

1 August 2006

## Highlights

- **Group copper production in Q2 was 100,900 tonnes, compared with 107,000 tonnes in Q1.**
- **Molybdenum production at Los Pelambres in Q2 was 2,100 tonnes, marginally above Q1.**
- **Group cash costs for Q2 were 43.9 cents per pound, 11.7% lower than Q1 mainly due to improved by-product credits.**

Group Total	Q1 2006	Q2 2006	Q3 2006	Q4 2006	Acc 2006	Acc 2005	Full Year 2005
Total production of payable copper ('000 tonnes)	107.0	100.9			207.9	227.4	467.3
Total production of payable moly ('000 tonnes)	2.0	2.1			4.1	4.7	8.7
Weighted average cash costs (cents per pound)	49.7	43.9			46.9	(8.7)	13.9

### Los Pelambres

Los Pelambres produced 67,500 tonnes of payable copper in Q2 and 141,600 tonnes in the first six months of 2006, 8.6% below the first six months of last year. The decrease was mainly due to a build-up of unfiltered copper concentrate at the concentrator plant in May when repairs were carried out to the slurry pipeline, reducing the volume available for filtration at the port in that month. This concentrate was partly processed at the port in June with the remainder processed in July, and is not expected to have any overall effect on production volumes for the full year. The reduced production in the first half was also partly due to lower daily ore throughput at the concentrator plant (resulting from a higher proportion of harder primary ore compared with 2005 as well as programmed downtime to enable the construction of the 140,000 tonnes per day plant expansion) and lower recoveries, offset by the higher ore grade. Volumes shipped in the first six months of 2006 were 145,400 tonnes.

Molybdenum production in Q2 increased to 2,100 tonnes and production in the first six months was 4,100 tonnes, in line with the year-to-date forecast but 12.5% below the first half of 2005. The decrease was due to a combination of changes in levels of partly-processed molybdenum concentrate, the lower ore throughput level and lower recoveries (resulting from the characteristics of the ore processed in the period), partly offset by the higher ore grade.

Cash costs in Q2 were 18.5 cents per pound, compared with 29.8 cents per pound in Q1 due to improved by-product credits this quarter. Cash costs averaged 24.4 cents per pound in the first six months of 2006 compared with negative 48.1 cents in the first half of 2005. The increase compared with 2005 H1 was mainly due to lower by-product credits (which decreased by 47.0 cents) and higher treatment and refining charges (which increased by 13.8 cents). Lower by-product credits resulted mainly from lower molybdenum market prices (which averaged US\$23.7 per pound in 2006 H1 compared with US\$33.4 per pound in 2005 H1) as well as lower production. Treatment and refining charges increased through price participation by smelters as the average LME copper price increased to 275.3 cents per pound in 2006 H1 (compared with 151.1 cents per pound in 2005 H1).

On-site and shipping costs for Q2 remained in line with Q1. Costs for the first six months of the year remain in line with forecast, but were 11.7 cents per pound above 2005 H1, due to lower production as well as higher costs for fuel, energy, explosives and services.

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### **El Tesoro**

Cathode production at El Tesoro in Q2 was 21,800 tonnes, an increase of 4.8% compared with Q1, as better ore grades compensated for lower recoveries. Production in the first six months of 2006 was 42,500 tonnes, in line with forecast but 14.7% lower than 2005 H1, as higher processing levels (following completion of the 10.5 million tonnes per year throughput expansion at the beginning of the year) were offset by expected lower grades and recoveries.

Cash costs in Q1 were 79.8 cents per pound, in line with the previous quarter. Cash costs in the first six months of 2006 were 79.7 cents per pound compared with 58.9 cents per pound in 2005 H1, due to the lower production level and higher waste-to-ore ratio, increased consumption of sulphuric acid and higher input costs including fuel prices and copper price-linked payments.

### **Michilla**

Michilla produced 11,600 tonnes of copper cathodes in Q2, reaching 23,800 tonnes in the first six months of 2006. The increase of 1,200 tonnes compared with 2005 H1 was mainly due to higher grades, together with higher processing levels and better recoveries.

Cash costs in Q2 were 123.9 cents per pound, 3.8 cents above the previous quarter. Cash costs averaged 122.0 cents per pound in the first six months of 2006, below forecast but 8.8% above 2005 H1, reflecting higher costs at the underground mine and higher prices for fuel and explosives.

### **Transport**

Rail tonnages in the first half of 2006 were 3.8% lower than 2005 H1, mainly due to lower tonnages from Codelco. However, road tonnages were 3.1% higher than the first half of 2005.

### **Water**

The water division continued to perform strongly, with volumes reaching 9.2 million cubic metres in Q2 and 18.5 million cubic metres in the first half of 2006. This represented an increase of 11.9% over 2005 H1 as a result of increased consumption by both domestic and mining customers as well as higher volumes of water transported.

Los Pelambres	Q1 2006	Q2 2006	Q3 2006	Q4 2006	Acc 2006	Acc 2005	Full Year 2005
<b>Production statistics</b>							
Daily average ore treated ('000 tonnes)	120.9	119.5			120.2	126.5	128.1
Average ore grade (%)	0.81	0.84			0.82	0.78	0.80
Average recovery (%)	88.1	88.2			88.1	90.6	89.2
Concentrate produced ('000 tonnes)	194.8	200.2			395.0	424.6	865.1
Average concentrate grade (%)	39.6	40.0			39.8	38.0	38.5
Fine copper in concentrate ('000 tonnes)	76.6	69.8			146.4	160.3	333.8
Payable copper in concentrate ('000 tonnes)	74.1	67.5			141.6	154.9	322.8
Average moly ore grade (%)	0.026	0.027			0.026	0.025	0.022
Average moly recovery (%)	74.4	76.0			75.2	80.0	79.9
Payable moly ('000 tonnes)	2.0	2.1			4.1	4.7	8.7
<b>Cash costs statistics</b>							
On-site and shipment costs (cents per pound)	54.5	56.8			55.6	43.8	47.1
Tolling charges for concentrates (cents per pound)	34.8	45.4			39.8	26.0	27.6
By - product credits (cents per pound) *	(59.5)	(83.7)			(71.0)	(118.0)	(91.8)
Cash costs (cents per pound)	29.8	18.5			24.4	(48.1)	(17.1)

(\*) Note: By-products credits do not include any costs attributable to the production of molybdenum concentrate. By-product calculations also do not take into account unrealised mark-to-market gains at the beginning or end of each period.

El Tesoro	Q1 2006	Q2 2006	Q3 2006	Q4 2006	Acc 2006	Acc 2005	Full Year 2005
Daily average ore treated ('000 tonnes)	29.7	28.6			29.1	24.6	27.2
Average ore grade (%)	0.99	1.18			1.08	1.37	1.23
Average recovery (%)	77.9	73.9			75.7	82.1	80.2
Copper cathodes ('000 tonnes)	20.8	21.8			42.5	49.9	98.1
Cash costs (cents per pound)	79.6	79.8			79.7	58.9	66.1

Michilla	Q1 2006	Q2 2006	Q3 2006	Q4 2006	Acc 2006	Acc 2005	Full Year 2005
Daily average ore treated ('000 tonnes)	14.6	15.4			15.0	14.9	14.9
Average ore grade (%)	1.13	1.07			1.10	1.04	1.10
Average recovery (%)	76.2	76.4			76.3	75.9	75.4
Copper cathodes ('000 tonnes)	12.1	11.6			23.8	22.6	46.4
Cash costs (cents per pound)	120.2	123.9			122.0	112.2	118.8

Transport	Q1 2006	Q2 2006	Q3 2006	Q4 2006	Acc 2006	Acc 2005	Full Year 2005
Rail tonnage transported ('000 tons)**	1,122	1,011			2,133	2,216	4,336
Road tonnage transported ('000 tons)	383	367			750	728	1,522

(\*\*) Note: A minor adjustment has been made to the comparative figure for Q1 from the previously reported amount of 1,141,000 tons.

Water	Q1 2006	Q2 2006	Q3 2006	Q4 2006	Acc 2006	Acc 2005	Full Year 2005
Water volume sold – potable and untreated ('000 m <sup>3</sup> )***	9,304	9,231			18,536	16,557	33,074

(\*\*\*) Note: Water volumes include water transportation of 270,000 m<sup>3</sup> in Q1 and 740,000 m<sup>3</sup> in Q2.