exchange difference	(0.2)	-
Balance at the end of the year	(9.8)	(13.2)
Analysed as follows:		
Decommissioning and restoration	(9.5)	(13.0)
Termination of water concesión	(0.3)	(0.2)
Balance at the end of the year	(9.8)	(13.2)

Decommissioning and restoration costs relate to the Group's mining operations. Costs are estimated on the basis of a formal closure plan and are subject to regular formal review.

During the year ended 31 December 2005, the Group conducted a formal review of its mine closure plans and accordingly reassessed the decommissioning and restoration provisions for each mine.

As a result of the review, the provision at Los Pelambres was reduced by US\$5.0 million, principally as a result of the extension of the mine life following the approval of the Environmental Impact Assessment in 2004 which increased the mine's reserves. Of this amount, US\$0.8 million related to decommissioning costs and this amount has been credited against property, plant and equipment. The balance of US\$4.2 million related to restoration costs and has been credited against operating profit. There were no material changes to the provisions at El Tesoro or Michilla.

18. Deferred tax assets and liabilities

	Year ended 31.12.05	Year ended 31.12.04
	US\$m	US\$m
Net position at the beginning of the year	(194.5)	(135.7)
Charge to tax on profit in year	(23.1)	(58.8)
Foreign currency exchange difference	(1.3)	-
Net position at the end of the year	(218.9)	(194.5)

Analysed between:

Deferred tax assets	6.6	1.6
Deferred tax liabilities	(225.5)	(196.1)
Net position	(218.9)	(194.5)

19. Reconciliation of profit before tax to net cash inflow from operating activities

	Year ended 31.12.05	Year ended 31.12.04
	US\$m	US\$m
Profit before tax	1,536.3	1,198.5
Depreciation and amortisation	128.0	134.2
Loss on disposal of property, plant and equipment (including impairment charge)	39.7	19.1
Net finance (income)/costs	(29.0)	4.9
Share of profit of associate	(0.9)	-
Increase in inventories	(28.9)	(9.5)
Increase in debtors	(36.3)	(140.7)
Decrease in creditors and provisions	38.6	47.0
Cash flows from operations	1,647.5	1,253.5

20. Analysis of changes in net cash

	At 1.1.05	Cash flows	Other	Exchange	At 31.12.05
	US\$m	US\$m	US\$m	US\$m	US\$m
Cash and cash equivalents	881.4	427.5	-	7.9	1,316.8
Bank borrowings due within one year	(102.0)	102.0	(96.0)	0.2	(95.8)
Bank borrowings due after one year	(482.6)	24.0	95.6	-	(363.0)
Finance leases due within one year	(2.6)	2.9	(1.8)	0.1	(1.4)
Finance leases due after one year	(11.7)	10.5	(0.3)	-	(1.5)
Preference shares	(3.9)	-	-	0.3	(3.6)
Total borrowings	(602.8)	139.4	(2.5)	0.6	(465.3)
Movement in net cash	278.6	566.9	(2.5)	8.5	851.5

Net cash

Net cash at the end of each year was as follows:

	At 31.12.05	At 31.12.04
	US\$m	US\$m
Cash and cash equivalents	1,316.8	881.4
Total borrowings	(465.3)	(602.8)
Net cash	851.5	278.6

21. Reconciliation between UK GAAP and IFRS

The Group published financial information in accordance with IFRS for 2004, as required by IFRS 1, on 13 September 2005. The news release, together with the full statement "Adoption of International Financial Reporting Standards and Restatements for 2004" is available on the Company's website and from the Company's registered office, 5 Princes Gate, London SW7 1QJ (telephone: +44 20 7808 0988). The statement includes explanations of the significant UK GAAP to IFRS differences and reconciliations for:

- net earnings (profit after tax and minority interests) for the year ended 31 December 2005 and the year ended 31 December 2004; and
- net equity (excluding minority interests) at 1 January 2004 (the date of transition), 31 December 2005 and 31 December 2004.

The statement also includes detailed IFRS accounting policies adopted by the Company in preparing its consolidated financial statements. A summary of the detailed information is provided in the statements set out below.

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

	Full year 31.12.04 US\$m
UK GAAP - Net earnings	558.3
Mark-to-market of provisionally priced sales	12.0
Mark-to-market of financial derivatives	6.2
Reclassification of preference dividends to finance costs	(0.2)
Change in functional currency of subsidiary	1.1
Exchange differences on intra-group items	0.5
Recognition of deferred tax on temporary differences	1.6
Total adjustments	21.2
IFRS - Net earnings	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 US\$m	31.12.04 US\$m
UK GAAP - shareholders' funds	905.9	1,322.7
Mark-to-market of provisionally priced sales	13.7	25.7
Mark-to-market of financial derivatives	(7.4)	(1.2)
Reversal of proposed ordinary dividends	47.3	126.2
Reclassification of preference shares to borrowings	(3.5)	(3.9)
Post-employment benefits - measurement of severance indemnities	(1.5)	(1.5)
Change in functional currency of subsidiary	-	(4.0)
Currency treatment of non US dollar fair value adjustments	(0.4)	(0.4)
Recognition of deferred tax on temporary differences	0.3	1.9
Total adjustments	48.5	142.8
IFRS - net equity	954.4	1,465.5

Net equity is stated excluding minority interests.

22. Post balance sheet event

On 14 February 2006, the Company announced that it had reached agreement with Tethyan Copper Company Limited (“Tethyan”) on the terms for a recommended cash offer of A\$1.20 per share for the entire issued share capital of Tethyan (“the Offer”), valuing Tethyan’s fully diluted share capital at approximately A\$190 million (US\$140 million at the date of the announcement). Antofagasta separately entered into an exclusive binding agreement with BHP Billiton whereby BHP Billiton’s rights to claw-back a material interest in certain of Tethyan’s mineral interests (“Claw-Back Right”) may be extinguished or acquired by Antofagasta for a consideration of US\$60 million. Antofagasta also entered into an agreement with Barrick Gold Corporation (“Barrick Gold”) to support Antofagasta’s takeover offer for Tethyan, whereby upon acquisition of 100% of Tethyan, Antofagasta and Barrick Gold intend to establish a 50:50 joint venture in relation to Tethyan’s copper-gold mineral interests in Pakistan, including the Reko Diq project; and Barrick Gold will reimburse Antofagasta for 50 per cent of the acquisition cost of Tethyan and the Claw-Back Right. A bidder’s statement was posted to shareholders of Tethyan on 10 March 2006. Tethyan is currently subject to a competing takeover offer from Skafell Pty Ltd, a subsidiary of Crosby Capital Partners Inc. and IB Daiwa Corporation.

Between 20 February 2006 and the date of this report, the Group acquired 20.3 million shares in Tethyan for a cost of A\$24.4 million (approximately US\$18.1 million at the dates of purchase), representing 14.85% of the issued share capital and voting rights of Tethyan.

23. Currency translation

Assets and liabilities denominated in foreign currencies are translated into dollars and sterling at the period end rates of exchange. Results denominated in foreign currencies have been translated into dollars at the average rate for each period.

	Period end rates	Average rates
31.12.05	US\$1.7179 = £1; US\$1 = Ch\$513	US\$1.8185 = £1; US\$1 = Ch\$560
31.12.04	US\$1.9257 = £1; US\$1 = Ch\$557	US\$1.8457 = £1; US\$1 = Ch\$607

24. Distribution

The Annual Report and Financial Statements, including the Notice of the Annual General Meeting and Chairman’s Statement for the year ended 31 December 2005, will be posted to all shareholders in May 2006. The Annual General Meeting will be held at Canning House, 2 Belgrave Square, London SW1 at 10.30 a.m. on Wednesday, 14 June 2006.