Preliminary Results Announcement for the year ended 31 December 2006

13 March 2007

HIGHLIGHTS

- **Record financial results with profit before tax up 86% to US$2,859 million (2005 – US$1,536 million).** The Group benefited from record copper prices in 2006 with copper production above forecast at all three mines, molybdenum production 13% above the previous year and strong performances from the transport and water divisions. This helped offset the effects of lower molybdenum prices and expected higher operating costs due mainly to industry pressures. Total income tax expense in Chile (including corporation, mining and withholding taxes) on profits and dividends relating to the year amounted to US$665 million (2005 – US$308 million); these amounts have either been paid or are due for settlement in the first half of 2007.

- **Total dividend for the year up 119% to 48.2 cents per share.** The final dividend proposed for 2006 is 43 cents, comprising an ordinary dividend of 5 cents and a special dividend of 38 cents.

- **Continued progress with key capital projects.** The 140,000 tonnes per day plant expansion at Los Pelambres is substantially complete five months ahead of schedule and construction at the Mauro tailings dam is scheduled to be completed by the end of 2007.

- **Consolidation of existing operations.** The Group now owns 100% of El Tesoro following the acquisition of Equatorial Mining Limited in August 2006. This has increased attributable copper production.

- **Feasibility studies initiated in 2006 to increase Group production.** The Esperanza study should be completed in April 2007, with expected ore throughput of 90,000 tonnes per day and possible start-up during 2010. A study was also started for the increase of throughput at Los Pelambres to 175,000 tonnes per day.

- **Acquisition of new exploration interests outside Chile.** During 2006, the Group established new ventures for exploration in Pakistan, Colombia and Ecuador.

Marcelo Awad, Chief Executive Officer of Antofagasta Minerals S.A., commented:

"We are delighted with the progress of the Group during 2006 with the record results, record dividend and substantial progress towards the Group's objectives in production levels, new mines and exploration potential. The copper market has declined somewhat since mid-December, although more recently appears to have rebalanced. We currently expect the copper and molybdenum markets to remain well above historical levels in 2007 with the potential, through the year, for copper prices to recover from recent weakness and molybdenum prices to continue on their upward trend of recent months. However, the exceptional average copper price of 2006 might not be repeated and the recent volatility that has characterised the market is likely to continue."

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

FULL YEAR TO 31 DECEMBER		2006	2005	% Change
Group turnover	US$'m	3,870.0	2,445.3	*58.3%*
Cash flow from operations	US$'m	2,810.1	1,647.5	*70.6%*
Profit before tax	US$'m	2,859.0	1,536.3	*86.1%*
Earnings per share[1]	cents	137.4	73.6	*86.7%*
Total dividends per share[1,2]	cents	48.2	22.0	*119.1%*
LME copper price (per pound)	cents	305.3	167.1	*82.7%*
Group copper production	'000 tonnes	465.5	467.3	*(0.4)%*
Group weighted average cash costs[3] (net of by-product credits)	cents	40.2	13.9	*189.2%*
Group weighted average cash costs[3] excluding by-product credits	cents	95.6	77.3	*23.7%*
Market molybdenum price (per pound)	US$	24.8	32.0	*(22.5)%*
Group molybdenum production	'000 tonnes	9.8	8.7	*12.6%*

(See footnotes 1 to 3 on the following page.)

[1] *Earnings per share and dividends per share have been restated for the effects of the 4-for-1 bonus issue on 19 June 2006.*

[2] *Dividends are paid in either sterling or US dollars. The conversion rate for dividends to be paid in sterling will be set on 15 May 2007.*

[3] *Cash cost is a method used by the mining industry to express the cost of production in cents per pound of copper, and is further explained in Note 28(b)(iii).*

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DIRECTORS' COMMENTS FOR THE YEAR TO 31 DECEMBER 2006

Overview

The Group has reported a set of record results, with net earnings up 86.6% to US$1,354.3 million and cash flow from operations up 70.6% to US$2,810.1 million compared with 2005. These results were achieved against a background of strong metal prices combined with a sound performance from all the Group's operations.

Copper prices averaged 305.3 cents per pound in 2006, supported by strong market fundamentals. While some weakening occurred in the fourth quarter with reduced consumption in the United States and a prolonged de-stocking process in China, the market more recently appears to have rebalanced. The Group currently expects the copper market to remain well above historical levels in 2007 and 2008, though the exceptional prices of 2006 might not be repeated and the recent volatility that has characterised the market may continue. The copper concentrate market has moved into sharp deficit, and should result in lower smelting and refining charges in 2007. Molybdenum prices, while lower than 2005, remained at very high levels throughout 2006 at an average of US$24.8 per pound, and strong demand should continue to support prices in 2007.

All the Group's operations performed well in 2006. Group copper production was 465,500 tonnes, 5.4% ahead of the original forecast for the year of 441,500 tonnes, with all three mines ahead of target. Molybdenum production at Los Pelambres reached a record 9,800 tonnes and both the transport and water divisions increased volumes as new contracts with mining customers have started to come on stream. As expected in these tight markets, cost pressures have continued. Weighted average cash costs were 40.2 cents per pound compared with 13.9 cents per pound in 2005. This was due to a combination of higher on-site costs as expected, increased tolling charges mainly due to price participation with smelters, and reduced by-product credits from lower molybdenum prices.

Los Pelambres has progressed with both its capital projects. The plant expansion to 140,000 tonnes of ore throughput per day was substantially completed five months ahead of schedule by the end of 2006. Los Pelambres expects construction of the Mauro tailings dam, where it believes all permits granted have been properly applied for and issued, to be completed by the end of 2007.

During 2006, Los Pelambres also initiated a feasibility study to consider a further expansion of the concentrator plant to 175,000 tonnes per day which should be completed later this year. An expansion of this size is within the scope of the existing environmental approval which was granted in 2004. The feasibility study for Esperanza is progressing well and should be completed as expected by April this year. This currently envisages average annual production of 175,000 tonnes of copper and 197,000 ounces of gold based on a ore throughput rate of 90,000 tonnes per day.

2006 was also an important year in meeting the Group's objectives for securing new growth opportunities. The Group completed the acquisition of Tethyan Copper Company Limited and established a joint venture with Barrick Gold Corporation over Tethyan's mineral interests in Pakistan. It also acquired Equatorial Mining Limited; this has increased the Group's interest in El Tesoro to 100% and has consolidated its land position in the Sierra Gorda district in Chile's Second Region. The agreements with AngloGold Ashanti and Ascendant Copper Corporation have provided exploration interests in Colombia and Ecuador respectively.

In September 2006, Mr. Philip Adeane retired having served as Managing Director from 1982 to 2005 and as a Non-Executive Director thereafter. The Board would like to thank him for his enormous contribution over a long period of time which has seen the transformation of the Group into a major copper producer. He continues to act as a senior advisor to the Board following his retirement. Mr. William Hayes joined the Board as an independent Non-Executive Director in September. Mr. Hayes was previously a senior executive with Placer Dome Inc. and a former president of the Consejo Minero in Chile. He has extensive knowledge and experience of the mining industry both in Chile and globally which will benefit the Group in its future development.

The Board has announced a final dividend for 2006 of 43 cents per ordinary share, comprising an ordinary dividend of 5 cents and a special dividend of 38 cents. This gives a total dividend for the year of 48.2 cents, representing a distribution of 35% of 2006 net earnings and a 119% increase over 2005. The Board believes this combines its desire to return cash to shareholders in a year of strong results with the ability to develop the Group's existing opportunities for growth. The Board will also continue to seek new opportunities globally to secure further world class mining assets.

Review of Operations

Los Pelambres

Los Pelambres had a record year with operating profit up 64.7% to US$2,223.7 million, compared with US$1,350.4 million in 2005. Realised copper prices were 335.0 cents per pound (2005 – 189.2 cents per pound). This reflected strong LME prices and pricing adjustments on settlement of provisional sales, although the benefit of these adjustments were partly offset by lower copper prices in the last quarter of the year. Realised molybdenum prices decreased to US$24.6 per pound (2005 – US$31.4 per pound), reflecting lower market prices. Further details of pricing adjustments are given in the Financial Commentary on page 12.

Los Pelambres produced 324,200 tonnes of payable copper (2005 - 322,800 tonnes). This exceeded the original forecast for 2006 of 308,000 tonnes, with better than expected ore grades of 0.81% (compared with initial estimates for the year of 0.77%) and completion of the concentrator plant expansion ahead of schedule, which enabled the ore throughput to average 127,400 tonnes per day (despite lower throughput in the first half when harder rock was processed) and to reach nearly 140,000 tonnes per day in the final quarter of the year. This compared with ore grades of 0.80% and throughput of 128,100 tonnes per day in 2005. Molybdenum production reached 9,800 tonnes (2005 – 8,700 tonnes), an increase of 12.6% due to improved molybdenum grades in the area mined during the year by Los Pelambres. The improved production mitigated the impact of lower molybdenum prices in the year.

Cash costs, which are stated net of by-product credits, averaged 16.4 cents per pound in 2006 compared with negative 17.1 cents per pound in 2005. The increase was due to a combination of lower by-product credits, higher tolling charges and increased on-site and shipping costs. By-product credits decreased by 12.1 cents per pound mainly due to the lower realised molybdenum prices. Tolling charges were 12.1 cents per pound higher mainly as a result of price participation with smelters as the average LME copper price increased significantly in 2006. On-site and shipping costs averaged 56.4 cents per pound in 2006, in line with expectations but 9.3 cents per pound above 2005 mainly as a result of cost pressures including oil, plant and machinery hire and freight costs.

During 2006, Los Pelambres further reduced its borrowings with repayments totalling US$81.3 million. Total borrowings were US$314.8 million at 31 December 2006.

Continued progress was made with two major capital expenditure programmes, the Mauro tailings dam project and the 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 Los Pelambres with sufficient storage capacity for its 2.1 billion tonnes of existing ore reserves, thereby supporting its mine plan to 2047. Work on the Mauro tailings dam began at the end of 2004 following approval of the Environmental Impact Study earlier that year and necessary sectoral permits were granted during 2005. In November 2006, the Court of Appeals of Santiago upheld a challenge by claimants in the Pupio Valley against the Chilean Water Authority (Direccion General de Aguas) in relation to the award of one of these sectoral permits. In December, however, the Court of Appeals rejected a second request by the claimants that work on the dam should be suspended, and confirmed that Los Pelambres was entitled to continue construction pending a final resolution by the Chilean Supreme Court, to whom Los Pelambres have appealed as an affected party together with the Direccion General de Aguas. Los Pelambres continues to believe that all the technical and legal permits it has received have been appropriately applied for and granted and is confident that this view will be upheld by the Chilean Supreme Court. Construction is continuing on schedule. There are other claims at first instance currently in the Chilean courts against third parties (either governmental authorities or former owners of land in the El Mauro area). These claims are not against Los Pelambres, but in some cases the company has intervened in case an eventual judgement affects the project. The Mauro tailings dam was 66% complete by the end of 2006 with US$323 million spent to that date. It is expected to be completed during 2007 at a total cost of approximately US$534 million.

Expansion of the concentrator plant to 140,000 tpd was started in mid-2005, through re-powering the grinding lines and installing a fifth ball mill. The principal elements of this project were completed by November 2006 with the start-up of the fifth ball mill, and throughput in the last quarter of 2006 reached an average of 139,100 tonnes per day. By the end of 2006 US$145 million had been spent on this project which remains within its original budget of US$182 million.

In July 2006, Los Pelambres initiated a feasibility study for a further expansion of the concentrator plant, through additional infrastructure including a third SAG mill and a sixth ball mill. This study is expected to be completed by mid-2007. In January 2007, the Los Pelambres board approved initial expenditure of US$113 million for the first steps in an expansion of up to 175,000 tonnes per day. This expansion is within existing environmental permits. During 2006 Los Pelambres also started an exploration programme to identify further reserves. Further details are given under "Projects, exploration and new opportunities" below.

In 2007, the ore processing level is expected to average 134,200 tpd as the benefits of the plant expansion are partly offset by harder rock in the current phase of the mine plan. The ore grade is expected to average 0.74%. As a result, copper production in 2007 is expected to be around 321,000 tonnes, compared with 324,200 produced in 2006. The production level should increase in 2008 when higher ore grades are expected. Molybdenum production in 2007 is forecast to increase to around 11,000 tonnes (compared with 9,800 tonnes in 2006) through the combination of the higher processing levels and marginally better grades averaging 0.029% compared with 0.028% in 2006.

Cash costs before by-product credits are expected to increase from 96.1 cents per pound in 2006 to approximately 100 cents per pound in 2007, as lower tolling charges are offset by increased on-site and shipping costs, partly due to industry pressures but also due to the effect of the lower ore grade in the year. Nevertheless, molybdenum prices remain strong and Los Pelambres should continue to benefit from substantial by-product credits.

El Tesoro

Operating profit at El Tesoro rose by 137.1% from US$172.9 million in 2005 to US$409.9 million this year. Realised copper prices were 316.4 cents per pound, compared with 175.7 cents per pound last year, reflecting the improved LME prices, strong premiums due to the tight cathode market and pricing adjustments on the close-out of cathode sales.

Production at El Tesoro was 94,000 tonnes (2005 – 98,100 tonnes). As expected, lower ore grades of 1.16% (2005 – 1.23%) offset the increase in ore throughput following the plant expansion carried out in 2005. Production was nevertheless ahead of the original forecast for 2006 of 91,600 tonnes.

Cash costs rose in line with forecasts to 78.6 cents per pound compared with 66.1 cents in 2005. The expected increase resulted from a combination of input cost pressures (including exchange rates and inflation) and operational factors, including higher acid consumption due to an increased level of carbonates and the effect of the lower ore grade on production. El Tesoro's results were also affected by commodity hedging implemented in 2005, which reduced operating profit in 2006 by US$44.8 million (2005 – US$24.8 million). This hedging programme ended in December 2006.

As explained under "Projects, exploration and new opportunities" below, the acquisition of Equatorial Mining Limited in August of 2006 has increased the Group's interest in El Tesoro from 61% to 100%.

During the year, El Tesoro reduced its borrowings by US$28.0 million to US$28.1 million at 31 December 2006. This included a voluntary prepayment of US$14.0 million.

In 2007, El Tesoro expects to produce approximately 90,000 tonnes of cathodes mainly reflecting lower recoveries compared with 2006, together with a marginal decline in the ore grade to around 1.15%. Cash costs are expected to be approximately 100 cents per pound, reflecting the impact of lower production, the higher waste-to-ore ratio and increased acid consumption, as well as other cost factors including exchange rates and local inflation.

Michilla

Operating profit in 2006 increased to US$145.5 million compared with a loss of US$31.1 million in 2005, as Michilla benefited from the strong commodity market in 2006. Realised copper prices were 318.5 cents per pound (2005 - 177.1 cents per pound), reflecting strong cathode premiums and positive pricing adjustments in addition to strong LME prices. Cathode production in 2006 was 47,300 tonnes, a 1.9% increase over the 2005 production level of 46,400 tonnes. This resulted from increased throughput and higher recoveries, partly offset by the lower ore grade. Production was also ahead of the original forecast for 2006 of 41,900 tonnes.

Cash costs for 2006 were 126.4 cents per pound, marginally lower than forecast but 7.6 cents per pound higher than 2005. The increase was mainly due to the higher cost of processing third party ore and, to a lesser extent, higher input costs. Hedging losses at Michilla amounted to US$39.7 million (2005 – US$43.8 million) as a result of the completion of the commodity hedging programme entered into during 2005.

Michilla completed a technical review of its resources in November 2006, and its revised mine plan envisages a three year remaining mine life to 2009, with average annual production of approximately 39,000 tonnes and average cash costs of approximately 130 cents per pound. For 2007, production is expected to be approximately 45,000 tonnes with cash costs of 136 cents per pound. In December 2006, Michilla, which is the Group's highest cost mine, hedged approximately 48% of its expected 2007 production through min/max and futures. Further details are given in the Financial Commentary on page 15 and in Note 4(b) to the preliminary results announcement.

Railway and other transport services

Rail and road transport volumes in 2006 were 4.5 million tons (2005 – 4.3 million tons) and 1.5 million tons (2005 – 1.5 million tons) respectively. Rail volumes were 3.5% above 2005 due to increases across various mines and the start-up of the Spence copper project. Operating profit (excluding income from associates) was US$32.6 million (2005 – US$27.4 million).

The medium to longer term prospects of the FCAB, the Chilean railway network, remain very positive, with expected additional volumes in 2007 from contracts with the Spence and Escondida sulphide leach projects in Chile and the San Cristobal project in Bolivia. These three projects are expected to add approximately one million tonnes to existing rail volumes in 2007 and a further 500,000 tonnes from 2008. In addition, in December 2006 the FCAB signed a contract with Coldeco's Gaby project; this is expected to add approximately 600,000 tonnes in 2008 increasing to one million tonnes by 2011.

Aguas de Antofagasta

Aguas de Antofagasta had a successful year of operations. Water sales increased by 14.3% from 33.1 million cu. m. in 2005 to 37.8 million cu. m. this year, as a result of higher domestic consumption and increased sales to industrial customers; this included 2.3 million cu. m. to Spence which started operations during the second half of 2006. Aguas de Antofagasta also benefited from the strengthening of the Chilean peso (the currency in which the majority of its sales are denominated) against the US dollar in 2006. Accordingly, operating profit increased to US$31.5 million compared with US$25.1 million in 2005. During 2006, Aguas concluded four-year labour agreements with its two unions with a real increase in wages of approximately 4% over the four years. It also successfully completed its 5-yearly regulatory review of domestic tariffs in the year which resulted in an anticipated average reduction in tariffs compared with previous levels of approximately 5% from July 2006.

The prospects for Aguas de Antofagasta remain good, with total water volumes expected to continue to increase as sales to Spence eventually reach approximately 4.7 million cu. m. per year.

Projects, exploration and new opportunities

Esperanza

The Group's principal new project is Esperanza, located approximately five kilometres from the El Tesoro oxide deposit. Esperanza has drill-inferred resources of 786 million tonnes of sulphide ore with an average copper grade of 0.53%, an average gold grade of 0.20 g/t, and an average molybdenum grade of 0.012%, at a cut-off grade of 0.3% copper. It also contains a low grade oxide deposit with a drill inferred resource of 73 million tonnes of ore with an average copper grade of 0.42%. Pre-feasibility work, which commenced in 2004, was completed in August 2006 at a cost of US$14.8 million, within the original budget of US$15.3 million. This included a 2.3 kilometre exploration decline for detailed metallurgical testing of ore.

In August 2006, Aker Kvaerner began a feasibility study. This was approximately 80% complete by February 2007 with US$12.3 million spent out of a total budget of US$16.9 million. This is expected to be completed on schedule in April 2007 at the budgeted cost of US$16.9 million. The study currently contemplates a concentrator plant with daily throughput of up to 90,000 tonnes per day of ore and with average annual production of approximately 175,000 tonnes of payable copper and 197,000 ounces of gold over the first 13 years of operation, although production will be below this level in the earlier years when lower grades are mined. An Environmental Impact Assessment is expected to be submitted in the second quarter of this year and, subject to approval by the relevant authorities, a decision to proceed with project development could be taken in the second half of 2007 with an estimated 30-month pre-stripping programme beginning by the end of the year, and possible start-up of operations in the third quarter of 2010.

Reko Diq (Tethyan Copper Company Limited)

In April 2006, the Group acquired a 100% interest in Tethyan Copper Company Limited ("Tethyan"), a company then listed on the Australian Stock Exchange with copper-gold interests in Pakistan, for a cash consideration of US$170.4 million. In September, it entered into a joint venture over Tethyan's mineral interests with Barrick Gold Corporation ("Barrick Gold"), through the indirect disposal of a 50% interest in Tethyan to Barrick Gold for a cash consideration of US$86.8 million. In November, the Group and Barrick Gold each contributed US$30 million to extinguish a "claw-back right" held by BHP Billiton over certain of Tethyan's mineral interests.

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 (in which the Government of Balochistan holds the remaining 25%) including 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.

In June 2006, an 18-month programme was initiated with a current budget of US$30.5 million. This comprises exploration, including a drilling programme of approximately 94,000 metres focused mainly on the Western Porphyries and, in the later stages, initial pre-feasibility work on the prospects identified. By the end of 2006, approximately 25,000 metres of drilling had been completed and costs of US$7.9 million incurred. Preliminary results are encouraging and a new resource estimate is expected to be completed by the end of this year. During 2007, Tethyan will analyse possible project scenarios and consider eventual infrastructure requirements.

Support from both the Federal Government of Pakistan and the Government of Balochistan for the development of a project has been strong, and discussions are in progress to establish a foreign investment protection agreement. The Group considers that the long-term potential of the investment in Tethyan remains promising.

Acquisition of Equatorial Mining Limited and development of the Sierra Gorda district

In August 2006, the Group acquired 100% of Equatorial Mining Limited, a company then listed on the Australian Stock Exchange, at a cost of US$406.1 million (or US$288.1 million net of cash balances acquired). Equatorial's principal asset is a 39% interest in Minera El Tesoro in which the Group held the remaining 61%, together with mining and water rights in the Sierra Gorda district in Chile's Second Region. An agreement to sell Equatorial's North American interests was reached in December 2006 and the proceeds of US$4.9 million were received in January 2007.

The acquisition of Equatorial has consolidated the Group's position in the Sierra Gorda district where it either wholly owns or has a 51% controlling interest in a number of mining properties containing oxide and sulphide resources. As was announced in 2001, these properties were part of a portfolio acquired from the Luksic family who hold the remaining interest. During 2007, the Group will continue examining its prospects in this area.

Colombia - joint venture with AngloGold Ashanti

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 sets out the terms of the proposed Southern Colombia joint venture agreement to explore, discover and develop copper and gold mining projects in an area of interest in southern Colombia extending approximately 30,000 square kilometres. AngloGold has agreed to contribute its mineral interests in the area covered by the joint venture and Antofagasta has committed to funding US$1.3 million in exploration costs over a period of twelve months. The agreement allows Antofagasta 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 joint venture. The Group spent US$0.9 million under this agreement during 2006.

Ecuador – Agreement with Ascendant Copper

In November 2006 the Group signed a Letter of Agreement with Ascendant Copper Corporation ("Ascendant"), a mining company listed on the Toronto Stock Exchange, to acquire an interest in Ascendant's Chaucha Project. The Chaucha Project is a copper-molybdenum prospect located in the Western Cordillera of the Andes in southern Ecuador, approximately 70 kilometres west of the town of Cuenca. The mineral concession covers an area of 2,544 hectares with applications by Ascendant in progress for further mineral concessions from the appropriate government entities. The Group has committed to fund at least US$1 million of expenditure; this includes reimbursement of prior expenditures of approximately US$0.5 million to be made when the additional concessions have been contributed. The Group will subsequently earn an equity interest of up to 60% in successive stages by spending a total of US$40 million over a six-year period in four distinct phases of qualifying expenditures. These expenditures will cover exploration and advancement costs including, in the later phases, preparation of a feasibility study and a final payment on completion to Ascendant.

Los Pelambres

As part of its review for possible expansion, Los Pelambres commenced a two-year programme to identify additional deposits beyond the existing 2.9 billion tonne resource, both by drilling the areas surrounding the current mine plan as well as drilling the existing open pit in greater depth. During 2006, a drilling programme of 14,500 metres was conducted at a cost of US$3.5 million. The programme is expected to be completed in 2007.

Antucoya – Buey Muerto

In May 2006, the Group acquired the Antucoya property from Soquimich for US$8.0 million plus a future net smelter return (i.e. royalty payment). 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 which is estimated to contain 138 million tonnes of oxide ore with a grade of 0.43%. The Group has a 51% interest in Buey Muerto, which was acquired on the same terms as the Sierra Gorda properties referred to above.

The Group is currently conducting initial engineering and technical studies as well as further drilling 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. 19,000 metres of drilling had been completed by the end of 2006 and the studies are expected to be concluded in the second half of 2007.

Peru – Cordillera de Las Minas S.A.

On 2 March 2007, the Group agreed to sell its 50% interest in Cordillera de Las Minas S.A. ("CMSA") to Panoro Minerals Limited ("Panoro"), a company listed on the TSX Venture Exchange. CMSA was the joint venture entity with Companhia Vale Rio Doce ("CVRD") through which its interests in southern Peru were held. The Group's share of the consideration comprises US$6 million plus 6 million shares in Panoro. The agreement is subject to a number of conditions including financing by Panoro and regulatory approvals. Subject to these conditions being met, closing is expected to occur by June 2007.

Peru remains an area of focus for the Group and it will continue to look for suitable opportunities in that country.

Dividends

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

	US dollars			Percentage change	
	2006	2005 [1]	2004 [1]	06 v 05	05 v 04
	cents	cents	cents	change	change
Ordinary					
Interim	**3.2**	3.2	3.0		
Final	**5.0**	4.8	4.8		
	8.2	8.0	7.8	2.5%	2.6%
Special					
Interim	**2.0**	-	-		
Final	**38.0**	14.0	8.0		
	40.0	14.0	8.0		
Total dividends to ordinary shareholders	**48.2**	22.0	15.8	119.1%	39.2%
	Percentage				
Dividends as a percentage of profit attributable to equity shareholders	**35%**	30%	27%		

[1] *Dividends per share have been restated for the effects of the 4-for-1 bonus issue on 19 June 2006.*

[2] *Further details relating to dividends are given in Note 8 to this Preliminary Results Announcement.*

The Board recommends a final dividend of 43 cents per ordinary share payable on 14 June 2007 to shareholders on the Register at the close of business on 11 May 2007. The final dividend comprises an ordinary dividend of 5 cents and a special dividend of 38 cents. Including the interim dividend, this represents a distribution of approximately 35% of net earnings (profit attributable to equity holders of the Company) after taking into account withholding taxes incurred by the Group in funding the dividend.

The Board's policy is to establish an ordinary dividend which can be maintained or progressively increased at conservative long-term copper prices and through the economic cycle. The Board recommends special dividends when it considers these appropriate after taking into account the level of profits earned in the period under review, the existing cash position of the Group and significant known or expected funding commitments. As can be seen from the above table, the Board has increased its recommended dividends in line with profits by means of special dividends in these years of high copper prices.

The cost of the final dividend, including related withholding taxes, is approximately US$541 million. This compares with a net cash position (on an attributable basis) of US$1,363 million. The Board considers this to be an appropriate level of distribution of profits earned in the year. In determining this, it has taken into account its existing capital commitments, working capital requirements and the balance of taxes (including withholding taxes) accrued for profits earned in 2006 and to be paid in 2007. The Board has also considered the potential future capital requirements of the Group which could amount to approximately US$3 billion over a number of years should it proceed with its existing portfolio of projects and opportunities; it believes these opportunities remain attractive for the long-term development of the Group even in an environment of lower copper prices. The Board also considers that this provides the Group with sufficient flexibility to take advantage of new opportunities which may arise in the future.

Current Trading Prospects

Fundamentals for the copper market remained very strong in 2006, characterised by low inventories and high financing costs for fabricators. LME copper prices were over 300 cents per pound for most of the year, having started at just over 200 cents per pound. The market weakened in the final quarter of the year with reduced consumption in the United States and a prolonged de-stocking process in China, combined with increased mine production and availability of scrap in response to the high prices. With increasing inventory levels, LME copper prices fell in February 2007 to around 240 cents, 40% below the peak reached in May 2006.

More recently, however, the market appears to have rebalanced, as the de-stocking phase in China has declined or possibly ended. In 2007, demand is expected to continue to grow as increased Chinese consumption and possible re-stocking should help offset the effects of a moderate slowdown in the United States. Supply is also expected to increase but remains vulnerable to declining grades and other constraints including equipment availability, labour shortages and power and water supplies. Most commentators expect the market in 2007 to finish in a modest surplus, although forecasts range considerably. Total stocks remain low at approximately 2.5 weeks' consumption, and this should help support prices well above historical levels. For 2007, consensus estimates are for an average copper price of above 260 cents, and around 230 cents in 2008. The increased role of investment funds in commodity markets has made base metal prices more sensitive to changes in sentiment, and accordingly copper prices are expected to remain volatile.

The concentrate market moved sharply in favour of producers through 2006, as expansion of smelter capacity has not been matched by corresponding increases in mine capacity. With concentrate stocks at already low levels, a significant deficit in the concentrates market is expected in both 2007 and 2008. This has resulted in improved terms for producers with settlements for the annual negotiations at the level of US$60 per dry metric tonne of concentrate for smelting and 6.0 cents per pound of copper for refining with price participation of nil, compared with US$95 and 9.5 cents respectively and price participation at 10% above a copper price of 90 cents per pound. While this should significantly benefit producers, the impact will be partly mitigated by the "brick system" whereby the benchmark is often averaged over two years.

Molybdenum prices remained comparatively stable throughout 2006, averaging just under US$25 per pound. The market is expected to remain strong, with continued demand from the steel and catalyst sectors combined with limited supply increases. Inventory levels for molybdenum remain low and this market also remains vulnerable to supply disruption.

Group copper production for 2007 is expected to be approximately 456,000 tonnes, a moderate decline of 2% from 2006 mainly as a result of minor reductions at each of the Group's operations. Attributable copper production should nevertheless be higher following the increase in the Group's interest in El Tesoro to 100% during 2006. Cash costs will increase at the Group's three mines as a result of both industry pressures and mine specific factors, although these will be partly offset by lower tolling charges and strong by-product credits. In 2008, Group copper production is expected to increase as ore grades recover at Los Pelambres.

2006 has been a very successful year for the Group. The excellent results achieved have been supported by strong market conditions and sound operating performances by all divisions. The Group has progressed well with its capital projects, and its growth opportunities have been enhanced through its acquisitions and the new ventures established. It intends to build on these in 2007, a year in which it currently expects to be supported by favourable market conditions. The Group believes it has a number of prospects that could substantially enhance its current production profile in the medium to longer term, and it intends to use its sound financial position to advance its existing assets and properties while continuing to seek opportunities globally to secure further world-class mining assets.

FINANCIAL COMMENTARY FOR THE YEAR TO 31 DECEMBER 2006

Results

Turnover

Group turnover increased by 58.3% to US$3,870.0 million, compared with US$2,445.3 million in 2005. The increase was mainly due to very strong LME copper prices which increased to an average of 305.3 cents per pound, 82.7% above the 2005 financial year. The Group also benefited from improved molybdenum volumes and higher sales at the transport and water divisions. These factors were partly offset by increased tolling charges for copper concentrate and lower molybdenum prices.

Turnover from copper concentrate and copper cathodes

Turnover from copper concentrate and copper cathode sales from the Group's three mines increased by 83.5% to US$3,144.7 million, compared with US$1,713.4 million in 2005. The Group's average realised copper price was 329.5 cents per pound (2005 – 185.2 cents). Realised copper prices are determined by comparing turnover (gross of tolling charges for concentrate sales) with sales volumes in the period.

Realised copper prices in 2006 exceeded LME prices because, in line with industry practice, concentrate and cathode sales generally provide for provisional pricing at the time of shipment with final pricing based on the average market price for future periods (normally 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). The strong improvement in copper prices in the first nine months of the year resulted in significant positive pricing adjustments, although this was partly offset by weakening copper prices in the final quarter.

In the case of Los Pelambres, pricing adjustments added US$223.5 million in 2006 to initially invoiced sales (before adjusting for tolling charges), comprising US$136.0 million in respect of sales invoiced in 2005 (net of the reversal of mark-to-market adjustments made at the end of 2005) which were finally priced in 2006 and US$87.5 million in respect of sales invoiced in 2006 (net of a mark-to-market provision for open sales at the end of the year of US$110.1 million when the copper price weakened). Pricing adjustments in 2006 at El Tesoro and Michilla (which relate almost entirely to sales invoiced in the year) added US$11.7 million and US$8.9 million respectively. El Tesoro and Michilla also continued to benefit from strong cathode premiums reflecting tight market conditions in the year. Further details are given in Note 4(a) to the preliminary results announcement.

Turnover also benefited from a 1.6% increase in copper sales volumes from 460,500 tonnes in 2005 to 467,800 tonnes this year. The increase was mainly due to timing differences in shipment and loading schedules which resulted in minor reductions in inventory levels, offsetting the marginal 0.4% decrease in 2006 production to 465,500 tonnes (2005 – 467,300 tonnes).

Tolling charges for copper concentrate at Los Pelambres increased from US$166.9 million in 2005 to US$254.0 million in 2006, mainly as a result of the effect of the higher copper price on price participation with smelters. Tolling charges are deducted from concentrate sales in reporting turnover and hence partly offset the effect of improved copper prices.

Turnover from by-products

Turnover from by-products at Los Pelambres decreased by 5.0% to US$556.3 million in 2006 compared with US$585.7 million in 2005, mainly due to lower molybdenum market prices. The realised molybdenum price averaged US$24.6 per pound (2005 – US$31.4 per pound). Molybdenum prices are also subject to provisional pricing but as prices remained steady through the year, the realised price did not differ significantly from the average market price of US$24.8 per pound (2005 – US$32.0 per pound). Lower molybdenum prices were partly offset by better sales volumes which increased by 16.5% to 9,900 tonnes as a result of higher production and, to a lesser extent, lower inventory levels due to shipment timings. Gold and silver by-product revenues increased significantly to US$42.5 million (2005 – US$22.9 million) due to higher metal prices and increased volumes.

Turnover from the transport and water divisions

Turnover from the transport division (FCAB) increased by US$12.8 million or 13.8% to US$105.3 million, reflecting increased rail volumes and higher tariffs in 2006. Tariffs are indexed to cost factors including inflation, the Chilean peso-US dollar exchange rate and fuel costs.

Turnover at Aguas de Antofagasta, which operates the Group's water business, increased by US$10.0 million or 18.6% to US$63.7 million in 2006, mainly due to increased volumes as a result of both higher domestic and industrial consumption.

Operating profit from subsidiaries and joint ventures and EBITDA

Operating profit from subsidiaries and joint ventures increased by 86.1% from US$1,506.4 million in 2005 to US$2,804.1 million in 2006.

Operating profit at the mining division increased by 88.5% from US$1,453.9 million to US$2,740.0 million, due to significantly improved turnover as explained above (resulting mainly from higher copper prices and improved molybdenum volumes), partly offset by 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 58.3 cents per pound in 2005 to 68.0 cents per pound. This reflected the impact of higher input costs at all three mines as well as lower grades and recoveries at El Tesoro and lower grades at Michilla. Operating profits were also affected by losses on commodity derivatives (including net mark-to-market adjustments) of US$84.5 million at Michilla and El Tesoro, compared with a loss of US$68.6 million in 2005. These mainly resulted from commodity derivatives entered into in 2005 which matured in 2006. Exploration and corporate costs did not change significantly in 2006 compared with 2005.

Operating profit (excluding income from associate) at the transport division increased by US$5.2 million to US$32.6 million, reflecting the improved rail tariffs and higher rail volumes. Aguas de Antofagasta (whose revenues and costs are mainly denominated in Chilean pesos) contributed US$31.5 million compared to US$25.1 million last year, benefiting from higher sales and the stronger exchange rate.

EBITDA (earnings before interest, depreciation, tax and amortisation) in 2006 was US$2,957.3 million, compared with US$1,674.1 million in 2005, up 76.7%. This is calculated by adding back to operating profit from subsidiaries and joint ventures, depreciation and amortisation of US$145.0 million (2005 – US$128.0 million), losses on disposals of property, plant and equipment of US$8.2 million (2005 – US$9.7 million) and in 2005 the impairment provision at Michilla of US$30.0 million.

The Group's share of net profit from its 30% investment in Antofagasta Terminal Internacional S.A. ("ATI") was US$1.1 million (2005 – US$0.9 million).

Net finance income

Net finance income in 2006 was US$53.8 million, compared with US$29.0 million in 2005.

Interest receivable increased from US$39.7 million in 2005 to US$78.3 million in 2006, due to the higher level of cash and deposit balances and higher market interest rates compared with 2005. Interest expense (excluding the mark-to-market effect of interest rate derivatives) increased slightly from US$26.0 million in 2005 to US$26.4 million, reflecting the increase in market interest rates, which offset the effect of the decrease in the level of borrowings through loan repayments during the year.

Foreign exchange gains included in finance items were US$1.6 million in 2006, compared with US$13.3 million in the previous year. The 2005 results benefited from retranslation of peso-denominated intercompany receivables and cash balances due to stronger period end exchange rates. Mark-to-market gains on interest rate and exchange derivatives were US$0.3 million in 2006 compared with US$2.0 million in 2005.

Profit before tax

The resulting profit before tax for the period was US$2,859.0 million compared to US$1,536.3 million in 2005, reflecting the improved operating results and increased finance income.

Income tax expense

The rate of first category (i.e. corporation) tax in Chile was 17% for both 2006 and 2005. New tax legislation on Chilean mining companies was passed into law with effect from 1 January 2006. This legislation established 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 opted in 2005 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. Withholding tax is levied on remittances of profits from Chile at 35% less first category tax already paid. Accordingly, the effective tax rate of withholding tax for the purpose of paying dividends to Group shareholders is approximately 18% of the amount remitted or expected to be remitted.

Tax (including deferred tax) amounted to US$664.9 million (2005 – US$308.1 million), mainly reflecting the increased profit for the year. Including both current and deferred taxes, this comprised corporate tax of US$476.6 million (2005 – US$267.9 million), the new Chilean mining tax of US$56.6 million (2005 – US$0.5 million relating to initial deferred tax charges) and withholding tax charges of US$134.1 million (2005 – US$59.9 million). This was partly offset by exchange gains on corporate tax balances of US$2.4 million (2005 – US$20.2 million).

As a result of these factors, the effective tax rate for the Group in 2006 was 23.3% (2005 – 20.1%), compared with the Chilean statutory tax rate of 17%.

Minority interests

Profit for the financial year attributable to minority shareholders was US$839.8 million, compared with US$502.4 million in 2005. The increase mainly resulted from the improvement in Group profit after tax from US$1,228.2 million in 2005 to US$2,194.1 million in 2006.

As a percentage of Group profit after tax, minority interests represented 38.3% in 2006 compared with 40.9% in 2005. The decrease was mainly due to the elimination of the minority interest in El Tesoro through the acquisition of Equatorial Mining Limited in August 2006.

Earnings per share

As a result of the factors set out above, profit for the 2006 financial year attributable to equity shareholders of the Company was US$1,354.3 million compared with US$725.8 million in 2005.

Accordingly, basic earnings per share were 137.4 cents in 2006 compared with 73.6 cents for 2005, an increase of 86.7%. Earnings per share have been restated to reflect the impact of the 4-for-1 bonus issue on 19 June 2006.

Derivative financial instruments

The Group occasionally uses derivative financial instruments to reduce exposure to commodity price, interest rate and foreign exchange movements. The Group does not use such derivative instruments for speculative trading purposes and it did not apply the hedge accounting provisions of IAS 39 "Financial Instruments: Recognition and Measurement" in either 2005 or 2006. Accordingly, derivatives have been measured at fair value through the income statement in both financial years, in either other operating income or expense (in the case of commodity derivatives) or finance income or finance cost (in the case of interest and foreign exchange derivatives).

The hedge accounting provisions of IAS 39 will be applied from 1 January 2007 and changes in the fair value of derivative financial instruments that are designated and effective as hedges of future cash flows will be recognised directly in equity, with such amounts subsequently recognised in the income statement in the period when the hedged item affects profit or loss.

At 31 December 2006 Michilla, which is the Group's highest cost operation, had min/max instruments for 12,000 tonnes of copper production, with a weighted average floor of 281.2 cents per pound and a weighted average cap of 337.9 cents per pound. These instruments had an average duration of 6.5 months and a maximum duration of one year. Michilla also had futures for 9,600 tonnes of copper production with an average price of 306.9 cents, a weighted average duration of 6.5 months and a maximum duration of twelve months. These investments represent 50% of Michilla's forecast production for 2007. From a cash flow perspective the Group's exposure to the copper price during 2007 will be reduced by the extent of these instruments.

Details of the mark-to-market position of these instruments, together with details of interest and commodity derivatives held by the Group, are given in Note 4(b) to this preliminary results announcement.

Commodity price sensitivities

Based on 2006 amounts and without taking into account the effects of provisional pricing and any hedging activity, a one-cent change in the average copper price would affect turnover and profit before tax by US$10.3 million and earnings per share by 0.5 cents. Similarly, a one-dollar change in the average molybdenum price would affect turnover and profit before tax by US$21.6 million and earnings per share by 1.1 cents.

Acquisitions and disposals

The Group acquired a 100% interest in Tethyan Copper Company Limited ("Tethyan") on 20 April 2006 for cash consideration (including transaction costs) of US$170.4 million, following a recommended cash offer first made on 14 February 2006. On 14 February, the Group also separately entered into an agreement with BHP Billiton whereby BHP Billiton's right to claw-back a material interest in certain of Tethyan's mineral interests ("Claw-Back Right") would be extinguished for a consideration of US$60 million. On 22 September 2006, the Group entered into a joint venture agreement with Barrick Gold Corporation ("Barrick Gold") to establish a 50:50 joint venture over Tethyan's mineral interests in Pakistan. This was achieved through the indirect sale of a 50% interest in Tethyan for a cash consideration of US$86.8 million. The Group and Barrick Gold each contributed US$30 million to Tethyan to enable it to extinguish BHP Billiton's Claw-Back Right on 22 November 2006.

The Group also acquired a 100% interest in Equatorial Mining Limited ("Equatorial") for a cash consideration (including transaction costs) of US$406.1 million. Equatorial's principal asset was a 39% interest in El Tesoro, the remaining 61% of which was already owned by the Group. There is currently a claim going through the Australian Courts against Equatorial in relation to certain of Equatorial's assets. The claim is being defended and its effect is unlikely to be material to the Group. On 11 December 2006, the Group entered into an agreement to sell Equatorial's North American interests through the sale of Equatorial North America Inc. to Idaho General Mines Inc. for a cash consideration for US$4.9 million (which was received in January 2007) and further contingent consideration of US$6.0 million will be receivable should certain conditions be met (see Note 22(b) to this preliminary results announcement).

Cash flows, cash and debt

Cash flows from operations were US$2,810.1 million in 2006 compared with US$1,647.5 million last year, reflecting the improved operating results adjusted for depreciation, amortisation and working capital movements. A dividend of US$0.4 million was received from the Group's investment in ATI.

Cash tax payments in the year were US$498.2 million (2005 – US$343.8 million), comprising corporation tax of US$426.5 million, mining tax of US$9.9 million and withholding tax of US$61.8 million. These amounts differ from the current tax charge in the consolidated income statement of US$592.2 million (2005 – US$285.0 million) because cash tax payments partly comprise monthly payments on account in respect of current year profits and partly comprise the settlement of the outstanding balance for the previous year. 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.

Net cash outflow from acquisitions amounted to US$487.5 million; this amount is stated net of cash balances acquired of US$119.0 million. The net cash outflow comprised US$199.4 million in respect of Tethyan (net of cash balances acquired of US$1.0 million) and US$288.1 million in respect of Equatorial (net of cash balances acquired of US$118.0 million).

Net cash inflow from disposals amounted to US$84.3 million; this is stated net of cash balances disposed of US$2.5 million. The net cash inflow comprised US$85.7 million (net of cash balances disposed of US$1.1 million) on the disposal of 50% of Tethyan to Barrick Gold less an outflow of cash balances of US$1.4 million when Equatorial Mining North America Inc. was sold; the proceeds of US$4.9 million for this latter disposal were received in January 2007.

Capital expenditure in 2006 was US$506.6 million compared with US$223.0 million in 2005. This included expenditure of US$256.9 million (on a cash basis) relating to the Mauro tailings dam project (2005 – US$90.0 million) and US$134.0 million relating to the plant expansion at Los Pelambres (2005 – US$10.7 million).

Dividends (including special dividends) paid to ordinary shareholders of the Company this year were US$236.6 million (2005 – US$155.4 million), which related to the final dividend declared in respect of the previous year and the interim dividend in respect of the current year, and reflected the increased dividend per share paid in 2006 compared with 2005. Dividends paid by subsidiaries to minority shareholders were US$630.6 million (2005 – US$385.6 million), principally due to increased distributions by Los Pelambres and El Tesoro.

Repayments of borrowings and finance leasing obligations in 2006, mainly at Los Pelambres and El Tesoro, were US$111.4 million, which included voluntary prepayments of US$14.0 million at El Tesoro. In 2005, the repayment of borrowings amounted to US$139.6 million, which included voluntary prepayments of US$36.2 million at El Tesoro. New borrowings in the period amounted to US$3.8 million (2005 – US$0.2 million).

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

At 31 December 2006, the Group had cash and cash equivalents of US$1,805.5 million (2005 – US$1,316.8 million). Excluding the minority share in each partly-owned operation, the Group's attributable share of total cash and cash equivalents was US$1,592.7 million (2005 – US$1,085.8 million).

Total Group borrowings at 31 December 2006 were US$358.7 million (2005 – US$465.3 million). Of this, US$230.0 million (2005 – US$283.6 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 1 January 2006 to US$3,155.1 million at 31 December 2006, relating mainly to profit after tax and minority interests for the period less ordinary dividends declared and paid in the year.

Minority interests increased from US$721.3 million at 1 January 2006 to US$793.0 million at 31 December 2006, principally reflecting the minority's share of profit after tax, less the minority's share of the dividends paid by subsidiaries in the year and the elimination of the minority interest in El Tesoro through the acquisition of Equatorial Mining Limited.

Consolidated Income Statement

	Notes	Year ended 31.12.06 US$'m	Year ended 31.12.05 US$'m
Group turnover	2,3	**3,870.0**	2,445.3
Total operating costs		**(1,065.9)**	(938.9)
Operating profit from subsidiaries and joint ventures	2,3	**2,804.1**	1,506.4
Share of income from associate	12	**1.1**	0.9
Total profit from operations and associates	2	**2,805.2**	1,507.3
Investment income		**78.3**	39.7
Interest expense		**(26.4)**	(26.0)
Other finance items		**1.9**	15.3
Net finance income	5	**53.8**	29.0
Profit before tax		**2,859.0**	1,536.3
Income tax expense	6	**(664.9)**	(308.1)
Profit for the financial year		**2,194.1**	1,228.2
Attributable to:			
Minority interests		**839.8**	502.4
Equity holders of the Company (net earnings)		**1,354.3**	725.8
		US cents	US cents Restated (*)
Basic earnings per share	7	**137.4**	73.6
Dividends to ordinary shareholders of the Company			
Per share		**US cents**	US cents Restated (*)
Dividends per share proposed in relation to the year	8		
- ordinary dividend (interim)		**3.2**	3.2
- ordinary dividend (final)		**5.0**	4.8
- special dividend (interim)		**2.0**	-
- special dividend (final)		**38.0**	14.0
		48.2	22.0
Dividends per share paid in the year and deducted from net equity			
- ordinary dividend (interim)		**3.2**	3.2
- ordinary dividend (final)		**4.8**	4.8
- special dividend (interim)		**2.0**	-
- special dividend (final)		**14.0**	8.0
		24.0	16.0
In aggregate		**US$'m**	US$'m
Dividends proposed in relation to the year	8	**475.2**	216.9
Dividends paid in the year and deducted from net equity		**236.6**	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 19 June 2006. There was no potential dilution of earnings per share in any period set out above.

Consolidated Balance Sheet

	Notes	At 31.12.06 US$'m	At 31.12.05 US$'m
Non-current assets			
Intangible assets	9	**205.3**	97.7
Property, plant and equipment	10	**2,373.7**	1,820.0
Investment property	11	**3.2**	3.4
Investment in associate	12	**3.5**	2.8
Available for sale investments	13	**6.2**	0.1
Deferred tax assets	18	**3.1**	6.6
		2,595.0	1,930.6
Current assets			
Inventories	14	**120.3**	98.8
Trade and other receivables		**549.4**	428.1
Current tax assets		**7.5**	5.3
Derivative financial instruments	4	**7.3**	-
Cash and cash equivalents	21	**1,805.5**	1,316.8
		2,490.0	1,849.0
Total assets		**5,085.0**	3,779.6
Current liabilities			
Short-term borrowings	15	**(97.6)**	(97.2)
Derivative financial instruments	4	**-**	(40.3)
Trade and other payables		**(211.5)**	(142.9)
Current tax liabilities		**(204.8)**	(108.7)
		(513.9)	(389.1)
Non-current liabilities			
Medium and long term borrowings	15	**(261.1)**	(368.1)
Trade and other payables		**(4.8)**	(3.5)
Post-employment benefit obligations	16	**(24.1)**	(20.6)
Long-term provisions	17	**(9.8)**	(9.8)
Deferred tax liabilities	18	**(323.2)**	(225.5)
		(623.0)	(627.5)
Total liabilities		**(1,136.9)**	(1,016.6)
Net assets		**3,948.1**	2,763.0
Equity			
Share capital		**89.8**	16.6
Share premium		**199.2**	272.4
Translation reserves		**12.3**	16.6
Retained earnings		**2,853.8**	1,736.1
Net equity attributable to equity holders of the Company		**3,155.1**	2,041.7
Minority interests		**793.0**	721.3
Total equity		**3,948.1**	2,763.0

The preliminary information was approved by the Board of Directors on 12 March 2007.

Consolidated Cash Flow Statement

	Notes	**Year ended 31.12.06 US$'m**	Year ended 31.12.05 US$'m
Cash flows from operations	20	**2,810.1**	1,647.5
Interest paid		**(24.6)**	(23.3)
Dividends from associate	12	**0.4**	1.0
Income tax paid		**(498.2)**	(343.8)
Net cash from operating activities		**2,287.7**	1,281.4
Investing activities			
Acquisition of subsidiary	22	**(487.5)**	-
Disposal and part-disposal of subsidiaries	23	**84.3**	-
Recovery of Chilean VAT paid on purchase of water concession		**8.7**	7.7
Purchases of property, plant and equipment		**(506.6)**	(223.0)
Proceeds from sale of property, plant and equipment		**-**	4.1
Interest received		**77.6**	37.9
Net cash used in investing activities		**(823.5)**	(173.3)
Financing activities			
Dividends paid to equity holders of the Company		**(236.6)**	(155.4)
Dividends paid to preference shareholders of the Company		**(0.2)**	(0.2)
Dividends paid to minority interests		**(630.6)**	(385.6)
Net proceeds from issue of new borrowings		**3.8**	0.2
Repayments of borrowings		**(109.6)**	(126.2)
Repayments of obligations under finance leases		**(1.8)**	(13.4)
Net cash used in financing activities		**(975.0)**	(680.6)
Net increase in cash and cash equivalents		**489.2**	427.5
Cash and cash equivalents at beginning of the year		**1,316.8**	881.4
Net increase in cash and cash equivalents		**489.2**	427.5
Effect of foreign exchange rate changes		**(0.5)**	7.9
Cash and cash equivalents at end of the year	21	**1,805.5**	1,316.8

Consolidated Statement of Changes in Equity

For the years ended 31 December 2005 and 2006

	Share capital	Share premium	Translation reserves	Retained earnings	**Net equity**	Minority interests	**Total**
	US$'m	US$'m	US$'m	US$'m	**US$'m**	US$'m	**US$'m**
Balance at 1 January 2005	16.6	272.4	8.5	1,168.0	**1,465.5**	604.5	**2,070.0**
Profit for the financial year	-	-	-	725.8	**725.8**	502.4	**1,228.2**
Currency translation adjustment	-	-	8.1	-	**8.1**	-	**8.1**
Dividends paid	-	-	-	(157.7)	**(157.7)**	(385.6)	**(543.3)**
Balance at 31 December 2005 and 1 January 2006	16.6	272.4	16.6	1,736.1	**2,041.7**	721.3	**2,763.0**
Profit for the financial year	-	-	-	1,354.3	**1,354.3**	839.8	**2,194.1**
Currency translation adjustment	-	-	(4.3)	-	**(4.3)**	-	**(4.3)**
Capitalisation of share premium on bonus issue of ordinary shares (see Note 19)	73.2	(73.2)	-	-	**-**	-	**-**
Acquisition of minority interest (see Note 22(b))	-	-	-	-	**-**	(137.5)	**(137.5)**
Dividends paid	-	-	-	(236.6)	**(236.6)**	(630.6)	**(867.2)**
Balance at 31 December 2006	**89.8**	**199.2**	**12.3**	**2,853.8**	**3,155.1**	**793.0**	**3,948.1**

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

Notes

1. General information and accounting policies

a) General information

This preliminary results announcement is for the year ended 31 December 2006. While the financial information contained in this preliminary results announcement has been computed in accordance with International Financial Reporting Standards ("IFRS"), this announcement does not itself contain sufficient information to comply with IFRS. For these purposes, IFRS 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.

This preliminary results announcement does not constitute the Group's statutory accounts as defined in section 240 of the Companies Act 1985. The statutory accounts for the year ended 31 December 2006 will be approved by the Board in April 2007 and, with the exception of the information contained in Notes 28 to 30, will be reported on by the auditors and subsequently filed with the Registrar of Companies. Accordingly, the financial information included in this preliminary results announcement for 2006 is unaudited.

The information contained in this announcement for the year ended 31 December 2005 also does not constitute statutory accounts. A copy of the statutory accounts for that year has been delivered to the Registrar of Companies. The auditors' report on those accounts was unqualified and did not contain statements under section 237(2) of the Companies Act 1985 (regarding adequacy of accounting records and returns) or under section 237(3) (regarding provision of necessary information and explanations). The comparative information contained in Notes 28 to 30 of this preliminary results announcement is not derived from the statutory accounts for the year ended 31 December 2005 and is accordingly not covered by the auditors' report.

b) Accounting policies

The preliminary results announcement has been prepared on the basis of accounting policies consistent with those applied in the financial statements for the year ended 31 December 2005 except in relation to jointly controlled entities. The Group's previously stated policy was to account for jointly controlled entities under the equity method. Under the Group's revised policy, jointly controlled entities are accounted for under the proportionate consolidation method, which is the preferred benchmark under IAS 31 "Interests in Joint Ventures". This change does not have any effect on the financial statements for prior periods and therefore no restatement of prior period information is required.

c) 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 year ended 31 December 2006 by US$1.6 million. As a change in estimates, prior year comparatives have not been restated, but the effect would have been to increase the depreciation charge by US$2.4 million in 2005.

d) Restatement of comparative amounts for bonus issue

Comparatives for earnings per share and dividend per share have been restated for the effect of the 4-for-1 bonus issue of ordinary shares on 19 June 2006 (see Note 19).

2. Total profit from operations and associates

	Year ended 31.12.06 US$'m	Year ended 31.12.05 US$'m
Turnover	**3,870.0**	2,445.3
Cost of sales	**(805.1)**	(685.6)
Gross profit	**3,064.9**	1,759.7
Administrative expenses	**(152.6)**	(132.0)
Closure provision	**(0.6)**	3.4
Severance charges	**(7.7)**	(3.9)
Exploration costs	**(21.5)**	(22.4)
Other operating income	**10.3**	5.4
Other operating expenses	**(88.7)**	(103.8)
Operating profit from subsidiaries and joint ventures	**2,804.1**	1,506.4
Share of income from associate	**1.1**	0.9
Total profit from operations and associates	**2,805.2**	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.

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

	Turnover		EBITDA		Operating profit /(loss) from subsidiaries and joint ventures	
	Year ended 31.12.06 US$'m	Year ended 31.12.05 US$'m	**Year ended 31.12.06 US$'m**	Year ended 31.12.05 US$'m	**Year ended 31.12.06 US$'m**	Year ended 31.12.05 US$'m
Los Pelambres	**2,701.3**	1,749.8	**2,297.0**	1,420.5	**2,223.7**	1,350.4
El Tesoro	**664.8**	372.2	**456.0**	203.2	**409.9**	172.9
Michilla	**334.9**	177.1	**158.4**	16.3	**145.5**	(31.1)
Exploration	**-**	-	**(21.5)**	(22.4)	**(21.5)**	(22.4)
Corporate and other items	**-**	-	**(16.9)**	(15.6)	**(17.6)**	(15.9)
Mining	**3,701.0**	2,299.1	**2,873.0**	1,602.0	**2,740.0**	1,453.9
Railway and other transport services	**105.3**	92.5	**42.9**	38.2	**32.6**	27.4
Water concession	**63.7**	53.7	**41.4**	33.9	**31.5**	25.1
Group turnover (segment revenue), EBITDA and operating profit from subsidiaries and joint ventures (segment result)	**3,870.0**	2,445.3	**2,957.3**	1,674.1	**2,804.1**	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$9.6 million (2005 – US$8.8 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.

(v) On a Group basis, total copper revenues amounted to US$3,144.7 million (2005 - US$1,713.4 million) comprising copper concentrate sales at Los Pelambres of US$2,145.0 million (2005 - US$1,164.1 million) and copper cathode sales at El Tesoro and Michilla of US$999.7 million (2005 - US$549.3 million).

Notes to EBITDA and operating profit/(loss) from subsidiaries and joint ventures by business segment (segment result)

(vi) 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$1.1 million (2005 – US$0.9 million).

(vii) EBITDA is calculated by adding back depreciation, amortisation and disposals of plant, property and equipment and impairment charges (see Note 3(b)) to operating profit from subsidiaries.

(viii) 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$44.8 million (2005 – US$24.8 million) and Michilla of US$39.7 million (2005 – US$43.8 million). Further details are given in Note 4(b).

(ix) Operating profit in 2005 is also stated after deducting an impairment charge against the carrying value of property, plant and equipment at Michilla of US$30.0 million. There was no comparable impairment charge (see Note 3(b)) in the year ended 31 December 2006.

Turnover at Los Pelambres by mineral

	Before deducting tolling charges		**Tolling charges**		**Net of tolling charges**	
	Year ended 31.12.06	Year ended 31.12.05	**Year ended 31.12.06**	Year ended 31.12.05	**Year ended 31.12.06**	Year ended 31.12.05
	US$'m	US$'m	**US$'m**	US$'m	**US$'m**	US$'m
Copper	**2,399.0**	1,331.0	**(254.0)**	(166.9)	**2,145.0**	1,164.1
Molybdenum	**536.4**	588.4	**(22.6)**	(25.6)	**513.8**	562.8
Gold and silver	**43.1**	23.4	**(0.6)**	(0.5)	**42.5**	22.9
Los Pelambres	**2,978.5**	1,942.8	**(277.2)**	(193.0)	**2,701.3**	1,749.8

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**	
	Year ended 31.12.06	Year ended 31.12.05	**Year ended 31.12.06**	Year ended 31.12.05	**Year ended 31.12.06**	Year ended 31.12.05
	US$'m	US$'m	**US$'m**	US$'m	**US$'m**	US$'m
Los Pelambres	**72.8**	66.6	**0.5**	3.5	**-**	-
El Tesoro	**43.4**	29.1	**2.7**	1.2	**-**	-
Michilla	**10.4**	13.8	**2.5**	3.6	**-**	30.0
Corporate and other ítems	**0.3**	0.3	**0.4**	-	**-**	-
Mining	**126.9**	109.8	**6.1**	8.3	**-**	30.0
Railway and other transport services	**8.4**	9.5	**1.9**	1.3	**-**	-
Water concession	**9.7**	8.7	**0.2**	0.1	**-**	-
	145.0	128.0	**8.2**	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 by business segment

	Year ended 31.12.06	Year ended 31.12.05
	US$'m	US$'m
Los Pelambres	**463.5**	101.4
El Tesoro	**16.3**	39.6
Michilla	**7.7**	18.7
Corporate and other ítems	**20.5**	1.6
Mining	**508.0**	161.3
Railway and other transport services	**25.2**	23.2
Water concession	**5.8**	1.8
	539.0	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.

d) Assets and liabilities by business segment

	Segment assets		**Segment liabilities**		**Segment net assets**	
	Year ended 31.12.06	Year ended 31.12.05	**Year ended 31.12.06**	Year ended 31.12.05	**Year ended 31.12.06**	Year ended 31.12.05
	US$'m	US$'m	**US$'m**	US$'m	**US$'m**	US$'m
Los Pelambres	**2,103.4**	1,648.2	**(125.5)**	(72.5)	**1,977.9**	1,575.7
El Tesoro	**591.8**	392.6	**(53.3)**	(56.5)	**537.8**	336.1
Michilla	**67.2**	61.6	**(24.8)**	(47.5)	**42.4**	14.1
Corporate and other items	**145.8**	8.5	**(12.3)**	(11.4)	**133.5**	(2.9)
Mining	**2,908.2**	2,110.9	**(215.9)**	(187.9)	**2,691.6**	1,923.0
Railway and other transport services	**158.8**	133.8	**(25.2)**	(21.7)	**133.6**	112.1
Water concession	**181.7**	199.9	**(9.1)**	(7.5)	**172.6**	192.4
	3,248.7	2,444.6	**(250.2)**	(217.1)	**2,997.8**	2,227.5

Assets and liabilities of Tethyan Copper Company Limited (see Note 22) have been included within Corporate and other items.

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

	Segment assets		**Segment liabilities**		**Segment net assets**	
	Year ended 31.12.06	Year ended 31.12.05	**Year ended 31.12.06**	Year ended 31.12.05	**Year ended 31.12.06**	Year ended 31.12.05
	US$'m	US$'m	**US$'m**	US$'m	**US$'m**	US$'m
Segment assets/(liabilities)	**3,248.7**	2,444.6	**(250.2)**	(217.1)	**2,997.8**	2,227.5
Investment property	**3.2**	3.4	**-**	-	**3.2**	3.4
Investment in associate	**3.5**	2.8	**-**	-	**3.5**	2.8
Available for sale investment	**6.2**	0.1	**-**	-	**6.2**	0.1
Derivative financial instruments	**7.3**	-	**-**	-	**7.3**	-
Deferred tax assets/(liabilities)	**3.1**	6.6	**(323.2)**	(225.5)	**(319.4)**	(218.9)
Current tax assets/(liabilities)	**7.5**	5.3	**(204.8)**	(108.7)	**(197.3)**	(103.4)
Cash and cash equivalents/(borrowings)	**1,805.5**	1,316.8	**(358.7)**	(465.3)	**1,446.8**	851.5
Entity assets/(liabilities)	**5,085.0**	3,779.6	**(1,136.9)**	(1,016.6)	**3,948.1**	2,763.0

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

	Sales	
	Year ended 31.12.06	Year ended 31.12.05
	US$'m	US$'m
Europe		
- United Kingdom	**8.1**	34.2
- Switzerland	**396.5**	148.4
- Rest of Europe	**877.1**	527.2
Latin America		
- Chile	**407.5**	326.6
- Rest of Latin America	**165.2**	87.8
North America	**472.7**	471.3
Asia		
- Japan	**1,008.2**	425.9
- Rest of Asia	**534.7**	423.9
	3,870.0	2,445.3

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	
	At 31.12.06	At 31.12.05
	US$'m	US$'m
Los Pelambres - copper concentrate	**(110.1)**	33.2
Los Pelambres - tolling charges for copper concentrates	**7.6**	-
Los Pelambres - molybdenum concentrate	**(3.9)**	(12.6)
El Tesoro - copper cathodes	**1.3**	0.2
Michilla - copper cathodes	**(0.6)**	(0.1)
	(105.7)	20.7

(i) Copper sales

	Year ended 31.12.06 US$'m	Year ended 31.12.06 US$'m	Year ended 31.12.06 US$'m	Year ended 31.12.05 US$'m	Year ended 31.12.05 US$'m	Year ended 31.12.05 US$'m
	Los Pelambres	El Tesoro	Michilla	Los Pelambres	El Tesoro	Michilla
	Copper concentrate	Copper cathodes	Copper cathodes	Copper concentrate	Copper cathodes	Copper cathodes
Provisionally invoiced gross sales	**2,175.5**	**653.1**	**326.0**	1,176.5	362.7	173.5
Effects of pricing adjustments to previous year invoices						
Reversal of mark-to-market adjustments at the end of the previous year	**(33.2)**	**(0.2)**	**0.1**	(18.6)	(0.8)	(0.4)
Settlement of copper sales invoiced in the previous year	**169.2**	**2.0**	**0.6**	41.4	0.2	(0.1)
Total effect of adjustments to previous year invoices in the current period	**136.0**	**1.8**	**0.7**	22.8	(0.6)	(0.5)
Effects of pricing adjustments to current year invoices						
Settlement of copper sales invoiced in the current year	**197.6**	**8.6**	**8.8**	98.5	9.9	4.2
Mark-to-market adjustments at the end of the current year	**(110.1)**	**1.3**	**(0.6)**	33.2	0.2	(0.1)
Total effect of adjustments to current year invoices	**87.5**	**9.9**	**8.2**	131.7	10.1	4.1
Turnover before deducting tolling charges	**2,399.0**	**664.8**	**334.9**	1,331.0	372.2	177.1
Tolling charges	**(254.0)**	**-**	**-**	(166.9)	-	-
Turnover net of tolling charges	**2,145.0**	**664.8**	**334.9**	1,164.1	372.2	177.1

Copper concentrate

Copper concentrate sales at Los Pelambres have an average settlement period of approximately four months from shipment date. At 31 December 2006, sales totalling 127,100 tonnes remained open as to price, with an average mark-to-market price of 287.0 cents per pound compared with an average provisional invoice price of 326.3 cents per pound. At 31 December 2005, copper concentrate sales totalling 114,500 tonnes remained open as to price, with an average mark-to-market price of 201.4 cents per pound compared with an average provisional invoice price of 189.5 cents per pound.

Tolling charges include a mark-to-market gain for copper concentrate sales open as to price at 31 December 2006 of US$7.6 million (31 December 2005 – mark-to-market loss of US$1.7 million).

Copper cathodes

Copper cathode sales at El Tesoro and Michilla have an average settlement period of approximately one month from shipment date. At 31 December 2006, sales totalling 11,600 tonnes remained open as to price, with an average mark-to-market price of 286.6 cents per pound compared with an average provisional invoice price of 294.0 cents per pound. At 31 December 2005, sales totalling 10,300 tonnes remained open as to price with an average mark-to-market price of 205.8 cents per pound compared with an average provisional invoice price of 205.4 cents per pound.

(ii) Molybdenum sales

	Year ended 31.12.06	Year ended 31.12.05
	US$'m	US$'m
	Los Pelambres	Los Pelambres
	Molybdenum concentrate	Molybdenum concentrate
Provisionally invoiced gross sales	**547.8**	611.1
Effects of pricing adjustments to previous year invoices		
Reversal of mark-to-market adjustments at the end of the previous year	**12.6**	(32.9)
Settlement of molybdenum sales invoiced in the previous year	**(27.5)**	32.9
Total effect of adjustments to previous year invoices in the current period	**(14.9)**	-
Effects of pricing adjustments to current year invoices		
Settlement of molybdenum sales invoiced in the current year	**5.9**	(10.1)
Mark-to-market adjustments at the end of the current year	**(2.4)**	(12.6)
Total effect of adjustments to current year invoices	**3.5**	(22.7)
Turnover before deducting tolling charges	**536.4**	588.4
Tolling charges	**(22.6)**	(25.6)
Turnover net of tolling charges	**513.8**	562.8

Molybdenum sales at Los Pelambres have an average settlement period of approximately three months after shipment date. At 31 December 2006, sales totalling 2,100 tonnes remained open as to price, with an average mark-to-market price of US$25.0 per pound compared with an average provisional invoice price of US$25.5 per pound. At 31 December 2005 sales totalling 1,400 tonnes remained open as to price, with an average mark-to-market price of US$27.4 per pound compared with an average provisional invoice price of US$31.2 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 year ended 31 December 2006. Accordingly, derivatives are measured at each balance sheet date at fair value. Gains and losses arising from changes in fair value are included in the income statement for the year, within operating profit from subsidiaries and joint ventures for commodity derivatives and within net finance costs for exchange and interest derivatives.

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

	Balance sheet net mark to market effect on debtors/(creditors)	
	At 31.12.06	At 31.12.05
	US$'m	US$'m
Current assets - derivative financial instruments	**7.3**	-
Current liabilities - derivative financial instruments	**-**	(40.3)
	7.3	(40.3)

	Balance sheet net mark to market effect on debtors/(creditors)		Income statement total effect (including mark to market and realised amounts on operating profit/finance cost	
	At 31.12.06	At 31.12.05	**Year ended 31.12.06**	Year ended 31.12.05
	US$'m	US$'m	**US$'m**	US$'m
Commodity	**7.3**	(40.0)	**(84.5)**	(68.6)
Interest	**-**	(0.3)	**(0.3)**	(0.3)
Exchange	**-**	-	**-**	(0.3)
	7.3	(40.3)	**(84.8)**	(69.2)

Commodity derivatives

The Group periodically uses commodity derivatives to reduce its exposure to the market price of copper. During 2006, the amount charged to operating profit on commodity derivatives was US$84.5 million, comprising US$44.8 million at El Tesoro and US$39.7 million at Michilla (2005 - US$68.6 million, comprising US$24.8 million at El Tesoro and US$43.8 million at Michilla). This comprised losses on derivatives which matured in 2006 of US$136.3 million (2005 - US$24.1 million) offset by mark-to-market gains outstanding at 31 December 2006 of US$7.3 million (2005 - US$44.5 million) and reversal of opening mark-to-market losses of US$44.5 million (2005 – nil). Net of margin calls of US$4.5 million, this resulted in a net balance sheet position at 31 December 2005 of US$40.0 million. There were no margin calls at 31 December 2006.

At 31 December 2006, the Group had min/max instruments at Michilla for 12,000 tonnes of copper production (2005 – 42,000 tonnes), with a weighted average floor of 281.2 cents per pound and a weighted average cap of 337.9 cents per pound (2005 - weighted average floor 115.7 cents per pound; weighted average cap 146.7 cents per pound). These instruments had a weighted average duration of 6.5 months and a maximum duration of one year (2005 - weighted average 5 months and a maximum duration of one year).

At 31 December 2006, the Group also had futures at Michilla for 9,600 tonnes of copper production with an average price of 306.9 cents, a weighted average duration of 6.5 months and a maximum duration of twelve months. It also had futures to both buy and sell copper production at El Tesoro, with the effect of swapping COMEX prices for LME prices without eliminating underlying market price exposure. These have a weighted average price of 286.6 cents, a weighted average duration of 6.5 months and a maximum duration of one year.

Interest derivatives

The Group did not have any interest derivatives outstanding at 31 December 2006.

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

Exchange derivatives

The Group did not enter into any exchange derivative instruments during 2006 and accordingly the effect on the income statement was nil.

During 2005, the Group entered into exchange derivative instruments to buy or sell Chilean pesos using US dollars with a net notional value of US$33.0 million. The average duration of these derivatives was one month and the net loss was US$0.3 million. There were no outstanding instruments at 31 December 2005 and the effect on the income statement is included within other finance items.

5. Net finance income

	Year ended 31.12.06 US$'m	Year ended 31.12.05 US$'m
Investment income		
Interest receivable	**78.3**	39.7
Interest expense		
Interest payable	**(24.6)**	(23.8)
Amortisation of deferred finance costs	**(0.4)**	(0.4)
Discount charge relating to provisions	**(1.2)**	(1.6)
Preference dividends	**(0.2)**	(0.2)
	(26.4)	(26.0)
Other finance items		
Mark-to-market effect of derivatives	**0.3**	2.0
Foreign exchange	**1.6**	13.3
	1.9	15.3
Net finance income	**53.8**	29.0

6. Taxation

The tax charge for the year comprised the following:

	Year ended 31.12.06 US$'m	Year ended 31.12.05 US$'m
Current tax charge		
Corporate tax (principally first category tax in Chile)	**(474.2)**	(296.6)
Mining tax (Royalty)	**(58.5)**	-
Withholding tax provision	**(61.9)**	(8.6)
Foreign exchange gains on corporate tax balances	**2.4**	20.2
	(592.2)	(285.0)
Deferred tax charge		
Corporate tax (principally first category tax in Chile)	**(2.4)**	28.7
Mining tax (Royalty)	**1.9**	(0.5)
Withholding tax provision	**(72.2)**	(51.3)
	(72.7)	(23.1)
Total tax charge (Income tax expense)	**(664.9)**	(308.1)

Current tax is based on taxable profit for the year. Deferred tax is the tax expected to be payable or recoverable on temporary differences (i.e. differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of taxable profit). Deferred tax is accounted for using the balance sheet liability method and is provided on all temporary differences with certain limited exceptions. The Group incurs withholding taxes on the remittance of profits from Chile and the other countries in which it operates and deferred tax is provided on undistributed earnings to the extent that remittance is probable in the foreseeable future.

The rate of first category (i.e. corporation) tax in Chile was 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. This 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 opted to enter into this new tax stability agreement during 2005, 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 2006 was 23.3%, compared with the Chilean statutory tax rate of 17.0%. This was principally due to the provision of withholding tax of US$134.1 million, and the effect of the new mining tax, which resulted in a charge of US$56.6 million. In 2005, the effective tax rate was 20.1%, principally due to the provision of withholding tax of US$59.9 million, partly offset by exchange gains of US$20.2 million on Chilean peso-denominated tax receivable balances during the year.

7. Basic earnings per share

Basic earnings per share is calculated on profit after tax and minority interest giving net earnings of US$1,354.3 million (2005 – US$725.8 million) and based on 985,856,695 ordinary shares, being the number of ordinary shares following the 4-for-1 bonus issue on 19 June 2006 (see Note 19). 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 will recommend a final dividend of 43.0 cents per ordinary share, which comprises an ordinary dividend of 5.0 cents per share and a special dividend of 38.0 cents per share. The interim dividend of 5.2 cents per share, which comprised an ordinary dividend of 3.2 cents per share and a special dividend of 2.0 cents per share, was paid on 12 October 2006. Together, this gives total dividends proposed in relation to 2006 of 48.2 cents per share.

The final dividend proposed in relation to 2005 was 18.8 cents, which comprised an ordinary dividend of 4.8 cents per share and a special dividend of 14 cents per share. Together with the interim dividend that year of 3.2 cents per share, this gave total dividends proposed in relation to 2005 of 22 cents per share.

Dividends per share actually paid in the year and recognised as a deduction from net equity under IFRS were 24 cents (2005 – 16 cents) being the interim dividend for the year and the final dividend proposed in respect of the previous year.

Comparative amounts for dividends per share have been restated for the effects of the 4-for-1 bonus issue on 19 June 2006 (see Note 19).

The final dividend will be paid on 14 June 2007 to shareholders on the register at the close of business on 11 May 2007. Dividends are declared and paid gross. The conversion rate for the final dividend of 43.0 cents to be paid in sterling will be set on 15 May 2007.

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 11 May 2007.

9. Intangible assets

	Concession right	**Exploration licences**	**Year ended 31.12.06**	Year ended 31.12.05
	US$'m	**US$'m**	**US$'m**	US$'m
Balance at the beginning of the period	97.7	-	**97.7**	93.2
Acquisition (see Note 22)	-	230.0	**230.0**	-
Disposal (see Note 23)	-	(115.0)	**(115.0)**	-
Amortisation	(4.0)	-	**(4.0)**	(3.4)
Foreign currency exchange difference	(3.4)	-	**(3.4)**	7.9
Balance at the end of the period	90.3	115.0	**205.3**	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. The 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 22).

10. Property, plant and equipment

	Mining	Railway and other transport	Water concession	Year ended 31.12.06	Year ended 31.12.05
	US$'m	US$'m	US$'m	US$'m	US$'m
Balance at the beginning of the year	1,638.3	110.4	71.3	**1,820.0**	1,796.1
Additions	508.0	25.2	5.8	**539.0**	186.3
Acquisition (see Note 22)	171.6	-	-	**171.6**	-
Transfers and reclassifications	-	-	-	**-**	(0.8)
Depreciation	(126.9)	(8.4)	(5.7)	**(141.0)**	(124.6)
Asset disposals	(6.1)	(1.9)	(0.2)	**(8.2)**	-
Disposals (see Note 23)	(4.7)	-	-	**(4.7)**	(13.8)
Impairment charge	-	-	-	**-**	(30.0)
Foreign currency exchange difference	-	(0.4)	(2.6)	**(3.0)**	6.8
Balance at the end of the year	2,180.2	124.9	68.6	**2,373.7**	1,820.0

11. Investment property

	Year ended 31.12.06	Year ended 31.12.05
	US$'m	US$'m
Balance at the beginning of the year	**3.4**	3.2
Foreign currency exchange difference	**(0.2)**	0.2
Balance at the end of the year	**3.2**	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

	Year ended 31.12.06	Year ended 31.12.05
	US$'m	US$'m
Balance at the beginning of the year	**2.8**	2.9
Share of profit before tax	**1.3**	1.1
Share of tax	**(0.2)**	(0.2)
Dividends received	**(0.4)**	(1.0)
Balance at the end of the year	**3.5**	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

	Year ended 31.12.06	Year ended 31.12.05
	US$'m	US$'m
Balance at the beginning of the year	**0.1**	0.1
Acquisition (see Note 22)	**5.6**	-
Movements in fair value	**0.5**	-
Balance at the end of the year	**6.2**	0.1

Available for sale investments represent those investments which are not subsidiaries, associates or joint ventures and are not held for trading purposes.

14. Inventories

	Year ended 31.12.06	Year ended 31.12.05
	US$'m	US$'m
Raw materials and consumables	**36.6**	32.8
Work in progress	**68.6**	45.1
Finished goods	**15.1**	20.9
	120.3	98.8

Work in progress includes US$25.3 million related to high carbonate ore inventories at El Tesoro which are expected to be processed more than twelve months after the balance sheet date.

15. Borrowings

	At 31.12.06	At 31.12.05
	US$'m	US$'m
Los Pelambres		
Corporate loans	**(305.3)**	(381.5)
Other loans	**(9.5)**	(14.3)
El Tesoro		
Corporate loans	**(27.9)**	(55.8)
Finance leases	**(0.2)**	(0.3)
Michilla		
Finance leases	**(0.9)**	(2.6)
Railway and other transport services		
Loans	**(10.8)**	(7.2)
Other		
Preference shares	**(4.1)**	(3.6)
Total (see Note 21)	**(358.7)**	(465.3)

Loans at 31 December 2006 are shown net of deferred financing costs of US$1.5 million (2005 – US$2.0 million). The amount in relation to Los Pelambres was US$1.4 million (2005 – US$1.7 million). The amount in relation to El Tesoro was US$0.1 million (2005 – US$0.3 million).

Maturity of borrowings

	At 31.12.06	At 31.12.05
	US$'m	US$'m
Short-term borrowings	**(97.6)**	(97.2)
Medium and long-term borrowings	**(261.1)**	(368.1)
Total (see Note 21)	**(358.7)**	(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 any derivative instruments held by the Group are given in Note 4 (b).

16. Post-employment benefit obligation

	Year ended 31.12.06	Year ended 31.12.05
	US$'m	US$'m
Balance at the beginning of the year	**(20.6)**	(16.2)
Charge to operating profit in the year	**(7.7)**	(3.9)
Release of discount to net interest in year	**(0.8)**	(1.0)
Utilised in period	**4.2**	1.8
Foreign currency exchange difference	**0.8**	(1.3)
Balance at the end of the year	**(24.1)**	(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.

17. Long-term provisions

	Year ended 31.12.06	Year ended 31.12.05
	US$'m	US$'m
Balance at the beginning of the year	**(9.8)**	(13.2)
(Charge)/credit to operating profit in the year	**(0.6)**	3.4
Release of discount to net interest in the year	**(0.4)**	(0.6)
Amount capitalised	**-**	0.8
Acquisition (see Note 22)	**(0.8)**	-
Disposals (see Note 23)	**0.8**	-
Utilised in period	**0.8**	-
Foreign currency exchange difference	**0.2**	(0.2)
Balance at the end of the year	**(9.8)**	(9.8)
Analysed as follows:		
Decommissioning and restoration	**(9.4)**	(9.5)
Termination of water concession	**(0.4)**	(0.3)
Balance at the end of the year	**(9.8)**	(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.

18. Deferred tax assets and liabilities

	Year ended 31.12.06	Year ended 31.12.05
	US$'m	US$'m
Net position at the beginning of the year	**(218.9)**	(194.5)
Charge to tax on profit in year	**(72.7)**	(23.1)
Acquisition (see Note 22)	**(29.0)**	-
Foreign currency exchange difference	**0.5**	(1.3)
Net position at the end of the year	**(320.1)**	(218.9)
Analysed between:		
Deferred tax assets	**3.1**	6.6
Deferred tax liabilities	**(323.2)**	(225.5)
Net position	**(320.1)**	(218.9)

19. 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, 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 19 June 2006, by applying £39.4 million from the Company's share premium account in paying up and allotting the new ordinary shares;
- 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 at the opening of business on 19 June 2006, and the effect of the bonus issue of ordinary shares is disclosed in the Consolidated Statement of Changes in Equity. The increase in ordinary share capital of US$73.2 million and corresponding reduction in the share premium account has been recorded at the closing exchange rate on 16 June 2006.

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

	Year ended 31.12.06	Year ended 31.12.05
	US$'m	US$'m
Profit before tax	**2,859.0**	1,536.3
Depreciation and amortisation	**145.0**	128.0
Loss on disposal of property, plant and equipment (including impairment charge in 2005)	**8.2**	39.7
Net finance income	**(53.8)**	(29.0)
Share of profit of associate	**(1.1)**	(0.9)
Increase in inventories	**(21.5)**	(28.9)
Increase in debtors	**(135.5)**	(36.3)
Increase in creditors and provisions	**9.8**	38.6
Cash flows from operations	**2,810.1**	1,647.5

21. Analysis of changes in net cash

	At 1.1.06	Cash flows	Other	Exchange	**At 31.12.06**
	US$'m	US$'m	US$'m	US$'m	**US$'m**
Cash and cash equivalents	1,316.8	489.2	-	(0.5)	**1,805.5**
Bank borrowings due within one year	(95.8)	95.4	(96.2)	(0.1)	**(96.7)**
Bank borrowings due after one year	(363.0)	10.4	95.8	-	**(256.8)**
Finance leases due within one year	(1.4)	1.7	(1.2)	-	**(0.9)**
Finance leases due after one year	(1.5)	0.1	1.2	-	**(0.2)**
Preference shares	(3.6)	-	-	(0.5)	**(4.1)**
Total borrowings	(465.3)	107.6	(0.4)	(0.6)	**(358.7)**
Net cash	851.5	596.8	(0.4)	(1.1)	**1,446.8**

Net cash

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

	At 31.12.06	At 31.12.05
	US$'m	US$'m
Cash and cash equivalents	**1,805.5**	1,316.8
Total borrowings	**(358.7)**	(465.3)
	1,446.8	851.5

22. Acquisition of subsidiaries

Subsidiaries acquired	Principal activity	Date of acquisition	Proportion of shares acquired	Cost of acquisition
			%	US$'m
Tethyan Copper Company Limited	Mining exploration	20 Apr 2006	100	170.4
Equatorial Mining Limited	Mining investment	24 Aug 2006	100	406.1

a) Tethyan Copper Limited

On 20 April 2006 the Group acquired 100% of the issued share capital of Tethyan Copper Company Limited ("Tethyan") for cash consideration (including transaction costs) of US$170.4 million, following a recommended cash offer first made on 14 February 2006.

	Book value	Accounting policy alignment	Fair value adjustments	Fair value
	US$'m	US$'m	US$'m	US$'m
Intangible assets - exploration licences	-	60.0	170.0	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	1.0	-	-	1.0
Trade and other payables	(1.7)	-	-	(1.7)
Short-term provisions	-	(60.0)	-	(60.0)
Long-term provisions	(0.1)	-	-	(0.1)
Net assets	**18.4**	**(18.0)**	**170.0**	**170.4**

Net cash outflow arising on acquisition	
Cash consideration (including directly attributable costs)	170.4
Cash payment for share of cost of extinguishing claw-back right	30.0
Cash and cash equivalents acquired	(1.0)
	199.4

(i) 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.

(ii) Exploration costs capitalised by Tethyan have been written off on acquisition in the consolidated financial statements in accordance with the Group's accounting policies.

(iii) Total consideration includes directly attributable costs of US$6.1 million.

(iv) 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') would be extinguished for a consideration of US$60 million. Trade and other payables were adjusted on acquisition to reflect this amount which results from the fair valuing of the encumbrance over the acquired exploration licences relating to the Claw-Back Right. Following the disposal of 50% of Tethyan to Barrick Gold Corporation ("Barrick Gold") (see Notes 22(a)(v) and 23(a) below), the Group contributed US$30 million to Tethyan for its share of the cost of extinguishing the Claw-Back Right on 23 November 2006. This amount has been included in the net cash outflow on acquisition.

(v) On 22 September 2006 the Group entered into a joint venture agreement with Barrick Gold Corporation ("Barrick Gold"), to establish a 50:50 joint venture in relation to Tethyan's mineral interests in Pakistan. Further details of the part-disposal of Tethyan to Barrick Corporation to give effect to the joint venture are set out in Note 23 below.

(vi) Tethyan is wholly engaged in mineral exploration activities and did not generate any revenue in the period before or after acquisition by the Group. The operating loss generated by Tethyan for the period since acquisition was US$5.3 million, which relates mainly to exploration costs expensed in accordance with the Group's accounting policy. This includes US$3.3 million during the period for which Tethyan was wholly-owned by the Group and US$2.0 million under the proportionate consolidation method during the period after which the joint venture with Barrick Gold was established. If the acquisition of Tethyan had been completed on the first day of the financial year, its operating loss for the year would have been nil.

b) Equatorial Mining Limited

On 24 August 2006 the Group acquired 100% of the issued share capital of Equatorial Mining Limited ("Equatorial") for a cash consideration (including transaction costs) of US$406.1 million, following a recommended cash offer first made on 15 August 2006.

	Book value	Accounting policy alignment	Fair value adjustments	Fair value
	US$'m	US$'m	US$'m	US$'m
Property, plant and equipment	0.2	-	171.0	171.2
Exploration, evaluation and development	10.1	(10.1)	-	-
Investment in associate (Minera El Tesoro)	137.5	(137.5)	-	-
Available for sale investments	5.6	-	-	5.6
Trade and other receivables	6.4	-	-	6.4
Cash and cash equivalents	118.0	-	-	118.0
Current trade and other payables	(1.4)	-	-	(1.4)
Non-current trade and other payables	(1.4)	-	-	(1.4)
Long-term provisions	(0.8)	-	-	(0.8)
Deferred tax	-	-	(29.0)	(29.0)
Net assets	**274.2**	**(147.6)**	**138.9**	**268.6**
Elimination of minority interest				**137.5**
Total consideration				**406.1**

Net cash outflow arising on acquisition

Cash consideration (including directly attributable costs)	406.1
Cash and cash equivalents acquired	(118.0)
	288.1

(i) Equatorial's principal asset was a 39% interest in Minera El Tesoro, in which the Group held the remaining 61% and which it had accounted for as a subsidiary. The acquisition has resulted in the elimination of minority interest of US$137.5 million recognised in the Group's balance sheet immediately prior to acquisition.

(ii) Exploration costs capitalised by Equatorial have been written off on acquisition in the consolidated financial statements in accordance with the Group's accounting policies.

(iii) Total consideration includes directly attributable costs of US$3.1million

(iv) In July 2006, Equatorial received notice of a claim by Errigal Limited in the New South Wales Supreme Court. Errigal is a former minority shareholder in one of Equatorial's subsidiaries whose interest was acquired in 1993, and the claim is for amounts payable under the 1993 acquisition agreement. Equatorial does not agree with the interpretation of the 1993 agreement advanced by Errigal and the action will be defended vigorously. The effect of the claim is unlikely to be material to the Group.

(v) The acquisition has also resulted in a fair value adjustment to mining properties (including those mining properties held by Minera El Tesoro) of US$171.0 million, and a corresponding deferred tax provision of US$29.0 million.

(vi) The Group entered into an agreement to sell Equatorial Mining North America Inc. (EMNA), a wholly-owned subsidiary of Equatorial. Further details of the disposal are given in Note 23(b).

(vii) Equatorial did not generate revenue in the period before or after acquisition by the Group, and its acquisition did not have any effect on the Group as its interest in El Tesoro was already consolidated as a subsidiary in the Group's financial statements. The operating profit generated by Equatorial (excluding its interest in El Tesoro which was already consolidated by the Group as a subsidiary) for the period since acquisition was US$4.4 million. If the acquisition of Equatorial had been completed on the first day of the financial year, its operating profit (similarly excluding its interest in El Tesoro) for the year would have been US$4.4 million.

23. Disposal and part-disposal of subsidiaries

a) Atacama Copper Pty Limited and joint venture with Barrick Gold Corporation

On 22 September 2006, the Group entered into a 50:50 joint venture agreement with Barrick Gold Corporation ("Barrick Gold") in relation to Tethyan's mineral interests in Pakistan. The Group disposed of 50% of the issued share capital of Atacama Copper Pty Limited ("Atacama"), the immediate parent company of Tethyan, to Barrick Gold for US$86.8 million.

Book value of net assets sold	**US$'m**
Intangible assets - exploration licences	115.0
Property, plant and equipment	0.6
Trade and other receivables	0.4
Cash and cash equivalents	1.1
Trade and other payables	(0.6)
Short-term provisions	(30.8)
Long-term provisions	(0.1)
Net assets	**85.6**
Profit on disposal	
Consideration received	86.8
Net assets on disposal of 50% interest	(85.6)
	1.2
Net cash inflow arising on disposal	
Consideration received in cash and cash equivalents	86.8
Less: cash and cash equivalents disposed	(1.1)
	85.7

(i) The book value of net assets sold represents 50% of the consolidated carrying value of Atacama and its subsidiaries including Tethyan at the date of disposal. Following the disposal, the Group has treated its remaining 50% interest in Atacama as a jointly controlled entity under the proportionate consolidation method.

(ii) The profit on disposal principally represents the recovery of 50% of the exploration costs incurred and expensed by Tethyan between 20 April, the date of its acquisition by the Group, and 22 September, the date of the part-disposal to Barrick Gold. This amount has been recorded in other operating income.

b) Equatorial Mining North America Inc.

On 11 December 2006, the Group entered into an agreement to dispose of Equatorial Mining North America Inc. (EMNA), a wholly-owned subsidiary of Equatorial Mining Limited, to Idaho General Mines Inc ("IGM"). EMNA and its subsidiaries formerly owned and operated the Tonopah copper mine in Nevada, over which they retained royalties. The consideration of US$4.9 million was received in January 2007.

Book value of net assets sold	**US$'m**
Property, plant and equipment	4.3
Cash and cash equivalents	1.4
Long-term provisions	(0.8)
Net assets	4.9
Profit on disposal	
Consideration receivable (received in January 2007)	4.9
Net assets on disposal	(4.9)
	-
Net cash outflow arising on disposal	
Consideration received in cash and cash equivalents	-
Less: cash and cash equivalents disposed	(1.4)
	(1.4)

(i) The book value of net assets sold equates to the fair values assigned at the time of the acquisition of Equatorial Mining Limited.

(ii) The consideration was received in January 2007 and will be accounted for in the cash flow statement for that year.

(iii) No amount has been recognised in respect of the further contingent consideration of US$6 million which is payable should production at the Tonopah mine commence.

24. Other transactions

a) Agreement with Ascendant Copper Corporation

On 14 November 2006 the Group signed a Letter of Agreement ("Agreement") with Ascendant Copper Corporation ("Ascendant"), a mining company listed on the Toronto Stock Exchange, to acquire an interest in Ascendant's Chaucha Project. The Chaucha Project is a copper-molybdenum prospect located in the Western Cordillera of the Andes in southern Ecuador, approximately 70 kilometres west of the town of Cuenca. The mineral concession covers an area of 2,544 hectares with applications by Ascendant in progress for further mineral concessions from the appropriate government entities.

Under the terms of the Agreement, the Group has the right to earn up to an undivided 60% interest in the Chaucha Project. The interest will be acquired by earning an equity interest in Compañia Minera DosRios S.A. ("DosRios"), a wholly-owned subsidiary of Ascendant which holds (or will hold) all of the mineral concessions associated with the Chaucha Project. The Group has committed to fund at least US$1 million of expenditure (after which it has the right to terminate the Agreement at any time) and will subsequently earn its equity interest in successive stages by spending a total of US$40 million over a six-year period in four distinct phases of qualifying expenditures. These expenditures will cover exploration and advancement costs including, in the later phases, preparation of a feasibility study and a final payment on completion to Ascendant.

No expenditure was incurred on this project during 2006.

b) Agreement with AngloGold Ashanti Limited

On 14 July 2006 the Group reached agreement with AngloGold Ashanti Limited to form a joint venture to explore and develop copper and gold mining projects in southern Colombia. Under the agreement, AngloGold will contribute its mineral interests in the area covered by the joint venture agreement, and the Group has committed to funding US$1.3 million in exploration over a one year period. The Group may elect to fund an additional US$6.7 million in exploration within four years, in order to earn a 50% interest in the joint venture.

During 2006 the Group spent US$0.9 million on this project which has been included in exploration costs.

25. Post balance sheet event

On 2 March 2007, the Group agreed to sell its 50% interest in Cordillera de Las Minas S.A. ("CMSA") to Panoro Minerals Limited ("Panoro"), a company listed on the TSX Venture Exchange. CMSA was the joint venture entity with Companhia Vale Rio Doce through which its interests in southern Peru were held. The Group's share of the consideration comprises US$6.0 million plus six million common shares in Panoro. The agreement is subject to a number of conditions including financing by Panoro and regulatory approvals. Subject to these conditions being met, closing is expected to occur by June 2007.

26. Currency translation

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

	Period end rates	Average rates
31.12.06	US$1.9569 = £1; US$1 = Ch$532	US$1.8386 = £1; US$1 = Ch$530
31.12.05	US$1.7179 = £1; US$1 = Ch$513	US$1.8185 = £1; US$1 = Ch$560

27. Distribution

The Annual Report and Financial Statements for the year ended 31 December 2006, together with the Notice of the 2007 Annual General Meeting, will be posted to all shareholders in April 2007. The Annual General Meeting will be held at Canning House, 2 Belgrave Square, London SW1 at 10.30 a.m. on Wednesday, 13 June 2007.

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

(See notes following Note 28(b).)

a) Production and sales volumes for copper and molybdenum

	Production		Sales	
	Year ended 31.12.06	Year ended 31.12.05	**Year ended 31.12.06**	Year ended 31.12.05
	000 tonnes	000 tonnes	**000 tonnes**	000 tonnes
Copper				
Los Pelambres	**324.2**	322.8	**324.8**	319.1
El Tesoro	**94.0**	98.1	**95.3**	96.1
Michilla	**47.3**	46.4	**47.7**	45.3
Group total	**465.5**	467.3	**467.8**	460.5
Molybdenum				
Los Pelambres	**9.8**	8.7	**9.9**	8.5

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

	Cash cost		Realised prices	
	Year ended 31.12.06	Year ended 31.12.05	**Year ended 31.12.06**	Year ended 31.12.05
	US cents	US cents	**US cents**	US cents
Copper				
Los Pelambres	**16.4**	(17.1)	**335.0**	189.2
El Tesoro	**78.6**	66.1	**316.4**	175.7
Michilla	**126.4**	118.8	**318.5**	177.1
Group weighted average (net of by-products)	**40.2**	13.9	**329.5**	185.2
Group weighted average (before deducting by-products)	**95.6**	77.3		
Cash costs at Los Pelambres				
On-site shipping cost	**56.4**	47.1		
Tolling charges for concentrates	**39.7**	27.6		
Cash costs before deducting by-product credits	**96.1**	74.7		
By-product credits (principally molybdenum)	**(79.7)**	(91.8)		
Cash costs (net of by-product credits)	**16.4**	(17.1)		
LME average			**305.3**	167.1
			US$	US$
Molybdenum				
Los Pelambres			24.6	31.4
Market average price			24.8	32.0

Notes to the production and sales statistics

(i) The production and sales figures represent the actual amounts produced and sold, not the Group's share of each mine. The Group owns 60% of Los Pelambres, 100% of El Tesoro (61% prior to 24 August 2006) 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) 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 58.3 cents per pound in 2005 to 68.0 cents per pound in 2006.

(v) 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 did not adopt the hedge accounting provisions of IAS 39 "Financial Instruments: Recognition and Measurement" during 2005 or 2006.

(vi) The totals in the tables above may include some small apparent differences as the specific individual figures have not been rounded.

(vii) The production information in Note 28(a) and the cash cost information in Note 28(b) is derived from the Group's production report for the fourth quarter of 2006, published on 31 January 2007.

29. 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 file financial statements under Chilean GAAP for the year ended 31 December 2006 with the Chilean securities regulator, the Superintendencia de Valores y Seguros de Chile ("SVS") on 30 March 2007. 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 from the 2006 financial year on a quarterly basis.

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 31.12.2006 US$'m	El Tesoro At 31.12.2006 US$'m	Michilla At 31.12.2006 US$'m
Cash and cash equivalents	485.3	219.0	69.5
Trade and other receivables	365.1	53.0	17.0
Inventories	46.6	53.8	18.1
Current and deferred tax assets	29.9	2.5	2.6
Current assets	**926.9**	**328.3**	**107.2**
Fixed assets	**1,504.8**	**258.1**	**54.6**
Other non-current assets	**152.2**	**51.4**	**0.7**
TOTAL ASSETS	**2,583.9**	**637.8**	**162.5**
Short term borrowings	(82.5)	(14.2)	-
Trade and other payables	(154.6)	(43.4)	(20.5)
Current and deferred tax liabilities	(110.7)	(36.0)	(15.5)
Current liabilities	**(347.8)**	**(93.6)**	**(36.0)**
Medium and long term borrowings	(234.8)	(14.0)	-
Trade and other payables	(12.2)	(6.5)	(7.5)
Deferred tax liabilities	(138.8)	(31.6)	-
Non-current liabilities	**(385.8)**	**(52.1)**	**(7.5)**
Total liabilities	**(733.6)**	**(145.7)**	**(43.5)**
Share capital	(373.8)	(91.0)	(78.4)
Reserves	(1,476.5)	(401.1)	(40.6)
Total shareholders' equity	**(1,850.3)**	**(492.1)**	**(119.0)**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**(2,583.9)**	**(637.8)**	**(162.5)**

(b) Income statements

	Los Pelambres Year ended 31.12.06 US$'m	El Tesoro Year ended 31.12.06 US$'m	Michilla Year ended 31.12.06 US$'m
Turnover	**2,726.9**	**603.2**	**260.5**
Operating costs	(403.7)	(178.6)	(142.3)
Operating margin	2,323.2	424.6	118.2
Administrative and distribution expenses	(77.1)	(27.2)	(13.2)
Operating profit	**2,246.1**	**397.4**	**105.0**
Other income	0.8	0.3	0.8
Financial income	36.1	4.8	1.9
Financial expenses	(21.9)	(3.0)	(0.3)
Other expenses	(2.0)	(2.1)	(0.6)
Exchange difference	4.7	1.5	0.7
Net non-operating income	**17.7**	**1.5**	**2.5**
Profit before tax	**2,263.8**	**398.9**	**107.5**
Income tax expense	(419.1)	(75.2)	(21.5)
Profit for the financial period	**1,844.7**	**323.7**	**86.0**

(c) Cash flow statements

	Los Pelambres Year ended 31.12.06 US$'m	El Tesoro Year ended 31.12.06 US$'m	Michilla Year ended 31.12.06 US$'m
Net cash flow from operating activities	**1,896.8**	**352.2**	**112.0**
Investing activities			
Additions to fixed assets	(442.2)	(13.7)	(7.8)
Disposals of fixed assets	1.4	-	0.1
Net cash used in investing activities	**(440.8)**	**(13.7)**	**(7.7)**
Financing activities			
Dividends paid	(1,450.0)	(95.0)	(50.0)
Loans repaid	(81.4)	(28.0)	-
Net cash used in financing activities	**(1,531.4)**	**(123.0)**	(50.0)
Net (decrease)/increase in cash and cash equivalents	**(75.4)**	**215.5**	**54.3**
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	**485.3**	**219.0**	**69.5**

Notes to Chilean GAAP financial statements

(i) 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 year ended 31 December 2006 to be filed with the SVS in Chile on 30 March 2007. Certain detailed lines in the individual statements have been combined.

(ii) 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.

(iii) The amounts disclosed above represent the full amount for each company and not the Group's attributable share. The Group owns 60% of Los Pelambres, 100% of El Tesoro (61% prior to 24 August 2006) and 74.2% of Michilla.

(iv) 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.

30. Reconciliation of Chilean GAAP results to Turnover and EBITDA under IFRS for individual business segments

(a) Turnover

	Notes	Los Pelambres Year ended 31.12.06 US$'m	El Tesoro Year ended 31.12.06 US$'m	Michilla Year ended 31.12.06 US$'m
Chilean GAAP - Turnover		**2,726.9**	**603.2**	**260.5**
Mark-to-market of provisionally priced sales	(i)	(25.6)	(0.2)	-
Reclassification of realised losses on commodity derivatives to other operating expense	(ii)	-	61.8	74.4
IFRS - Turnover		**2,701.3**	**664.8**	**334.9**

(b) EBITDA

	Notes	Los Pelambres Year ended 31.12.06 US$'m	El Tesoro Year ended 31.12.06 US$'m	Michilla Year ended 31.12.06 US$'m
Chilean GAAP - Operating profit		2,246.1	397.4	105.0
Depreciation & amortisation		72.2	35.3	15.2
Chilean GAAP - EBITDA		2,318.3	432.7	120.2
Mark-to-market of provisionally priced sales	(i)	(25.6)	(0.2)	-
Mark-to-market of financial derivatives	(ii)	0.3	17.0	34.8
Other IFRS and consolidation adjustments	(iii)	4.0	6.5	3.4
IFRS - EBITDA		**2,297.0**	**456.0**	**158.4**

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 market 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.

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 year ended 31 December 2006. Accordingly, under IFRS, derivatives have 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.