

2006

ANTOFAGASTA

Interim Report

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P J Adeane	Non-Executive
R F Jara	Non-Executive
D E Yarur	Non-Executive
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Highlights of the 2006 Half Year

	US Dollars		Sterling ¹	
	Half year to 30 June		Half year to 30 June	
	2006 US\$m	2005 US\$m	2006 £m	2005 £m
Turnover	1,846.9	1,123.6	1,032.9	599.7
EBITDA ²	1,374.7	806.4	768.8	430.4
Profit before tax	1,325.3	739.5	741.2	394.7
Net earnings ³	652.6	367.5	365.0	196.1
Net assets	3,437.7	2,424.9	1,859.8	1,354.3
Earnings per share ⁴	66.2¢	37.3¢	37.0p	19.9p
Dividend per share ^{4,5}	5.2¢	3.2¢		

¹ The sterling numbers are for illustrative purposes only, using an average rate in the current period of £1 = US\$1.7880 (2005 half year – £1 = US\$1.8737) for the consolidated income statement and a period end rate of £1 = US\$1.8484 (2005 half year – £1 = US\$1.7905) for the consolidated balance sheet.

² Earnings before interest, tax, depreciation and amortisation (defined in Note 3a).

³ Profit for the financial year after tax and minority interests (i.e. attributable to equity holders of the Company).

⁴ Earnings per share and dividends per share have been restated for the effects of the 4-for-1 bonus issue on 16 June 2006.

⁵ The 2006 interim dividend comprises an interim ordinary dividend of 3.2 cents together with a special dividend of 2.0 cents. The 2005 interim dividend did not include a special dividend.

This interim dividend is paid in either US dollars or sterling. For 2006 the exchange rate to be applied to dividends to be paid in sterling will be set on 26 September 2006. Sterling dividend amounts above have been rounded for presentation purposes.

Highlights of the 2006 Half Year

- Profit before tax up 79.2% up to US\$1,325.3 million

- Total interim dividend (including special) up 62.5% to 5.2 cents per ordinary share

- Average LME copper price up 82.2% up to 275.3 cents per lb

- Average market molybdenum price US\$23.7 per lb, 29% lower than the 2005 half year

- Group weighted average cash costs* of 46.9 cents per lb compared with negative 8.7 cents per lb in 2005 half year, mainly due to lower by-product credits and higher tolling charges

- Copper production of 207,900 tonnes, 8.6% lower than the 2005 half year

- Molybdenum production of 4,100 tonnes, 12.8% lower than the 2005 half year

- Solid results from the railway and water businesses

- Continued progress at the Mauro dam at Los Pelambres, to be completed by end 2007

- Plant expansion at Los Pelambres to 140,000 tpd to be substantially completed ahead of schedule by the end of 2006

- Esperanza project proceeding to feasibility stage

- Tethyan Copper Company acquired for eventual US\$230 million giving access to Reko Diq copper-gold deposit in Pakistan, to be developed jointly with Barrick Gold Corporation

- Unconditional offer for Equatorial Mining in August 2006 at a cost of approximately US\$401 million, with 97% acceptances received

* 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 concentrate for Los Pelambres. Cash costs exclude depreciation, financial income and expenses, exchange gains and losses and corporation tax for all three mines. By-product calculations do not take into account unrealised mark-to-market gains for molybdenum at the beginning or end of each period.

Directors' Comments

For the half year to 30 June 2006

The Group achieved record results for a six month period, benefiting from continued strong market conditions. Profit before tax was up 79.2% to US\$1,325.3 million (2005 half year – US\$739.5 million) with earnings per share up 77.5% to 66.2 cents per share (2005 half year – 37.3 cents per share). LME copper prices averaged 275.3 cents per pound (2005 – 151.1 cents per pound), while the Group also benefited from significant pricing adjustments on provisionally invoiced sales in respect of both the current and previous year, resulting in an averaged realised price of 353.4 cents per pound (2005 half year – 159.1 cents per pound). Molybdenum market prices, although still well above historical levels, were lower than the previous period at US\$23.7 per pound (2005 half year – US\$33.4 per pound).

As expected, Group copper production decreased by 8.6% to 207,900 tonnes (2005 half year – 227,400 tonnes) mainly as a result of lower processing levels at Los Pelambres and lower ore grades at El Tesoro. Molybdenum production was 4,100 tonnes compared with 4,700 tonnes in the first half of 2005. Weighted average cash costs were 46.9 cents per pound compared

with negative 8.7 cents per pound in the first six months of 2005. This was mainly due to lower by-product credits as a result of lower molybdenum prices and production and higher tolling charges for concentrates, due to increased price participation with smelters as a result of the higher copper price. On-site costs at the Group's three mines increased compared with the 2005 first half, but remained in line with its forecasts for the full year. The Group's transport and water operations achieved good results with continued strong volumes.

In the 2006 first half, the Group continued with its capital projects and growth plans. Los Pelambres progressed the construction of the Mauro tailings dam and the expansion of the concentrator plant to 140,000 tonnes per day of ore throughput. The combined capital cost of these projects is expected to be approximately US\$715 million, of which US\$290.4 million had been spent by 30 June 2006. The tailings dam is expected to be completed on time by the end of 2007 while the plant expansion is now expected to be substantially completed by the end of 2006, ahead of the original schedule of the second quarter of 2007. Pre-feasibility work has

Directors' Comments continued

now been completed at Esperanza, with a feasibility study expected to be completed by April 2007, after which an environmental impact assessment for the project could be submitted.

In June 2006, the Group completed its acquisition of Tethyan Copper Company Limited, an Australian company with copper-gold interests in Pakistan at a total cost of US\$230.4 million (including US\$60 million payable to BHP Billiton for the cancellation of its rights to claw-back an interest in Tethyan's deposits). The Group has announced that it has agreed to establish a 50:50 joint venture with Barrick Gold Corporation which is expected to be finalised in the second half of this year. Barrick Gold will reimburse the Group for 50% of the acquisition cost of Tethyan and the claw-back right. During the first half of 2006, the Group also acquired the Antucoya deposit from Soquimich.

In July 2006, it announced a Head of Terms agreement with AngloGold Ashanti Limited to establish a joint venture to explore an area of interest in southern Colombia. In August, the Group announced a takeover offer for Equatorial Mining Limited ("Equatorial"), a company listed on the Australian Stock Exchange and majority-owned by AMP Life Limited ("AMP"). The offer has been successful; the Group has acceptances of 97% and the offer is now unconditional. Total consideration payable will be approximately \$401million. Equatorial's principal asset is a 39% interest in El Tesoro, in which the Group holds the remaining 61%.

Cash flows from operations in the 2006 half year were US\$1,045.4 million (2005 half year –

US\$767.1 million). In the six months to 30 June 2006, other net cash outflows amounted to US\$1,123.5 million (2005 half year – US\$581.1 million) and accordingly cash and cash equivalents decreased by US\$78.1 million (2005 half year – increase of US\$186.0 million). This included capital expenditure, acquisition costs of Tethyan, dividends paid to Group and minority shareholders, taxes paid and debt repayment. Net cash at 30 June 2006 was US\$821.7 million (30 June 2005 – US\$539.9 million) which compares with US\$851.5 million at the beginning of the year. These cash reserves will fund the Group's capital expenditure programmes, including the Mauro dam and plant expansion projects at Los Pelambres, the feasibility study at Esperanza, the acquisition of Equatorial Mining Limited and other new opportunities which may arise.

The Board has declared an interim ordinary dividend of 3.2 cents per share (2005 half year – 3.2 cents per share). In view of the exceptional results this half year, the Board has also decided to pay a special dividend of 2.0 cents per share (2005 half year – nil).

Review of Operations

Los Pelambres

Los Pelambres had a record six month period with operating profit up 77.0% at US\$1,097.6 million, compared with US\$620.1 million in the first six months of 2005. Realised copper prices were 376.8 cents per pound (2005 half year – 159.8 cents per pound), reflecting strong LME prices and significant pricing adjustments on mark-to-market and close-out of provisional sales.

Realised molybdenum prices decreased to US\$22.7 per pound (2005 – US\$36.0 per pound), reflecting lower market prices. Further details of pricing adjustments are given in the financial commentary on page 13.

Los Pelambres produced 141,600 tonnes of payable copper in the first six months of 2006, 8.6% below the first six months of last year when 154,900 tonnes were produced. 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 (approximately 11,000 tonnes) processed in July. The delay is not expected to have any overall effect on production volumes for the full year. The reduced production in the first half was also in part due to lower daily ore throughput and lower recoveries at the concentrator plant. Ore throughput averaged 120,200 tonnes per day (tpd) compared with 126,500 tpd in the 2005 half year, as a result of a higher proportion of harder primary ore compared with 2005 as well as programmed downtime to enable the construction of the 140,000 tpd plant expansion. These factors were partly offset by the higher ore grade, which averaged 0.82% (2005 half year – 0.78%).

Molybdenum production was 4,100 tonnes, in line with the year-to-date forecast but 12.8% below the 4,700 tonnes produced in the first half of 2005. This decrease was mainly due to changes in levels of partly-processed molybdenum concentrate and,

to a lesser extent, the lower ore throughput level and lower recoveries (resulting from the characteristics of the ore processed in the period). These factors were partly offset by the marginally higher ore grade.

Cash costs, which are stated net of by-product credits and include tolling charges, 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 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 production and lower prices for molybdenum. Treatment and refining charges increased mainly through price participation with smelters as the average LME copper price rose significantly in the 2006 half year. On-site and shipping costs for the first six months of the year remain in line with forecast, but were 11.7 cents per pound above the 2005 half year, due to lower production as well as higher costs for fuel, energy, explosives and services.

Los Pelambres continued to reduce its borrowings with repayments totalling US\$40.7 million. Total borrowings were US\$355.3 million at 30 June 2006.

Good progress was made with two major capital expenditure programmes, the Mauro tailings dam project and expansion of the concentrator plant, both of which are being financed out of Los Pelambres' cash resources.

The Mauro tailings dam will, together with the existing Quillayes tailings dam, provide

Directors' Comments continued

Los Pelambres with sufficient storage capacity for its 2 billion tonnes of existing ore reserves, thereby supporting its mine plan to 2047. By the end of June this year, the construction of the Mauro tailings dam was 41% complete as to construction with costs to date (including initial basic engineering costs) of US\$218.3 million; of this amount, US\$146.5 million was spent in the first half of 2006. As announced earlier in the year, the total forecast cost for this project is now US\$534 million (before exchange rate effects), compared with an original budget of US\$457 million. This cost increase reflects higher steel prices, as well as higher project costs including tunnelling and impact of the delay of environmental permits mainly in 2005. Construction of the tailings dam is on time and expected to be completed as planned by the end of 2007.

Expansion of the plant to 140,000 tpd was started in 2005, and will be achieved by re-powering the grinding lines and installing a fifth ball mill at the concentrator plant. By 30 June 2006, the expansion project was 53% complete with cumulative expenditure to that date of US\$72.1 million. Of these costs US\$61.5 million was incurred in the first half of 2006. The project remains within the original budget of US\$181 million. The repowering of the SAG mills was completed in the first half of 2006, and the additional flotation cells in August. The start-up of the fifth ball mill is expected by the end of this year, ahead of the original schedule of April 2007. Los Pelambres continues to review options for possible further expansion. As part of this review, it has started an exploration programme which is further

described under "Projects, exploration and new opportunities" below.

Copper production at Los Pelambres for the full year is expected to be approximately 320,000 tonnes, ahead of the original forecast of 308,000 tonnes. Average throughput for 2006 is expected to be 128,000 tpd as the plant benefits from the initial stages of the plant expansion in the second half of this year. On-site and shipping costs are expected to be in line with forecast at approximately 56.4 cents per pound, while changes in the level of tolling charges (which were 39.8 cents per pound in the first half of 2006) are expected to relate mainly to the effect of changes in the copper price on price participation with smelters. Molybdenum production for the full year is expected to be 10,200 tonnes, marginally below the original forecast of 10,800 tonnes.

El Tesoro

Operating profit at El Tesoro rose by 53.3% from US\$97.6 million in the 2005 half year to US\$149.6 million. Realised copper prices were 301.2 cents per pound compared with 157.9 cents in the 2005 half year, reflecting higher LME prices, strong cathode premiums due to the continuing tight cathode market and pricing adjustments on close-out of cathode sales.

Production at El Tesoro was 42,500 tonnes (2005 half year – 49,900 tonnes). The lower production was in line with forecast as higher processing levels (following the completion of the 10.5 million tonnes per year throughput expansion at the beginning of the year) were offset by expected lower ore grades and recoveries.

Cash costs rose to 79.7 cents per pound compared with 58.9 cents per pound in the 2005 half year, but remained in line with budget for this year. The higher cash costs were due to the lower production level and higher waste-to-ore ratio, increased consumption of sulphuric acid due to a higher presence of carbonates in the ore and higher input costs including fuel prices. El Tesoro's results were also affected by the effect of commodity hedging (including mark-to-market adjustments), which reduced operating profit in the 2006 first half by US\$43.5 million (2005 half year – US\$0.7 million).

El Tesoro's borrowings were reduced by regular repayments of US\$7.0 million, and amounted to US\$49.1 million at 30 June 2006. Debt balances were further reduced by US\$14 million with a voluntary prepayment in July 2006.

El Tesoro expects to meet its production forecast of 91,600 tonnes for the full year, as grades and recoveries are expected to improve in the second half. Cash costs are expected to be 79.5 cents per pound, marginally above the 78 cents forecast at the start of the year.

Michilla

Operating profit increased to US\$44.3 million (2005 half year – US\$9.6 million) as Michilla benefited from the strong commodity market. Realised copper prices were 306.6 cents per pound (2005 half year – 157.1 cents per pound), reflecting strong cathode premiums and positive pricing adjustments in addition to strong LME prices. Michilla produced 23,800 tonnes of copper cathodes in the first

six months of 2006 (2005 half year – 22,600 tonnes). The increase of 1,200 tonnes was due mainly to higher grades, together with higher processing levels and better recoveries.

Cash costs remained within forecast at 122.0 cents per pound, compared with 112.2 cents per pound in the first six months of 2005, reflecting higher costs at the Florida and Estefania underground mines, higher prices for fuel and explosives and the stronger Chilean peso. Hedging losses (including mark-to-market adjustments) in the first half were US\$46.2 million (2005 half year – US\$3.7 million). Nevertheless, the higher costs and hedging losses were outweighed by improved prices and higher production.

Cathode production is expected to be approximately 43,000 tonnes, marginally above the original estimate for the year at a similar cash cost estimate of 128 cents per pound.

Michilla is completing a technical review of its resources, with a revised mine plan to determine its future level of production now expected to be completed in the last quarter of 2006.

Railway and Other Transport Services

Rail and road transport volumes in the first half of 2006 were 2.1 million tons (2005 half year – 2.2 million tons) and 0.8 million tons (2005 half year – 0.7 million tons) respectively. A slight reduction in rail tonnages was mainly because of marginal decreases from Codelco. Operating profit (excluding income from associates) was similar at US\$14.1 million (2005 half year – US\$14.7 million).

Directors' Comments continued

The FCAB's medium to longer term prospects continue to be positive. New mining projects for which the FCAB expects to transport cargo include Apex Silver Mines' San Cristobal polymetallic project in south-western Bolivia, BHP Billiton's Spence copper project in Chile's Region II and Escondida's sulphide leach project. While no significant increase in tonnages is expected in 2006, these new mining projects should provide a significant uplift to existing transport volumes through 2007 and 2008. Further opportunities may arise as mining activity continues to respond to the strength and duration of the current commodity cycle.

Aguas de Antofagasta

Aguas de Antofagasta had a good 2006 half year. Combined industrial and domestic water sales increased from 16.6 million cu. m. in the 2005 first half to 18.5 million cu. m. this period, with operating profit of US\$16.4 million (2005 half year – US\$11.9 million), as Aguas benefited from increased volumes as well as from the stronger Chilean peso, the currency in which revenues from domestic customers are received. Aguas de Antofagasta has started to supply water to BHP Billiton's Spence project during its construction phase and is continuing with studies to supply water for a possible future expansion of the Collahuasi mine owned by Falconbridge and Anglo American.

Projects, Exploration and New Opportunities

The Group spent US\$8.1 million on exploration activities in the first six months of 2006 (2005 half year – US\$8.0 million).

Esperanza

The Group's principal new project is Esperanza, approximately 5 kilometres from El Tesoro, where US\$4.4 million was spent in the first half of 2006. Pre-feasibility work has now been completed within the original budget of US\$15.3 million, including completion of a 2.3 kilometre exploration decline. As announced in March following analysis of drill results, the drill-inferred sulphide resource at Esperanza was increased 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%, compared with a previous estimate of 469 million tonnes of ore with an average copper grade of 0.63% and 0.27 g/t of gold. Both the current and previous resource estimates are based on a cut off grade of 0.3% copper.

Feasibility work has now begun and Esperanza expects to complete a feasibility study by April 2007 with a budget of US\$16.9 million, which will enable it to submit an Environmental Impact Assessment to the appropriate authorities. Board and Environmental approvals could be obtained by the end of 2007. Esperanza was initially expected to be developed as a 50,000 tpd project producing 120,000 tonnes of copper in concentrates and 170,000 ounces of gold annually in the first five years of its mine life. However, the size of the potential operation could be increased following the feasibility study based on the larger resource base recently established.

Los Pelambres

As part of its review of options for possible expansion, Los Pelambres has started a two-year programme to identify additional deposits beyond the existing 3.1 billion tonne resource. A first stage was completed by 30 June 2006 at a cost of US\$1.3 million, which included an 8,500 metres drilling programme. A second stage including an additional 7,500 metres drilling programme is expected to be completed by the end of this year.

Reko Diq (Tethyan Copper Company Limited)

In February 2006, the Group announced a recommended cash offer for Tethyan Copper Company Limited ("Tethyan"), a company then listed on the Australian Stock Exchange with copper-gold interests in Pakistan. The Group also entered into an agreement with BHP Billiton whereby BHP Billiton's rights to claw-back a material interest in certain of Tethyan's mineral interests would be extinguished for a consideration of US\$60 million. An agreement was also entered into with Barrick Gold Corporation ("Barrick Gold") to support the takeover offer and to establish a 50:50 joint venture whereby Barrick Gold will reimburse the Group for 50% of the acquisition cost of Tethyan and the claw-back right.

The offer was declared unconditional on 20 April, when the Group's interest including acceptances exceeded 50%; Tethyan was delisted from the Australian Stock Exchange in May and all of the remaining shares were acquired by the end of June. The total cost of the acquisition was US\$170.4 million, with a further US\$60 million expected to be paid

to BHP Billiton in the second half of 2006 to extinguish the claw-back right. The Group is currently in discussions with Barrick Gold on the terms of the proposed joint venture, which is also expected to be finalised in the second half of 2006 when the reimbursement of approximately US\$115 million should be received.

Tethyan's principal assets are a 75% interest in the exploration licence encompassing the Reko Diq prospect in the Chagai Hills region of South-West Pakistan, which includes the Tanjeel Mineral Resource and the Western Porphyries, and a 100% interest in certain other licences in the region. Tethyan has reported total indicated and inferred mineral resource estimates at these properties of 2.4 billion tonnes with a copper grade of 0.51% and a gold grade of 0.27g/t. A budget of US\$27.3 million has been set to cover an 18-month period, to include exploration and drilling and, in the later stages, initial pre-feasibility work on the prospects identified. Costs incurred to 30 June 2006 following acquisition of control in April amounted to US\$1.1 million.

Antucoya

During the first half of 2006, the Group acquired the Antucoya property from Soquimich for US\$8.0 million plus a future net smelter return. Antucoya is estimated to contain 322 million tonnes of oxide ore with an average copper grade of 0.4%, and is adjacent to Buey Muerto, a deposit in which the Group has a controlling interest and which is estimated to contain 138 million tonnes of

Directors' Comments continued

oxide ore with a grade of 0.43%. The Group intends to conduct further exploration and technical studies to examine the viability of on-site leaching of the deposits to provide enriched solution to utilise any excess capacity at Michilla's SX-EW plant.

Joint venture with AngloGold Ashanti in Colombia

In July 2006, the Group signed a Head of Terms agreement with AngloGold Ashanti Limited ("AngloGold"), one of the world's largest gold producers. This agreement sets out the terms of a proposed joint venture, the Southern Colombia Joint Venture ("the JV"), to explore, discover, and develop copper and gold mining projects in an area of interest in southern Colombia extending approximately 30,000 square kilometres. Under the agreement, AngloGold will contribute its mineral interests in the area covered by the JV and Antofagasta will commit to funding US\$1.3 million in exploration costs over a period of one year. Antofagasta may decide to fund an additional US\$6.7 million in exploration costs within four years (representing a total contribution of US\$8.0 million), in order to earn a 50% interest in the JV.

Acquisition of Equatorial Mining Limited

On 15 August 2006, the Group announced that it had entered into an agreement to acquire a 19.99% shareholding in Equatorial Mining Limited ("Equatorial") at A\$8.00 per share and had made a cash takeover offer of A\$11.20 per share for all of the issued shares of Equatorial. On 24 August 2006 the Group

announced it had secured an interest in 97% of Equatorial's issued shares and that its takeover offer was unconditional. The Group also announced its intention to compulsorily acquire any remaining Equatorial shares in due course to reach 100% ownership.

The total consideration payable by the Group to acquire all of Equatorial's shares is expected to be approximately US\$401 million. Equatorial reported cash balances of approximately US\$97 million as at 30 June 2006. Equatorial is company listed on the Australian Stock Exchange whose principal asset is a 39% ownership interest in El Tesoro. The acquisition of Equatorial will increase the Group's interest in the El Tesoro mine to 100%.

Sierra Gorda District

The Group will continue examining its prospects in the Sierra Gorda district, where the acquisition of Equatorial will consolidate the Group's land position through the addition of mining properties located between the Telegrafo and Centinela deposits which are controlled by the Group.

Dividends

The Board has declared an interim ordinary dividend of 3.2 cents per share (2005 half year – 3.2 cents per share). In view of the exceptional results this half year, the Board has also decided to pay a special dividend of 2.0 cents per share (2005 half year – nil).

Accordingly, a total interim dividend of 5.2 cents per share will be paid on 12 October 2006 to ordinary shareholders on the register at the close of business on 22 September 2006. Dividends are payable in either US dollars or sterling, and the exchange rate to be applied to dividends to be paid in sterling will be set on 26 September 2006.

Current Trading Prospects

Copper prices on the LME have remained very strong through 2006, increasing from just over 200 cents per pound at the beginning of the year to around 340 cents at the end of June, and peaking at just under 400 cents in mid-May. Since 30 June, prices have remained strong, averaging just over 350 cents. Demand remains firm, supported by increased demand for commodities as an investment alternative by institutional and mainstream investors, and visible inventories have remained very low at around 170,000 tonnes, representing less than two weeks of world consumption. The combination of strong demand and supply disruptions and constraints has resulted in a deficit market since 2002. Most commentators now expect this deficit to persist into 2006 and possibly into 2007. Consequently while commodity markets continue to be volatile, prices could remain well above historical levels with current consensus price estimates of over 280 cents per pound in 2006 and 250 cents per pound in 2007.

The concentrates market has also continued to improve in favour of producers as smelting capacity increases and risks of mine supply

disruption continue. A deficit market in copper concentrates has developed, which is expected to continue through 2007 and into 2008. The year-end negotiations of annual contracts between producers and smelters could therefore show improvements in favour of producers. It is also possible that changes in the price participation structure could occur; this has already become the main focus of discussions during the current mid-year negotiations.

Molybdenum prices have retreated from their peak of almost US\$40 per pound in 2005, but have remained relatively stable at the US\$20-US\$25 range in the first half of 2006, averaging US\$25 since the beginning of July. Demand remains strong, both in the steel sector and non-metallurgical applications, while no significant further increases in supply are expected in the next 12 months. While the direction of molybdenum prices remains difficult to predict, these factors suggest that prices could remain at present levels into 2007.

Group copper production for 2006 is expected to be around 455,000 tonnes, compared with the original forecast of 440,000 tonnes with molybdenum production at about 10,600 tonnes. On-site and shipping costs for the Group's three mines remain in line with forecasts for the year, and any changes in the level of smelting costs should depend mainly on the level of copper prices. Given the duration of existing agreements, no labour negotiations are due at the Group's mining operations until September 2007. In the second half of 2006,

Directors' Comments continued

the Group will continue to advance its capital projects including the plant expansion and tailings dam projects at Los Pelambres, the feasibility study at Esperanza and its exploration activities including the newly acquired Reko Diq copper-gold prospect in Pakistan. The acquisition of Equatorial will also increase attributable cathode production.

The Group has substantial operations in Chile and its financial position remains strong. It will continue to enhance its growth profile by developing its existing assets and properties and by seeking opportunities globally to secure world-class mining assets.

25 August 2006

Financial Commentary

For the half year to 30 June 2006

Results

Turnover

Group turnover increased by 64.4% to US\$1,846.9 million, compared with US\$1,123.6 million in the first six months of 2005. The increase was mainly due to very strong LME copper prices, which increased to an average of 275.3 cents per pound, 82.2% above the 2005 half year.

Turnover from copper concentrate sales and copper cathode sales from the Group's three mines increased by 114.8% to US\$1,537.4 million compared with US\$715.7 million in the 2005 half year. The Group's average realised copper price was 353.4 cents per pound (2005 half year – 159.1 cents per pound), reflecting mainly the higher LME price but also pricing adjustments to initially invoiced sales in the period. Realised copper prices are determined by comparing turnover (gross of tolling charges) with sales volumes in the period. Realised copper prices exceeded market prices mainly because, in line with industry practice, concentrate and cathode sales agreements generally provide for provisional pricing at the time of shipment with final pricing based on the average market price for future periods (normally about 30 days after delivery to the customer in the case of cathode sales and up to 180 days after delivery to the customer in the case of concentrate sales). In the case of Los Pelambres, pricing adjustments added US\$348.8 million to initially invoiced sales (before adjusting for tolling charges), comprising US\$124.0 million in respect of sales invoiced in

2005 (net of mark-to-market adjustments at the end of 2005) which were finally priced in 2006 and US\$224.8 million in respect of sales invoiced in 2006 (including mark-to-market adjustments for open sales at the end of the period of US\$103.9 million). Pricing adjustments for the first half of 2006 (which relate almost entirely to sales invoiced in 2006) added US\$20.7 million and US\$12.7 million at El Tesoro and Michilla respectively. El Tesoro and Michilla also continued to benefit from strong cathode premiums reflecting tight market conditions.

The benefit of high copper prices and significant pricing adjustments were partly offset by the decline in copper sales which decreased by 4.9% from 224,300 tonnes in the 2005 half year to 213,200 tonnes this half year, primarily as a result of lower processing levels at Los Pelambres and lower ore grades at El Tesoro. Tolling charges for copper concentrates at Los Pelambres increased from US\$71.0 million in the 2005 half year to US\$123.6 million, mainly as a result of the effect of the higher copper price on price participation by smelters. Tolling charges are deducted from concentrate sales in reporting turnover and hence also partly offset the effect of higher copper prices.

Turnover from by-products at Los Pelambres decreased by 32.3% to US\$228.5 million in the 2006 half year compared with US\$337.4 million in the 2005 half year, mainly due to lower molybdenum market prices. The realised molybdenum price averaged US\$22.7 per

Financial Commentary continued

pound (2005 half year – US\$36.0 per pound). Molybdenum sales are also subject to provisional pricing and as prices weakened in the early part of this year, realised prices were marginally lower than the average market price of US\$23.7 per pound (2005 half year – US\$33.4 per pound), in contrast to strengthening prices in the first half of 2005. Sales of 4,400 tonnes were slightly higher than sales of 4,300 tonnes in the first half of 2005.

Turnover from the transport division (FCAB) increased by US\$4.1 million or 9.2% to US\$48.8 million on similar volumes to the previous comparative period, mainly because rail tariffs are indexed to cost factors including inflation, the peso-dollar exchange rate and fuel costs which increased compared with the first half of 2005. Turnover at Aguas de Antofagasta, which operates the Group's water business, increased by US\$6.4 million or 24.8% to US\$32.2 million, due to a combination of increased volumes and the stronger Chilean peso.

Operating Profit from Subsidiaries and EBITDA

Operating profit from subsidiaries increased by 76.6% from US\$739.0 million in the 2005 half year to US\$1,304.9 million in the 2006 half year.

Operating profit at the mining division increased by 78.9% from US\$712.4 million to US\$1,274.4 million, mainly as the result of strong copper prices. This was partly offset by lower copper sales volume and lower molybdenum prices as described above and also increased operating costs. Excluding by-product credits (which are reported as part of turnover) and tolling charges for concentrates (which are deducted from turnover), weighted average cash costs for the Group (comprising on site and shipping costs

in the case of Los Pelambres and cash costs in the case of the other two operations) increased from 54.0 cents per pound in the 2005 half year to 68.1 cents in the 2006 half year, reflecting the impact of higher input costs as well as lower production. Operating profits were also affected by losses on commodity derivatives (including net mark-to-market adjustments) of US\$89.7 million at Michilla and El Tesoro (2005 half year – US\$4.4 million).

Operating profits (excluding income from associates) at the transport division were similar at US\$14.1 million (2005 half year – US\$14.7 million) as volumes remained similar in both periods. Aguas de Antofagasta (whose revenues and costs are mainly denominated in Chilean pesos) contributed US\$16.4 million compared with US\$11.9 million, benefiting from higher sales and the stronger exchange rate.

EBITDA (earnings before interest, tax, depreciation and amortisation) in the 2006 half year was US\$1,374.7 million, compared with US\$806.4 million, up 70.5%. This is calculated by adding back to operating profit from subsidiaries the items of depreciation and amortisation of US\$65.3 million (2005 half year – US\$63.6 million) and loss on disposals of property, plant and equipment of US\$4.5 million (2005 half year – US\$3.8 million).

The Group's share of net profit from its 30% investment in Antofagasta Terminal Internacional S.A. ("ATI") was unchanged at US\$0.5 million.

Net Finance Income

Net finance income in the 2006 half year was US\$19.9 million, compared with nil in the 2005 half year.

Interest receivable increased from US\$15.4 million to US\$34.5 million, due to the higher level of cash and deposit balances and higher market interest rates compared with the 2005 half year. Interest expense (excluding the mark-to-market effect of interest rate derivatives) remained similar at US\$13.2 million (2005 half year – US\$13.1 million), as regular loan repayments which decreased the level of borrowings were offset by the effect of higher interest rates.

Other finance items (mark-to-market effect of interest rate derivatives and foreign exchange losses included in finance items) amounted to a charge of US\$1.4 million (2005 half year – US\$2.3 million).

Profit Before Tax

The resulting profit before tax for the period was US\$1,325.3 million compared with US\$739.5 million in the first half of 2005, reflecting the improved operating results and increased finance income.

Income Tax Expense

The rate of first category (i.e. corporation) tax in Chile is 17% for both 2006 and 2005. During 2005, new tax legislation on Chilean mining companies was passed into law with effect from 1 January 2006. The legislation sets an additional tax 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 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 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. Los Pelambres, El Tesoro and Michilla have opted to enter into this new tax stability agreement, and hence the effect of the legislation is to increase the effective tax rate of these three operations (before taking into account deductibility against corporation tax) by approximately 2% in 2006 and 2007 and 4% thereafter. In addition to first category tax and the new mining tax, the Group incurs withholding taxes on the remittance of profits from Chile.

Tax (including deferred tax) amounted to US\$255.0 million (2005 half year – US\$132.0 million), mainly reflecting the increased profit for the period. Including both current and deferred taxes, this comprises corporate tax of US\$221.6 million (2005 half year – US\$131.2 million), the new Chilean mining tax of US\$24.4 million (2005 half year – nil) and provision for withholding taxes of US\$9.6 million (2005 half year – US\$8.7 million). This was partly offset by exchange gains on corporate tax balances of US\$0.6 million (2005 half year – US\$7.9 million).

As a result of these factors, the effective tax rate for the Group for the six months ended 30 June 2006 was 19.2% (2005 half year – 17.9%), compared with the Chilean statutory tax rate of 17%.

Earnings Per Share

Basic earnings per share were 66.2 cents compared with 37.3 cents for the 2005 half year reflecting the higher profit after tax and minority interests. Earnings per share have been restated to reflect the impact of the 4-for-1 bonus issue on 16 June 2006.

Financial Commentary continued

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 did not yet apply the hedge accounting provisions of IAS 39 "Financial Instruments: Recognition and Measurement" in the first half of 2006, derivatives were measured at fair value in the balance sheet with changes in value recognised in the income statement. The impact of such instruments on the Group's results for the period is set out above in the sections on operating profit from subsidiaries and net finance income and in Notes 4(b) and 5 to the interim financial statements.

At 30 June 2006, the Group had min/max instruments for 12,900 tonnes of copper production, with a weighted average floor of 113.1 cents per pound and a weighted average cap of 140.9 cents per pound. These instruments had an average duration of three and a half months and a total duration of six months. The Group's exposure to the copper price up to this level of production will be limited for the remainder of 2006 to the extent that market prices exceed the cap or fall below the floor at each relevant exercise date.

Cash Flows, Cash and Debt

Cash flows from operations were US\$1,045.4 million in the first six months of 2006 compared with US\$767.1 million in the same period last year, reflecting the improved operating results adjusted for depreciation,

amortisation and normal working capital movements. A dividend of US\$0.3 million (2005 half year – US\$1.0 million) was received from the Group's investment in ATI.

Cash tax payments comprising monthly payments on account were also made in respect of current year profits (including payments in respect of the new mining tax), settlement of the outstanding balance for the previous year and withholding tax payments. Payments in the period were US\$265.4 million, compared with US\$191.5 million in the first six months of 2005. The increased payments reflect higher profits in each successive year from 2004 (thereby increasing both monthly payments on account for the current year as well as settlement of the outstanding balance for the previous year), higher withholding tax payments and, to a lesser extent, monthly payments on account in 2006 for the new mining tax. In the 2006 first half, corporation tax payments for both the current and previous year amounted to US\$208.9 million (2005 half year – US\$190.1 million), withholding taxes amounted to US\$52.6 million (2005 half year – US\$1.4 million) and payments on account relating to the new mining tax amounted to US\$3.9 million (2005 half year – nil).

During the first half of 2006, the Group acquired a 100% interest in the Tethyan Copper Company Limited. The net cash outflow arising on acquisition was US\$166.3 million, being total consideration (including directly attributable costs) of US\$170.4 million, less cash and cash equivalents acquired of US\$1.1 million and costs provided but not yet paid of US\$3.0 million.

Capital expenditure was US\$279.6 million in the period (2005 half year – US\$79.2 million). Expenditure in the first six months of 2006 included US\$146.5 million relating to the Mauro tailings dam project and US\$61.5 million relating to the plant expansion, both at Los Pelambres.

Dividends paid to ordinary shareholders of the Company in the first six months of this year were US\$185.3 million (2005 half year – US\$124.3 million), which related to the final dividend (including the special dividend) declared in respect of each respective previous year. Dividends paid by subsidiaries to minority shareholders were US\$204.2 million (2005 half year – US\$114.3 million), principally due to increased distributions by Los Pelambres.

Repayment of borrowings and finance leasing obligations in the first six months of 2006, mainly at Los Pelambres and El Tesoro, were US\$48.7 million, mainly reflecting regular repayments of corporate facilities at Los Pelambres and El Tesoro. In the 2005 half year, repayments amounted to US\$79.8 million and included voluntary prepayments of US\$28.2 million at El Tesoro.

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

At 30 June 2006, the Group had cash and cash equivalents of US\$1,238.8 million (2005 half year – US\$1,064.6 million), which included cash balances 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 share of this balance was US\$1,009.3 million (2005 half year – US\$793.6 million).

Total Group borrowings at 30 June 2006 were US\$417.1 million (2005 half year – US\$524.7 million); of this, US\$254.6 million (2005 half year – US\$319.4 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\$2,041.7 million at the beginning of the year to US\$2,502.8 million, relating mainly to profit after tax and minority interests for the period less the ordinary dividend for 2005 which was approved and paid in the first half of 2006.

During the first half of 2006, a 4-for-1 bonus issue of ordinary shares was implemented through the capitalisation of US\$73.2 million of the balance on the share premium account. This did not have any effect on net equity. Further details are given in Note 18 to the interim financial statements.

Minority interests increased from US\$721.3 million at the beginning of the year to US\$934.9 million, principally reflecting the minority's share of profit after tax less the minority's share of the dividends approved or paid by subsidiaries in the period.

25 August 2006

Consolidated Income Statement

	Notes	Six months ended 30.06.06 US\$m	Six months ended 30.06.05 US\$m	Year ended 31.12.05 US\$m
Group turnover	2,3	1,846.9	1,123.6	2,445.3
Total operating costs	2,3	(542.0)	(384.6)	(938.9)
Operating profit from subsidiaries	3	1,304.9	739.0	1,506.4
Share of income from associate	12	0.5	0.5	0.9
Total profit from operations and associates		1,305.4	739.5	1,507.3
Investment income		34.5	15.4	39.7
Interest expense		(13.2)	(13.1)	(26.0)
Other finance items		(1.4)	(2.3)	15.3
Net finance income	5	19.9	–	29.0
Profit before tax		1,325.3	739.5	1,536.3
Income tax expense	6	(255.0)	(132.0)	(308.1)
Profit for the financial period		1,070.3	607.5	1,228.2
Attributable to:				
Minority interests		417.7	240.0	502.4
Equity holders of the Company (net earnings)		652.6	367.5	725.8
		US cents	Restated US cents	Restated US cents
Basic earnings per share	7	66.2	37.3	73.6
Dividends per share to ordinary shareholders of the Company				
Dividends per share proposed in relation to the period	8			
– Ordinary dividend (interim)		3.2	3.2	3.2
– Ordinary dividend (final)		–	–	4.8
– Special dividend (interim)		2.0	–	–
– Special dividend (final)		–	–	14.0
		5.2	3.2	22.0
Dividends per share paid in the period and deducted from net equity				
– Ordinary dividend (interim)		–	–	3.2
– Ordinary dividend (final)		4.8	4.8	4.8
– Special dividend (final)		14.0	8.0	8.0
		18.8	12.8	16.0
Dividends in aggregate to ordinary shareholders of the Company		US\$m	US\$m	US\$m
Dividends proposed in relation to the period	8	51.3	31.5	216.9
Dividends paid in the period and deducted from net equity		185.3	126.2	157.7

Turnover and operating profit are derived from continuing operations.

Earnings per share and dividends per share have been restated for the effect of the 4-for-1 bonus issue on 16 June 2006. There was no potential dilution of earnings per share in any period set out above.

Consolidated Balance Sheet

	Notes	At 30.06.06 US\$m	At 30.06.05 US\$m	At 31.12.05 US\$m
Non-current assets				
Intangible assets	9	321.2	88.1	97.7
Property, plant and equipment	10	2,025.4	1,807.1	1,820.0
Investment property	11	3.2	3.1	3.4
Investment in associate	12	3.0	2.4	2.8
Available for sale investments	13	0.2	0.2	0.1
Deferred tax assets	17	6.8	2.5	6.6
		2,359.8	1,903.4	1,930.6
Current assets				
Inventories		116.1	87.3	98.8
Trade and other receivables		756.4	340.1	428.1
Current tax assets		4.6	1.6	5.3
Derivative financial instruments	4	–	0.9	–
Cash and cash equivalents	20	1,238.8	1,064.6	1,316.8
		2,115.9	1,494.5	1,849.0
Total assets		4,475.7	3,397.9	3,779.6
Current liabilities				
Short-term borrowings	14,20	(97.0)	(103.3)	(97.2)
Derivative financial instruments	4	(43.8)	(6.2)	(40.3)
Trade and other payables		(220.6)	(113.5)	(142.9)
Current tax liabilities		(121.1)	(87.8)	(108.7)
		(482.5)	(310.8)	(389.1)
Non-current liabilities				
Medium and long term borrowings	14,20	(320.1)	(421.4)	(368.1)
Trade and other payables		(3.2)	(3.1)	(3.5)
Post-employment benefit obligations	15	(20.6)	(16.8)	(20.6)
Long-term provisions	16	(10.0)	(10.2)	(9.8)
Deferred tax liabilities	17	(201.6)	(210.7)	(225.5)
		(555.5)	(662.2)	(627.5)
Total liabilities		(1,038.0)	(973.0)	(1,016.6)
Net assets		3,437.7	2,424.9	2,763.0
Equity				
Share capital	18	89.8	16.6	16.6
Share premium	18	199.2	272.4	272.4
Translation reserves		10.4	4.4	16.6
Retained earnings		2,203.4	1,409.3	1,736.1
Net equity attributable to equity holders of the Company		2,502.8	1,702.7	2,041.7
Minority interests		934.9	722.2	721.3
Total equity		3,437.7	2,424.9	2,763.0

The interim financial information was approved by the Board of Directors on 25 August 2006.

Consolidated Cash Flow Statement

	Notes	Six months ended 30.06.06 US\$m	Six months ended 30.06.05 US\$m	Year ended 31.12.05 US\$m
Cash flows from operations	19	1,045.4	767.1	1,647.5
Dividends from associate	12	0.3	1.0	1.0
Income tax paid		(265.4)	(191.5)	(343.8)
Net cash flow from operating activities		780.3	576.6	1,304.7
Investing activities				
Acquisition of subsidiary	21	(166.3)	–	–
Recovery of Chilean VAT paid on purchase of water concession		5.4	3.8	7.7
Purchases of property, plant and equipment		(279.6)	(79.2)	(223.0)
Proceeds from sale of property, plant and equipment		–	0.4	4.1
Net cash used in investing activities		(440.5)	(75.0)	(211.2)
Financing activities				
Dividends paid to equity holders of the Company		(185.3)	(124.3)	(155.4)
Dividends paid to preference shareholders of the Company		(0.1)	(0.1)	(0.2)
Dividends paid to minority interests		(204.2)	(114.3)	(385.6)
Interest paid, including payments under interest derivatives		(14.1)	(11.8)	(23.3)
Interest received		34.5	14.7	37.9
Net proceeds from issue of new borrowings		–	–	0.2
Repayments of borrowings		(48.0)	(67.1)	(126.2)
Repayments of obligations under finance leases		(0.7)	(12.7)	(13.4)
Net cash used in financing activities		(417.9)	(315.6)	(666.0)
Net (decrease)/increase in cash and cash equivalents		(78.1)	186.0	427.5
Cash and cash equivalents at beginning of period		1,316.8	881.4	881.4
Net (decrease)/increase in cash and cash equivalents		(78.1)	186.0	427.5
Effect of foreign exchange rate changes		0.1	(2.8)	7.9
Cash and cash equivalents at end of period	20	1,238.8	1,064.6	1,316.8

Consolidated Statements of Changes in Equity

For the six months ended 30 June 2005

	Share capital US\$m	Share premium US\$m	Translation reserves US\$m	Retained earnings US\$m	Net equity US\$m	Minority interests US\$m	Total US\$m
Balance at 1 January 2005	16.6	272.4	8.5	1,168.0	1,465.5	604.5	2,070.0
Profit for the financial period	–	–	–	367.5	367.5	240.0	607.5
Currency translation adjustment	–	–	(4.1)	–	(4.1)	(0.2)	(4.3)
Dividends	–	–	–	(126.2)	(126.2)	(122.1)	(248.3)
Balance at 30 June 2005	16.6	272.4	4.4	1,409.3	1,702.7	722.2	2,424.9

For the year ended 31 December 2005

	Share capital US\$m	Share premium US\$m	Translation reserves US\$m	Retained earnings US\$m	Net equity US\$m	Minority interests US\$m	Total US\$m
Balance at 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	–	–	–	(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

For the six months ended 30 June 2006

	Share capital US\$m	Share premium US\$m	Translation reserves US\$m	Retained earnings US\$m	Net equity US\$m	Minority interests US\$m	Total US\$m
Balance at 1 January 2006	16.6	272.4	16.6	1,736.1	2,041.7	721.3	2,763.0
Profit for the financial period	–	–	–	652.6	652.6	417.7	1,070.3
Currency translation adjustment	–	–	(6.2)	–	(6.2)	0.1	(6.1)
Capitalisation of share premium on bonus issue of ordinary shares (see Note 18)	73.2	(73.2)	–	–	–	–	–
Dividends	–	–	–	(185.3)	(185.3)	(204.2)	(389.5)
Balance at 30 June 2006	89.8	199.2	10.4	2,203.4	2,502.8	934.9	3,437.7

There were no items of recognised income and expense in any period other than the profit for the financial period and the currency translation adjustment.

Notes to the Interim Financial Statements

1 General Information and Accounting Policies

a) General information

These June 2006 interim consolidated financial statements (“the interim financial statements”) are for the six months ended 30 June 2006. The interim financial statements are unaudited.

The information for the year ended 31 December 2005 does not constitute statutory accounts as defined in section 240 of the Companies Act 1985. A copy of the statutory accounts for that year has been delivered to the Registrar of Companies. The auditors’ report on these accounts was unqualified and did not contain a statement under section 237(2) (regarding adequacy of accounting records and returns) or section 237(3) (regarding provision of necessary information and explanations) of the Companies Act 1985.

b) Accounting policies

The interim financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRSs”) including IAS 34 “Interim Financial Reporting”. For these purposes, IFRSs comprise 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 European Union.

The interim financial information has also been prepared on the basis of accounting policies consistent with those applied in the financial statements for the year ended 31 December 2005.

Any Standards or Interpretations which apply or are expected to apply for the first time for the year ended 31 December 2006 are not considered to have any material impact on the Group.

c) Restatement of comparative amounts for bonus issue

Comparatives for earnings per share and dividend per share amounts have been restated for the effect of the 4-for-1 bonus issue of ordinary shares on 16 June 2006 (see Note 18).

2 Total Profit from Operations and Associates

	Six months ended		Year ended
	30.06.06	30.06.05	31.12.05
	US\$m	US\$m	US\$m
Turnover	1,846.9	1,123.6	2,445.3
Cost of sales	(367.3)	(311.7)	(685.6)
Gross profit	1,479.6	811.9	1,759.7
Administrative expenses	(70.6)	(59.3)	(132.0)
Closure provision	(0.2)	3.9	3.4
Severance charges	(4.6)	(2.5)	(3.9)
Exploration costs	(8.1)	(8.0)	(22.4)
Other operating income	0.8	2.1	5.4
Other operating expenses	(92.0)	(9.1)	(103.8)
Group operating profit	1,304.9	739.0	1,506.4
Share of income from associate	0.5	0.5	0.9
Total profit from operations and associates	1,305.4	739.5	1,507.3

3 Segmental Analysis

Based on risks and returns, the Directors consider the primary reporting format is by business segment and the secondary reporting format is by geographical segment. The Group considers its business segments to be Los Pelambres, El Tesoro, Michilla, Exploration, Railway and other transport services and the Water Concession. Corporate and other items principally relate to the costs incurred by the Company and Antofagasta Minerals S.A., the Group's mining corporate centre, which are not allocated to any individual business segment. The classification reflects the Group's management structure. The amounts presented for each business segment exclude any amounts relating to the investment in Antofagasta Terminal Internacional S.A., an associate which is held through the Railway and other transport services segment.

Notes to the Interim Financial Statements continued

3 Segmental Analysis continued

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

	Turnover			EBITDA			Operating profit/(loss) from subsidiaries		
	Six months ended	Year ended	Year ended	Six months ended	Year ended	Year ended	Six months ended	Year ended	Year ended
	30.06.06 US\$m	30.06.05 US\$m	31.12.05 US\$m	30.06.06 US\$m	30.06.05 US\$m	31.12.05 US\$m	30.06.06 US\$m	30.06.05 US\$m	31.12.05 US\$m
Los Pelambres	1,312.8	797.0	1,749.8	1,130.5	655.4	1,420.5	1,097.6	620.1	1,350.4
El Tesoro	287.5	176.1	372.2	168.2	110.8	203.2	149.6	97.6	172.9
Michilla	165.6	80.0	177.1	51.5	18.0	16.3	44.3	9.6	(31.1)
Exploration	–	–	–	(8.1)	(8.0)	(22.4)	(8.1)	(8.0)	(22.4)
Corporate and other items	–	–	–	(8.4)	(6.7)	(15.6)	(9.0)	(6.9)	(15.9)
Mining	1,765.9	1,053.1	2,299.1	1,333.7	769.5	1,602.0	1,274.4	712.4	1,453.9
Railway and other transport services	48.8	44.7	92.5	19.3	19.8	38.2	14.1	14.7	27.4
Water concession	32.2	25.8	53.7	21.7	17.1	33.9	16.4	11.9	25.1
Group turnover (segment revenue), EBITDA and operating profit from subsidiaries (segment result)	1,846.9	1,123.6	2,445.3	1,374.7	806.4	1,674.1	1,304.9	739.0	1,506.4

Notes to turnover by business segment (segment revenue)

- (i) Turnover by business segment equates to segment revenue as defined by IAS 14. Turnover from Railway and other transport services is stated after eliminating inter-segmental sales to the mining division of US\$4.5 million (2005 half year – US\$4.1 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 4(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 4(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.

3 Segmental Analysis *continued*

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

Notes to EBITDA and operating profit from subsidiaries by business segment (segment result)

- (v) Operating profit for the separate businesses equates to segment result as defined by IAS 14. This excludes the share of income from associate of US\$0.5 million (2005 half year – US\$0.5 million).
- (vi) EBITDA is calculated by adding back depreciation, amortisation and disposals of property, plant and equipment and impairment charges (see Note 3(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\$43.5 million (2005 half year – US\$0.7 million) and Michilla of US\$46.2 million (2005 half year – US\$4.4 million). Further details are given in Note 4(b).
- (viii) Operating profit for the year ended 31 December 2005 was stated after deducting an impairment charge against the carrying value of property, plant and equipment at Michilla of US\$30 million (see Note 3(b)). There was no comparable impairment charge in the six months ended 30 June 2005 or six months ended 30 June 2006.

Turnover at Los Pelambres by mineral:

	Before deducting tolling charges			Tolling charges			Net of tolling charges		
	Six months ended	Year ended		Six months ended	Year ended		Six months ended	Year ended	
	30.06.06 US\$m	30.06.05 US\$m	31.12.05 US\$m	30.06.06 US\$m	30.06.05 US\$m	31.12.05 US\$m	30.06.06 US\$m	30.06.05 US\$m	31.12.05 US\$m
Copper	1,207.9	530.6	1,331.0	(123.6)	(71.0)	(166.9)	1,084.3	459.6	1,164.1
Molybdenum	220.4	341.7	588.4	(10.4)	(13.6)	(25.6)	210.0	328.1	562.8
Gold and silver	18.8	9.5	23.4	(0.3)	(0.2)	(0.5)	18.5	9.3	22.9
Los Pelambres	1,447.1	881.8	1,942.8	(134.3)	(84.8)	(193.0)	1,312.8	797.0	1,749.8

Notes to the Interim Financial Statements continued

3 Segmental Analysis continued

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

	Depreciation and amortisation			Loss on disposals			Impairment charge		
	Six months ended		Year ended	Six months ended		Year ended	Six months ended		Year ended
	30.06.06 US\$m	30.06.05 US\$m	31.12.05 US\$m	30.06.06 US\$m	30.06.05 US\$m	31.12.05 US\$m	30.06.06 US\$m	30.06.05 US\$m	31.12.05 US\$m
Los Pelambres	32.5	34.8	66.6	0.4	0.9	3.5	-	-	-
El Tesoro	17.8	13.1	29.1	0.8	0.1	1.2	-	-	-
Michilla	4.9	6.9	13.8	2.3	1.5	3.6	-	-	30.0
Corporate and other items	0.2	0.2	0.3	0.4	-	-	-	-	-
Mining	55.4	55.0	109.8	3.9	2.5	8.3	-	-	30.0
Railway and other transport services	4.7	4.5	9.5	0.5	0.2	1.3	-	-	-
Water concession	5.2	4.1	8.7	0.1	1.1	0.1	-	-	-
	65.3	63.6	128.0	4.5	3.8	9.7	-	-	30.0

Other non-cash expenses relate to severance and closure costs and are disclosed for the Group in Note 2.

c) Capital expenditure, assets and liabilities by business segment

	Capital expenditure		
	Six months ended		Year ended
	30.06.06 US\$m	30.06.05 US\$m	31.12.05 US\$m
Los Pelambres	243.2	35.4	101.4
El Tesoro	4.7	28.7	39.6
Michilla	6.5	7.1	18.7
Corporate and other items	8.9	1.2	1.6
Mining	263.3	72.4	161.3
Railway and other transport services	11.6	7.0	23.2
Water concession	2.0	1.6	1.8
	276.9	81.0	186.3

Capital expenditure represents purchases of property, plant and equipment stated on an accruals basis (see Note 10) and may therefore differ from the amount included in the cash flow statement.

	Segment assets			Segment liabilities			Segment net assets		
	Six months ended		Year ended	Six months ended		Year ended	Six months ended		Year ended
	30.06.06 US\$m	30.06.05 US\$m	31.12.05 US\$m	30.06.06 US\$m	30.06.05 US\$m	31.12.05 US\$m	30.06.06 US\$m	30.06.05 US\$m	31.12.05 US\$m
Los Pelambres	2,149.2	1,538.2	1,648.2	(79.2)	(54.9)	(72.5)	2,070.0	1,483.3	1,575.7
El Tesoro	416.3	390.7	392.6	(73.9)	(41.7)	(56.5)	342.4	349.0	336.1
Michilla	76.9	87.7	61.6	(48.3)	(26.9)	(47.5)	28.6	60.8	14.1
Corporate and other items	251.0	5.7	8.5	(72.3)	(4.6)	(11.4)	178.7	1.1	(2.9)
Mining	2,893.4	2,022.3	2,110.9	(273.7)	(128.1)	(187.9)	2,619.7	1,894.2	1,923.0
Railway and other transport services	142.7	117.5	133.8	(17.0)	(15.8)	(21.7)	125.7	101.7	112.1
Water concession	183.0	182.8	199.9	(7.5)	(5.9)	(7.5)	175.5	176.9	192.4
	3,219.1	2,322.6	2,444.6	(298.2)	(149.8)	(217.1)	2,920.9	2,172.8	2,227.5

Assets and liabilities of Tethyan Copper Company Limited (See Note 21) have been included within Corporate and other items.

3 Segmental Analysis continued

c) Capital expenditure, assets and liabilities by business segment continued

Segment assets and liabilities are reconciled to entity assets and liabilities through unallocated items as follows:

	Segment assets			Segment liabilities			Segment net assets		
	Six months ended	Year ended	Year ended	Six months ended	Year ended	Year ended	Six months ended	Year ended	Year ended
	30.06.06 US\$m	30.06.05 US\$m	31.12.05 US\$m	30.06.06 US\$m	30.06.05 US\$m	31.12.05 US\$m	30.06.06 US\$m	30.06.05 US\$m	31.12.05 US\$m
Segment assets/(liabilities)	3,219.1	2,322.6	2,444.6	(298.2)	(149.8)	(217.1)	2,920.9	2,172.8	2,227.5
Investment property	3.2	3.1	3.4	–	–	–	3.2	3.1	3.4
Investment in associate	3.0	2.4	2.8	–	–	–	3.0	2.4	2.8
Available for sale investments	0.2	0.2	0.1	–	–	–	0.2	0.2	0.1
Derivative financial instruments	–	0.9	–	–	–	–	–	0.9	–
Deferred tax assets/(liabilities)	6.8	2.5	6.6	(201.6)	(210.7)	(225.5)	(194.8)	(208.2)	(218.9)
Current tax assets/(liabilities)	4.6	1.6	5.3	(121.1)	(87.8)	(108.7)	(116.5)	(86.2)	(103.4)
Cash and cash equivalents/(borrowings)	1,238.8	1,064.6	1,316.8	(417.1)	(524.7)	(465.3)	821.7	539.9	851.5
Entity assets/(liabilities)	4,475.7	3,397.9	3,779.6	(1,038.0)	(973.0)	(1,016.6)	3,437.7	2,424.9	2,763.0

d) Geographical analysis of turnover by location of customer (geographical segment)

	Sales		
	Six months ended	Year ended	Year ended
	30.06.06 US\$m	30.06.05 US\$m	31.12.05 US\$m
Europe			
– United Kingdom	–	20.0	34.2
– Rest of Europe	580.4	273.7	675.6
Latin America			
– Chile	161.4	183.7	326.6
– Rest of Latin America	80.0	33.3	87.8
North America	246.9	232.9	471.3
Asia (mainly Japan)	778.2	380.0	849.8
	1,846.9	1,123.6	2,445.3

Notes to the Interim Financial Statements continued

4 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:

	Balance sheet net mark to market effect on debtors			Income statement net mark to market effect on turnover		
	Six months ended 30.06.06 US\$m	30.06.05 US\$m	Year ended 31.12.05 US\$m	Six months ended 30.06.06 US\$m	30.06.05 US\$m	Year ended 31.12.05 US\$m
Los Pelambres – copper concentrate	97.8	2.1	33.2	64.6	(15.5)	15.6
Los Pelambres – molybdenum concentrate	4.4	14.9	(12.6)	17.0	(18.0)	(45.5)
El Tesoro – copper cathodes	1.0	(0.4)	0.2	0.8	(1.2)	(0.6)
Michilla – copper cathodes	0.7	(0.4)	(0.1)	0.8	(0.8)	(0.5)
	103.9	16.2	20.7	83.2	(35.5)	(31.0)

Copper concentrate sales at Los Pelambres

Revenues in the period to 30 June 2006 included total positive pricing adjustments of US\$348.8 million, representing the difference between reported revenues and initially invoiced amounts. This comprised actual pricing adjustments compared with initial provisionally invoiced prices of US\$278.1 million (of which US\$157.2 million related to sales of concentrate open at 31 December 2005 and US\$120.9 million related to sales of concentrate during 2006) together with net mark-to-market adjustments of US\$70.7 million (of which US\$64.6 million is disclosed above and US\$6.1 million is included in tolling charges). At 30 June 2006, copper concentrate sales at Los Pelambres totalling 104,400 tonnes remained open as to price, with an average mark-to-market price of 333.3 cents per pound.

4 Derivatives and Embedded Derivatives *continued*

a) Embedded derivatives – provisionally priced sales *continued*

Revenues in the period to 30 June 2005 included total positive pricing adjustments of US\$29.7 million, representing the difference between reported revenues and initially invoiced amounts. This comprised actual pricing adjustments compared with initial provisionally invoiced prices of US\$46.1 million (of which US\$41.4 million related to sales of concentrate open at 31 December 2004 and US\$4.7 million related to sales of concentrate during 2005) together with net negative mark-to-market adjustments of US\$16.4 million (of which US\$15.5 million is disclosed above and US\$0.9 million is included in tolling charges). At 30 June 2005, copper concentrate sales at Los Pelambres totalling 112,900 tonnes remained open as to price, with an average mark-to-market price of 152.9 cents per pound.

Molybdenum concentrate sales at Los Pelambres

Revenues in the period to 30 June 2006 included total negative pricing adjustments of US\$9.3 million, representing the difference between reported revenues and initially invoiced amounts. This comprised negative actual pricing adjustments compared with initial provisionally invoiced prices of US\$26.3 million (of which negative US\$27.5 million related to sales of concentrate open at 31 December 2005 and positive US\$1.2 million related to sales of concentrate during 2006) together with net positive mark-to-market adjustments of US\$17.0 million as disclosed above. At 30 June 2006, molybdenum concentrate sales at Los Pelambres totalling 1,451 tonnes remained open as to price, with an average mark-to-market price of US\$25.2 per pound.

Revenues in the period to 30 June 2005 included total positive pricing adjustments of US\$30.7 million, representing the difference between reported revenues and initially invoiced amounts. This comprised actual pricing adjustments compared with initial provisionally invoiced prices of US\$48.7 million (of which US\$32.9 million related to sales of concentrate open at 31 December 2004 and US\$15.8 million related to sales of concentrate during 2005) together with net negative mark-to-market adjustments of US\$18 million as disclosed above. At 30 June 2005, molybdenum concentrate sales at Los Pelambres totalling 1,700 tonnes remained open as to price, with an average mark-to-market price of US\$37.4 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 did not adopt the hedge accounting provisions of IAS 39 "Financial Instruments: Recognition and Measurement" in the six months ended 30 June 2006. Accordingly, derivatives are measured at each balance sheet date at fair value and 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.

Notes to the Interim Financial Statements continued

4 Derivatives and Embedded Derivatives continued

b) Derivative financial instruments continued

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

	Balance sheet net mark to market effect on debtors/(creditors)			Income statement net mark to market effect on operating profit/finance cost		
	Six months ended 30.06.06 US\$m	30.06.05 US\$m	Year ended 31.12.05 US\$m	Six months ended 30.06.06 US\$m	30.06.05 US\$m	Year ended 31.12.05 US\$m
Commodity	(43.8)	(3.8)	(40.0)	(8.3)	(4.0)	(44.7)
Interest	–	(1.5)	(0.3)	0.3	0.7	1.9
Exchange	–	–	–	–	0.1	0.1
	(43.8)	(5.3)	(40.3)	(8.0)	(3.2)	(42.7)

Commodity derivatives

The Group periodically uses commodity derivatives to reduce its exposure to the copper price. During the six months ended 30 June 2006, the amount charged to operating profit on commodity derivatives was US\$89.7 million, comprising US\$43.5 million at El Tesoro and US\$46.2 million at Michilla (2005 half year – US\$4.4 million, comprising US\$0.7 million at El Tesoro and US\$3.7 million at Michilla). This comprised losses on derivatives which matured in the first six months of 2006 of US\$81.3 million (2005 half year – US\$0.6 million) and mark-to-market losses at 30 June 2006 of US\$52.9 million (2005 half year – US\$3.8 million) in respect of derivatives maturing after the period end, less reversal of opening mark to market provisions of US\$44.5 million (2005 half year – nil). Net of margin calls of US\$9.1 million in respect of these derivatives, this results in a net balance sheet position at 30 June 2006 of US\$43.8 million (2005 half year – margin calls were nil).

The Group had min/max instruments at 30 June 2006 for 12,900 tonnes of copper production (2005 half year – 78,150 tonnes), with a weighted average floor of 113.1 cents per pound and a weighted average cap of 140.9 cents per pound (2005 half year – weighted average floor 117.7 cents per pound; weighted average cap 151.7 cents per pound). These instruments had a weighted average duration of 3.5 months and covered a period of 6 months. It also had futures to buy and sell 2,000 tonnes of copper production with an average price of 185.1 cents, with a weighted average duration of four months.

Interest derivatives

The Group had interest rate collars at 30 June 2006 with a notional principal amount of US\$7.1 million, with a weighted average floor of 4.83% and a weighted average cap of 6.00%. These instruments had a remaining duration of six months. The mark-to-market gain at 30 June 2006 was US\$0.3 million, and the effect on the income statement is included within other finance items – see Note 5.

Exchange derivatives

There were no outstanding exchange derivative instruments at 30 June 2006. At 30 June 2005, the net value of outstanding exchange swaps was US\$3 million and mark-to-market value was nil.

5 Net Finance Income

	Six months ended 30.06.06 US\$m	30.06.05 US\$m	Year ended 31.12.05 US\$m
Investment income			
Interest receivable	34.5	15.4	39.7
Interest expense			
Interest payable	(12.4)	(12.0)	(23.8)
Amortisation of deferred finance costs	(0.2)	(0.2)	(0.4)
Discount charge relating to provisions	(0.5)	(0.8)	(1.6)
Preference dividends	(0.1)	(0.1)	(0.2)
	(13.2)	(13.1)	(26.0)
Other finance items			
Mark-to-market effect of derivatives	0.3	0.8	2.0
Foreign exchange	(1.7)	(3.1)	13.3
	(1.4)	(2.3)	15.3
Net finance income	19.9	–	29.0

6 Taxation

The tax charge for the period comprised the following:

	Six months ended 30.06.06 US\$m	30.06.05 US\$m	Year ended 31.12.05 US\$m
Current tax charge			
Corporate tax (principally first category tax in Chile)	(202.6)	(126.2)	(296.6)
Mining tax (Royalty)	(23.8)	–	–
Withholding tax	(52.7)	–	(8.6)
Exchange gains on corporate tax balances	0.6	7.9	20.2
	(278.5)	(118.3)	(285.0)
Deferred tax charge			
Corporate tax (principally first category tax in Chile)	(19.0)	(5.0)	28.7
Mining tax (Royalty)	(0.6)	–	(0.5)
Withholding tax provision	43.1	(8.7)	(51.3)
	23.5	(13.7)	(23.1)
Total tax charge (Income tax expense)	(255.0)	(132.0)	(308.1)

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

Notes to the Interim Financial Statements *continued*

6 Taxation *continued*

incurs withholding taxes on the remittance of profits from Chile and deferred tax is provided on undistributed earnings to the extent that remittance is probable in the foreseeable future.

The rate of first category (i.e. corporation) tax in Chile is 17% for both 2006 and 2005. During 2005, new tax legislation on Chilean mining companies was passed into law with effect from 1 January 2006. The legislation sets an additional tax 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 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 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. Los Pelambres, El Tesoro and Michilla have opted to enter into this new tax stability agreement, and hence the effect of the legislation is to increase the effective tax rate of these three operations (before taking into account deductibility against corporation tax) by approximately 2% in 2006 and 2007 and 4% thereafter.

The effective tax rate for the six months ended 30 June 2006 was 19.2%, compared with the Chilean statutory tax rate of 17%. The increase in the effective tax rate above the statutory tax rate was principally due to the effect of the new mining tax, which resulted in a charge of US\$24.4 million, and the provision of additional withholding tax of US\$9.6 million. The effective tax rate for the six months ended 30 June 2005 was 17.9% principally due to the provision of US\$8.7 million made in respect of withholding taxes during that period.

7 Basic Earnings Per Share

Basic earnings per share is calculated on profit after tax and minority interest giving net earnings of US\$652.6 million (2005 half year – US\$367.5 million) and based on 985,856,695 ordinary shares, being the number of ordinary shares following the 4-for-1 bonus issue on 16 June 2006 (see Note 18). Comparative amounts for basic earnings per share have been restated for the effects of the bonus issue.

There were no other changes in ordinary shares in issue, nor was there any potential dilution of ordinary shares in any period.

8 Dividends

The Board has declared an interim dividend of 5.2 cents per ordinary share (2005 half year – 3.2 cents) for payment on 12 October 2006 to shareholders on the register at the close of business on 22 September 2006. The 2006 interim dividend comprises an ordinary dividend of 3.2 cents per share and a special dividend of 2.0 cents per share (2005 half year – ordinary dividend of 3.2 cents). Dividends are declared and paid gross.

Dividends per share actually paid in the period and recognised as a deduction from net equity under IFRS were 18.8 cents (2005 half year – 12.8 cents), representing the final dividend (including the special dividend) declared in respect of the previous year.

Comparative amounts for dividends per share have been adjusted for the effects of the 4-for-1 bonus issue on 16 June 2006 (see Note 18).

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 22 September 2006. The exchange rate to be applied to dividends to be paid in sterling will be set on 26 September 2006.

9 Intangible Assets

	Concession right US\$m	Exploration licences US\$m	Six months ended 30.06.06 US\$m	30.06.05 US\$m	Year ended 31.12.05 US\$m
Balance at the beginning of the period	97.7	–	97.7	93.2	93.2
Acquisition	–	230.0	230.0	–	–
Amortisation	(1.9)	–	(1.9)	(1.6)	(3.5)
Foreign currency exchange difference	(4.6)	–	(4.6)	(3.5)	8.0
Balance at the end of the period	91.2	230.0	321.2	88.1	97.7

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

The exploration licences relate to the value attributed to the rights acquired on the purchase of Tethyan Copper Company Limited (see Note 21).

Notes to the Interim Financial Statements continued

10 Property, Plant and Equipment

	Mining US\$m	Railway and other transport US\$m	Water concession US\$m	Six months ended 30.06.06 US\$m	30.06.05 US\$m	Year ended 31.12.05 US\$m
Balance at the beginning of the period	1,638.3	110.4	71.3	1,820.0	1,796.1	1,796.1
Additions	263.3	11.6	2.0	276.9	81.0	186.3
Acquisition (see Note 21)	0.4	–	–	0.4	–	–
Transfers and reclassifications	–	–	–	–	(0.8)	(0.8)
Depreciation	(55.4)	(4.7)	(3.3)	(63.4)	(62.0)	(124.6)
Disposals	(3.9)	(0.5)	(0.1)	(4.5)	(4.2)	(13.8)
Impairment charge	–	–	–	–	–	(30.0)
Foreign currency exchange difference	–	(0.5)	(3.5)	(4.0)	(3.0)	6.8
Balance at the end of the period	1,842.7	116.3	66.4	2,025.4	1,807.1	1,820.0

11 Investment Property

	Six months ended 30.06.06 US\$m	30.06.05 US\$m	Year ended 31.12.05 US\$m
Balance at the beginning of the period	3.4	3.2	3.2
Foreign currency exchange difference	(0.2)	(0.1)	0.2
Balance at the end of the period	3.2	3.1	3.4

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

12 Investment in Associate

	Six months ended 30.06.06 US\$m	30.06.05 US\$m	Year ended 31.12.05 US\$m
Balance at the beginning of the period	2.8	2.9	2.9
Share of profit before tax	0.6	0.6	1.1
Share of tax	(0.1)	(0.1)	(0.2)
Dividends received	(0.3)	(1.0)	(1.0)
Balance at the end of the period	3.0	2.4	2.8

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.

13 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 any period end.

14 Borrowings

	At 30.06.06 US\$m	At 30.06.05 US\$m	At 31.12.05 US\$m
Los Pelambres			
Corporate loans	(343.4)	(419.8)	(381.5)
Other loans	(11.9)	(16.7)	(14.3)
El Tesoro			
Corporate loans	(48.9)	(73.7)	(55.8)
Finance leases	(0.2)	(0.3)	(0.3)
Michilla			
Finance leases	(1.9)	(3.2)	(2.6)
Railway and other transport services			
Loans	(7.1)	(7.4)	(7.2)
Other			
Preference shares	(3.7)	(3.6)	(3.6)
Total (see Note 20)	(417.1)	(524.7)	(465.3)

Loans at 30 June 2006 are shown net of deferred financing costs of US\$2.0 million (2005 half year – US\$2.2 million). The amount in relation to Los Pelambres was US\$1.7 million (2005 half year – US\$1.9 million). The amount in relation to El Tesoro was US\$0.3 million (2005 half year – US\$0.3 million).

Maturity of borrowings

	At 30.06.06 US\$m	At 30.06.05 US\$m	At 31.12.05 US\$m
Short-term borrowings	(97.0)	(103.3)	(97.2)
Medium and long-term borrowings	(320.1)	(421.4)	(368.1)
Total (see Note 20)	(417.1)	(524.7)	(465.3)

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 4.

Notes to the Interim Financial Statements continued

15 Post-employment Benefit Obligation

	Six months ended 30.06.06 US\$m	30.06.05 US\$m	Year ended 31.12.05 US\$m
Balance at the beginning of the period	(20.6)	(16.2)	(16.2)
Charge to operating profit in the period	(4.6)	(2.5)	(3.9)
Release of discount to interest expense in the period	(0.2)	(0.4)	(1.0)
Reclassification	–	1.0	–
Utilised in period	2.9	0.4	1.8
Foreign currency exchange difference	1.9	0.9	(1.3)
Balance at the end of the period	(20.6)	(16.8)	(20.6)

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.

16 Long-term Provisions

	Six months ended 30.06.06 US\$m	30.06.05 US\$m	Year ended 31.12.05 US\$m
Balance at the beginning of the period	(9.8)	(13.2)	(13.2)
(Charge)/credit to operating profit in the period	(0.2)	3.9	3.4
Release of discount to interest expense in the period	(0.3)	(0.5)	(0.6)
Amount capitalised	–	–	0.8
Utilised in period	0.5	(0.4)	–
Foreign currency exchange difference	(0.2)	–	(0.2)
Balance at the end of the period	(10.0)	(10.2)	(9.8)
Analysed as follows:			
Decommissioning and restoration	(9.4)	(10.0)	(9.5)
Termination of water concession	(0.6)	(0.2)	(0.3)
Balance at the end of the period	(10.0)	(10.2)	(9.8)

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.

The provision for the termination of the water concession relates to the provision for items of plant, property and equipment and working capital items under Aguas de Antofagasta's ownership to be transferred to the previous state-owned operator ESSAN at the end of the concession period, and is based on the net present value of the estimated value of those assets and liabilities in existence at the end of the concession.

17 Deferred Tax Assets and Liabilities

	Six months ended 30.06.06 US\$m	30.06.05 US\$m	Year ended 31.12.05 US\$m
Net position at the beginning of the period	(218.9)	(194.5)	(194.5)
Credit/(charge) to tax on profit in year	23.5	(13.7)	(23.1)
Foreign currency exchange difference	0.6	–	(1.3)
Net position at the end of the period	(194.8)	(208.2)	(218.9)
Analysed between:			
Deferred tax assets	6.8	2.5	6.6
Deferred tax liabilities	(201.6)	(210.7)	(225.5)
Net position	(194.8)	(208.2)	(218.9)

18 Share Capital and Share Premium

At the Company's Annual General Meeting and the separate class meetings of the ordinary and preference shareholders of the Company held on 14 June 2006, resolutions were passed to:

- increase the authorised share capital from £12,727,000 to £67,000,000 by the creation of 1,085,460,000 ordinary shares of 5p each;
- issue, by way of bonus issue, of four new ordinary shares of 5p each (credited as fully paid) for every one ordinary share held by the shareholders of the Company at the close of business on 16 June 2006, by applying £39.4 million from the Company's share premium account in paying up and allotting the new ordinary shares; and
- increase the voting rights of each preference share from 20 votes to 100 votes, to prevent dilution of the voting rights of each preference share as a proportion of the total votes to be exercised at a general meeting.

The ordinary shares were issued on the close of business on 16 June 2006, and the effect of the bonus issue of ordinary shares is disclosed in the Consolidated Statement of Changes in Equity on page 21. The increase in ordinary share capital of US\$73.2 million and corresponding reduction in the share premium account has been recorded at the sterling-US dollar closing exchange rate on 16 June 2006.

Notes to the Interim Financial Statements continued

19 Reconciliation of Profit Before Tax to Net Cash Inflow from Operating Activities

	Six months ended 30.06.06 US\$m	30.06.05 US\$m	Year ended 31.12.05 US\$m
Profit before tax	1,325.3	739.5	1,536.3
Depreciation and amortisation	65.3	63.6	128.0
Loss on disposal of property, plant and equipment (including impairment charge)	4.5	3.8	39.7
Net finance income	(19.9)	–	(29.0)
Share of profit of associate	(0.5)	(0.5)	(0.9)
Increase in inventories	(17.4)	(17.6)	(28.9)
(Increase)/decrease in debtors	(386.2)	4.0	(36.3)
Increase/(decrease) in creditors and provisions	74.3	(25.7)	38.6
Cash flows from operations	1,045.4	767.1	1,647.5

20 Analysis of Changes in Net Cash

	At 1.1.06 US\$m	Cash flows US\$m	Other US\$m	Exchange US\$m	At 30.06.06 US\$m
Cash and cash equivalents	1,316.8	(78.1)	–	0.1	1,238.8
Bank borrowings due within one year	(95.8)	48.0	(47.9)	–	(95.7)
Bank borrowings due after one year	(363.0)	–	47.8	(0.3)	(315.5)
Finance leases due within one year	(1.4)	0.6	(0.5)	–	(1.3)
Finance leases due after one year	(1.5)	0.1	0.4	0.1	(0.9)
Preference shares	(3.6)	–	(0.1)	–	(3.7)
Total borrowings	(465.3)	48.7	(0.3)	(0.2)	(417.1)
Movement in net cash	851.5	(29.4)	(0.3)	(0.1)	821.7

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

	At 30.06.06 US\$m	At 30.06.05 US\$m	At 31.12.05 US\$m
Cash and cash equivalents	1,238.8	1,064.6	1,316.8
Total borrowings	(417.1)	(524.7)	(465.3)
Net cash	821.7	539.9	851.5

21 Acquisition of Tethyan Copper Company Limited

On 14 February 2006, the Group announced that it had reached agreement with Tethyan Copper Company Limited ('Tethyan'), a company listed on the Australian Stock Exchange with copper-gold interests in Pakistan, on the terms for the recommended cash offer of A\$1.20 per share for the entire share capital of Tethyan ('the offer'), which was increased to A\$1.40 per share on 23 March 2006. The Offer was declared unconditional on 20 April 2006 when the Group's interest (including acceptances) in Tethyan's shares reached 51.77%, and closed on 28 April 2006, when its interest in Tethyan's shares exceeded 90%. The Group compulsorily acquired all remaining shares in June 2006 when payment for the acquisition was also completed and the Group's interest reached 100%. The cash consideration for the acquisition amounted to US\$170.4 million.

The transaction has been accounted for by the purchase method of accounting with an acquisition date of 20 April 2006.

	Book value US\$m	Adjustments US\$m	Fair value US\$m
Net assets acquired			
Intangible assets – exploration licences	–	230.0	230.0
Property, plant and equipment	0.4	–	0.4
Exploration, evaluation and development	18.0	(18.0)	–
Trade and other receivables	0.8	–	0.8
Cash and cash equivalents	1.1	–	1.1
Trade and other payables	(1.8)	(60.0)	(61.8)
Long-term provisions	(0.1)	–	(0.1)
	18.4	152.0	170.4
Net cash outflow arising on acquisition			
Total consideration (including directly attributable costs)			170.4
Cash and cash equivalents acquired			(1.1)
Directly attributable costs provided but not yet paid			(3.0)
			166.3

- (a) The intangible assets represent the full unencumbered value attributed to the interests in the exploration licences held by Tethyan. These include a 75% interest in the Reko Diq prospect in the Chagai Hills region of South-West Pakistan, which includes the Tanjeel Mineral resource and the Western Porphyries, and a 100% interest in certain other licences in the region.
- (b) Exploration costs capitalised by Tethyan have been written off on acquisition in the consolidated financial statements in accordance with the Group's accounting policies.

Notes to the Interim Financial Statements *continued*

21 Acquisition of Tethyan Copper Company Limited *continued*

- (c) On 14 February 2006, the Group separately entered into an 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') will be extinguished for a consideration of US\$60 million. Trade and other payables have been adjusted to reflect this amount which results from the fair valuing of the encumbrance over the acquired exploration licences relating to the Claw-Back Right.
- (d) Total consideration includes directly attributable costs of US\$6.1 million.

Tethyan incurred exploration costs of US\$1.1 million between the date of acquisition and 30 June 2006, which have been included as a charge against the Group's profit before tax.

Agreement with Barrick Gold Corporation to enter into a joint venture agreement

On 14 February 2006, the Group also entered into an agreement with Barrick Gold Corporation ('Barrick Gold') to support Antofagasta's acquisition of Tethyan, whereby upon acquisition 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, and Barrick Gold will reimburse Antofagasta for 50% of the acquisition cost of Tethyan and the Claw-Back Right. The reimbursement is expected to amount to approximately US\$115 million. The Group is currently in discussions with Barrick Gold on the terms of the proposed joint venture.

The agreement is presently expected to be finalised in the second half of 2006, when this will be accounted for as a disposal of 50% of the Group's interest in Tethyan, after which the remaining 50% interest is expected to be accounted for in accordance with IAS 31 "Interests in Joint Ventures".

22 Events After the Balance Sheet Date

On 15 August 2006, the Group announced that it had entered into an agreement to acquire a 19.99% shareholding in Equatorial Mining Limited ("Equatorial") at A\$8.00 per share and had made a cash takeover offer of A\$11.20 per share for all of the issued shares of Equatorial. On 24 August 2006 the Group announced it had secured an interest in 97% of Equatorial's issued shares and that its takeover offer was unconditional. The Group also announced its intention to compulsorily acquire any remaining Equatorial shares in due course to reach 100% ownership.

The total consideration payable by the Group to acquire all of Equatorial's shares is expected to be approximately US\$401 million. Equatorial reported cash balances of approximately US\$97 million as at 30 June 2006. Equatorial is company listed on the Australian Stock Exchange whose principal asset is its 39% ownership interest in Minera El Tesoro, in which the Group owns the remaining 61%.

23 Other Disclosures

Contingent assets and liabilities

There were no material contingent assets or liabilities in the period.

Capital commitments

Future capital commitments at 30 June 2006 were US\$68.3 million.

Changes in estimates

Previously mining properties, including capitalised financing costs, were 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. From 1 January 2006, such depreciation is based on comparison with proven and probable reserves only at the beginning of the year. The effect of this change is to increase the depreciation charge in the six months ended 30 June 2006 by US\$1.5 million.

Related Party Transactions

The ultimate parent company of the Group is Metalinvest Establishment, which is controlled by the E. Abaroa Foundation, in which members of the Luksic family are interested. The Company's subsidiaries, in the ordinary course of business, enter into various sale and purchase transactions with companies also controlled by members of the Luksic family, including Banco de Chile S.A., Madeco S.A. and Compañía Cervecerías Unidas S.A. which are subsidiaries of Quiñenco S.A., a Chilean industrial and financial conglomerate the shares of which are traded on the Santiago and New York Stock Exchanges. These transactions are under normal commercial terms that are at arm's length and no more favourable than those arranged with third parties. These transactions, in total, are not considered to be material.

The Group has a 30% interest in Antofagasta Terminal Internacional S.A. ("ATI"), which is accounted for as an associate. The Group received dividends during the period of US\$0.3 million (2005 half year – US\$1.0 million), as disclosed in the Consolidated Cash Flow Statement on page 20.

Notes to the Interim Financial Statements *continued*

24 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
30 June 2006	US\$1.8484 = £1; US\$1 = Ch\$539	US\$1.7880 = £1; US\$1 = Ch\$527
30 June 2005	US\$1.7905 = £1; US\$1 = Ch\$579	US\$1.8737 = £1; US\$1 = Ch\$580
31 December 2005	US\$1.7179 = £1; US\$1 = Ch\$513	US\$1.8185 = £1; US\$1 = Ch\$560

25 Distribution

These results will be sent by first class post to all shareholders in September. Copies of this report will be available for members of the public who are not shareholders at the Company's registered office, 5 Princes Gate, London SW7 1QJ (Telephone: +44 20 7808 0988).

Independent Review Report to Antofagasta plc

Introduction

We have been instructed by the company to review the financial information for the six months ended 30 June 2006 which comprise the consolidated income statement, the consolidated balance sheet, the consolidated statement of changes in equity, the consolidated cash flow statement and related Notes 1 to 25. We have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

This 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.

Directors' Responsibilities

The interim report, including the financial information contained therein, is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the interim report in accordance with the Listing Rules of the Financial Services Authority and the requirements of IAS 34 which require that the accounting policies and presentation applied to the interim figures are consistent with those applied in preparing the preceding annual accounts except where any changes, and the reasons for them, are disclosed.

Review Work Performed

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

Review Conclusion

On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the six months ended 30 June 2006.

Deloitte & Touche LLP

Chartered Accountants

London

25 August 2006

26 Production and Sales Statistics (not subject to audit or review)

a) Production and sales volumes for copper and molybdenum

	Production			Sales		
	Six months ended 30.06.06 000 tonnes	30.06.05 000 tonnes	Year ended 31.12.05 000 tonnes	Six months ended 30.06.06 000 tonnes	30.06.05 000 tonnes	Year ended 31.12.05 000 tonnes
Copper						
Los Pelambres	141.6	154.9	322.8	145.4	150.6	319.1
El Tesoro	42.5	49.9	98.1	43.3	50.6	96.1
Michilla	23.8	22.6	46.4	24.5	23.1	45.3
Group total	207.9	227.4	467.3	213.2	224.3	460.5
Molybdenum						
Los Pelambres	4.1	4.7	8.7	4.4	4.3	8.5

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

	Cash cost			Realised prices		
	Six months ended 30.06.06 US¢	30.06.05 US¢	Year ended 31.12.05 US¢	Six months ended 30.06.06 US¢	30.06.05 US¢	Year ended 31.12.05 US¢
Copper						
Los Pelambres	24.4	(48.1)	(17.1)	376.8	159.8	189.2
El Tesoro	79.7	58.9	66.1	301.2	157.9	175.7
Michilla	122.0	112.2	118.8	306.6	157.1	177.1
Group weighted average (including by-products)	46.9	(8.7)	13.9	353.4	159.1	185.2
Group weighted average (before deducting by-products)	95.2	71.7	77.3			
Cash costs at Los Pelambres comprise:						
On-site and shipping costs	55.6	43.9	47.1			
Tolling charges for concentrates	39.8	26.0	27.6			
Cash costs before deducting by-product credits	95.4	69.9	74.7			
By-product credits (principally molybdenum)	(71.0)	(118.0)	(91.8)			
Cash costs (net of by-product credits)	24.4	(48.1)	(17.1)			
LME average				275.3	151.1	167.1
				US\$	US\$	US\$
Molybdenum						
Los Pelambres	22.7				36.0	31.4
Market average price	23.7				33.4	32.0

26 Production and Sales Statistics (not subject to audit or review) continued

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

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. During each relevant period, the Group owned 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, hedging gains and losses, 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. Realised prices do not take into account gains and losses (including those arising from fair value adjustments) on commodity derivatives which are included in other operating income or expense as the Group has not yet adopted the hedge accounting provisions of IAS 39 "Financial Instruments: Recognition and Measurement".
- (v) The totals in the tables above may include some small apparent differences as the specific individual figures have not been rounded.
- (vi) The production information in Note 26(a) and the cash cost information in Note 26(b) is derived from the Group's production report for the second quarter of 2006 published on 1 August 2006.

27 Summary of Mining Companies' Chilean GAAP Financial Statements (not subject to audit or review)

The Group's three mining companies, Los Pelambres, El Tesoro and Michilla, will today file financial statements under Chilean GAAP for the six-month period ended 30 June 2006 with the Chilean securities regulator, the Superintendencia de Valores y Seguros de Chile ("SVS"). These filings are in accordance with mining tax legislation introduced in Chile last year which requires companies that have elected to enter a new tax stability regime to publish financial information on a quarterly basis from the 2006 financial year.

The balance sheets, income statements and cash flow statements prepared under Chilean GAAP and to be filed with the SVS are summarised below.

a) Balance sheets

	Los Pelambres At 30.06.06 US\$m	El Tesoro At 30.06.06 US\$m	Michilla At 30.06.06 US\$m
Cash and cash equivalents	473.4	74.5	42.9
Trade and other receivables	496.0	53.5	23.4
Inventories	51.8	46.3	16.6
Current and deferred tax assets	8.7	3.2	2.5
Current assets	1,029.9	177.5	85.4
Fixed assets	1,320.1	260.9	61.4
Other non-current assets	150.5	58.2	1.0
Total assets	2,500.5	496.6	147.8
Short-term borrowings	(82.6)	(28.2)	–
Trade and other payables	(112.9)	(92.4)	(28.7)
Current and deferred tax liabilities	(54.3)	(14.4)	(3.2)
Current liabilities	(249.8)	(135.0)	(31.9)
Medium and long term borrowings	(275.5)	(21.1)	–
Trade and other payables	(13.2)	(6.0)	(7.6)
Deferred tax liabilities	(133.8)	(28.6)	–
Non-current liabilities	(422.5)	(55.7)	(7.6)
Total liabilities	(672.3)	(190.7)	(39.5)
Share capital	(373.8)	(91.0)	(78.4)
Reserves	(1,454.4)	(214.9)	(29.9)
Total shareholders' equity	(1,828.2)	(305.9)	(108.3)
Total liabilities and Shareholders' equity	(2,500.5)	(496.6)	(147.8)

27 Summary of Mining Companies' Chilean GAAP Financial Statements
(not subject to audit or review) continued

b) Income statements

	Los Pelambres Six months ended 30.06.06 US\$m	El Tesoro Six months ended 30.06.06 US\$m	Michilla Six months ended 30.06.06 US\$m
Turnover	1,243.8	262.6	107.7
Operating costs	(180.9)	(81.4)	(70.2)
Operating margin	1,062.9	181.2	37.5
Administrative and distribution expenses	(34.5)	(13.0)	(6.9)
Operating profit	1,028.4	168.2	30.6
Other income	0.1	–	0.2
Financial income	17.5	1.0	0.5
Financial expenses	(10.8)	(1.7)	(0.2)
Other expenses	(0.8)	(0.9)	(0.3)
Exchange differences	(0.7)	2.0	0.7
Net non-operating income	5.3	0.4	0.9
Profit before tax	1,033.7	168.6	31.5
Income tax expense	(191.0)	(31.2)	(6.2)
Profit for the financial period	842.7	137.4	25.3

c) Cash flow statements

	Los Pelambres Six months ended 30.06.06 US\$m	El Tesoro Six months ended 30.06.06 US\$m	Michilla Six months ended 30.06.06 US\$m
Net cash flow from operating activities	663.4	122.3	34.2
Investing activities			
Additions to fixed assets	(240.7)	(4.3)	(6.5)
Disposals of fixed assets	0.7	–	–
Net cash used in investing activities	(240.0)	(4.3)	(6.5)
Financing activities			
Dividends paid	(470.0)	(40.0)	–
Loans repaid	(40.7)	(7.0)	–
Net cash used in financing activities	(510.7)	(47.0)	–
Net (decrease)/increase in cash and cash equivalents	(87.3)	71.0	27.7
Cash and cash equivalents at the beginning of the period	560.7	3.5	15.2
Cash and cash equivalents at the end of the period	473.4	74.5	42.9

27 Summary of Mining Companies' Chilean GAAP Financial Statements (not subject to audit or review) *continued*

Notes to Chilean GAAP financial statements

- (a) The above balance sheets, income statements and cash flow statements have been derived from the financial statements of Los Pelambres, El Tesoro and Michilla for the six months ended 30 June 2006 to be filed with the SVS in Chile. Certain detailed lines in the individual statements have been combined for convenience.
- (b) The balance sheets, income statements and cash flow statements above have been prepared under Chilean GAAP and therefore do not necessarily equate to the amounts that would be included in the Group's consolidated financial statements for a corresponding period either as to measurement or classification.
- (c) The amounts disclosed above represent the full amount for each company and not the Group's attributable share. During each relevant period, the Group owns 60% of Los Pelambres, 61% of El Tesoro and 74.2% of Michilla.
- (d) A translation into English of the full quarterly financial statements for each company shown in summary form above will be available on the Group's website www.antofagasta.co.uk.

28 Reconciliation of Chilean GAAP Results to Turnover and EBITDA under IFRS for Individual Business Segments

a) Turnover

	Notes	Los Pelambres Six months ended 30.06.06 US\$m	El Tesoro Six months ended 30.06.06 US\$m	Michilla Six months ended 30.06.06 US\$m
Chilean GAAP – Turnover		1,243.8	262.6	107.7
Recognition of mark-to-market gain on provisionally priced sales	(i)	69.0	0.8	0.7
Reclassification of realised losses on commodity derivatives to other operating expense	(ii)	–	24.1	57.2
IFRS – Turnover		1,312.8	287.5	165.6

b) EBITDA

	Notes	Los Pelambres Six months ended 30 June 2006 US\$m	El Tesoro Six months ended 30 June 2006 US\$m	Michilla Six months ended 30 June 2006 US\$m
Chilean GAAP – Operating profit		1,028.4	168.2	30.6
Depreciation and amortisation		33.0	17.2	7.4
Chilean GAAP – EBITDA		1,061.4	185.4	38.0
Recognition of mark-to-market gain on provisionally priced sales	(i)	69.0	0.8	0.7
Mark-to-market of financial derivatives	(ii)	–	(19.3)	11.0
Other IFRS and consolidation adjustments	(iii)	0.1	1.3	1.8
IFRS – EBITDA		1,130.5	168.2	51.5

Notes to reconciliation of turnover and EBITDA

- (i) 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 Chilean GAAP, the Group's accounting treatment is 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 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.

28 Reconciliation of Chilean GAAP Results to Turnover and EBITDA under IFRS for Individual Business Segments *continued*

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 Chilean GAAP.

- (ii) The Group uses derivative financial instruments to reduce exposure to commodity price movements. The Group does not use such derivative instruments for trading purposes.

Under Chilean GAAP, such derivatives are held off the balance sheet. Gains or losses on derivative instruments are matched in the income statement against the item intended to be hedged. Such gains or losses are reflected by way of adjustment to turnover.

The Group did not adopt the hedge accounting provisions of IAS 39 "Financial Instruments: Recognition and Measurement" in the six months ended 30 June 2006. Accordingly, under IFRS, derivatives have been 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, or from derivatives which mature or are liquidated in the period, are included in the income statement for the period as part of other operating income or expense. Any amounts included in turnover under Chilean GAAP are reclassified accordingly.

- (iii) Other IFRS and consolidation adjustments are not material either individually or in aggregate.



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