

**Interim Results Announcement  
for the six months ended 30 June 2005**

13 September 2005

- *Turnover of US\$1,123.6 million (2004 half year – US\$753.4 million).*
- *Operating cash flow of US\$767.1 million (2004 half year – US\$517.3 million).*
- *Profit before tax of US\$ 739.5 million (2004 half year – US\$415.4 million).*
- *Earnings per share of 186.4 cents (2004 half year –105.2 cents).*
- *Interim dividend of 16 cents per share (2004 interim – 15 cents per share)\*.*

LME copper prices were significantly stronger in the period, averaging 151.1 cents per pound compared with 125.2 cents in the first half of 2004. Group copper production was 3.4% lower at 227,400 tonnes in this period (2004 half year – 235,400 tonnes). Group weighted average cash costs for copper \*\* reached a record low of negative 8.7 cents per pound (2004 half year positive cash costs of 31.2 cents per pound), as significantly higher molybdenum revenues outweighed higher operating costs. Group profit before tax increased to US\$739.5 million from US\$415.4 million last period, and earnings per share rose to 186.4 cents from 105.2 cents.

Jean-Paul Luksic, Chairman of Antofagasta, commented, “This is an excellent result for Antofagasta with a strong operating performance supported by high metal prices. Although some fundamentals for the future of continuing strong copper and molybdenum markets are being questioned by analysts, we expect to continue to benefit from current strong demand for the rest of the year.”

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 port management and water distribution.

*\* The interim dividend is paid in either sterling or US dollars. A conversion rate of £1=US\$1.8412 will be applied to the interim dividend giving shareholders who receive dividends in sterling an interim dividend of 8.69 pence per share.*

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

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## **DIRECTORS' COMMENTS FOR THE HALF YEAR TO 30 JUNE 2005**

The Group reported substantially improved results driven by higher copper and molybdenum prices. Profit before tax was up 78% to US\$739.5 million (2004 half year – US\$415.4 million) with earnings per share up 77% to 186.4 cents (2004 half year – 105.2 cents). LME copper prices averaged 151.1 cents per pound (2004 half year – 125.2 cents per pound) while molybdenum prices nearly trebled to average US\$33.4 per pound (2004 half year – US\$11.4 per pound). The Group also benefited from higher molybdenum production of 4,700 tonnes (2004 half year – 3,700 tonnes). Copper production decreased by 3.4% to 227,400 tonnes (2004 half year – 235,400 tonnes) mainly because of lower ore grades at Los Pelambres, in part due to the maximisation of molybdenum production. The higher metal prices and increased molybdenum production offset increased operating costs. The Group's transport and water operations also had a satisfactory half year with increased volumes and potential for future growth.

### **Interim Review of Operations**

#### **Los Pelambres**

Los Pelambres produced 154,900 tonnes of payable copper in the first half of 2005 compared with 165,000 tonnes in the 2004 first half. Lower ore grades averaged 0.78% (2004 half year – 0.88%) because of normal grade decline anticipated under the mine plan but also partly as a result of the decision to maximise molybdenum production. The decrease was partly offset by higher ore throughput as average processing levels increased to 126,500 tonnes per day (tpd) of ore compared with 121,400 tpd in the first six months of 2004.

Molybdenum production increased to 4,700 tonnes (2004 half year – 3,700 tonnes) as selective mining resulted in higher grades and improved recoveries. This combination enabled cash costs, which are stated net of by-product credits, to reach negative 48.1 cents per pound, as molybdenum revenues outweighed Los Pelambres' operating costs. Excluding by-product credits, copper production cash costs in the period increased to 69.9 cents per pound (2004 half year - 53.0 cents per pound). This was due to higher treatment and refining charges and higher input prices such as steel, energy and oil which, like the copper price, have risen in the current strong economic environment. Costs were also affected by the lower ore grade.

Realised copper prices were 159.8 cents per pound (2004 half year – 134.1 cents per pound) and realised molybdenum prices were US\$36.1 per pound (2004 half year – US\$14.4 per pound). The combination of higher realised copper and molybdenum prices offset the lower production volumes and higher underlying costs. This enabled Los Pelambres to increase operating profits by 87.5% to US\$620.1 million compared with US\$330.8 million in the first half of 2004.

After replacing its project finance loans with unsecured corporate loan facilities at the end of 2004, Los Pelambres further reduced its borrowings with a repayment in June of US\$38.3 million. Total borrowings were US\$438.4 million at 30 June 2005.

Los Pelambres continues to have one of the best safety records in the Chilean mining industry with a lost time frequency index, including contractors, of 0.7 accidents per million hours worked compared with an industry average in excess of 4.0 accidents per million hours worked.

Work has begun on the infrastructure for the Mauro tailings dam following environmental approval received in 2004. This approval allows Los Pelambres to increase its mineable reserves to 2.1 billion tonnes of ore taking into account the increased storage capacity of this dam. The Mauro project, which will cost approximately US\$450 million, is expected to be completed as planned by the end of 2007. In the second quarter of 2005 the Los Pelambres board also approved an expansion of the concentrator plant to increase average ore throughput to 140,000 tonnes per day, by increasing the power of the grinding lines and with the installation of an additional fifth ball mill at the concentrator plant. Work on this project, which will cost approximately US\$182 million, has also begun and is expected to be completed by mid-2007 with a marginal increase in throughput expected in mid-2006. Both the Mauro dam and the expansion to 140,000 tpd will be financed by Los Pelambres through its own cash resources.

Copper production at Los Pelambres for the full year is expected to reach 324,000 tonnes, marginally ahead of the Group's original forecast of 321,000 tonnes. Excluding by-product credits, cash costs are expected to be around 69 cents per pound, in line with the first half of the year. Molybdenum grades in the second half are expected to decline slightly but production is expected to reach 8,300 tonnes for the year compared with an earlier forecast of 7,200 tonnes.

### **El Tesoro**

Production at El Tesoro increased 6.4% to 49,900 tonnes (2004 half year – 46,900 tonnes) due to higher ore throughput and recoveries together with an increase in the ore grade from 1.34% to 1.37%. Cash costs nonetheless rose to 58.9 cents per pound compared with 50.5 cents in the first six months of 2004 due to a higher waste-to-ore ratio as well as increased input costs such as acid and fuel prices which have risen in the current economic environment.

Higher copper prices, including premiums obtained for El Tesoro's LME Grade A cathodes, offset the increase in cash costs, and operating profits were US\$97.6 million (2004 half year – US\$66.6 million).

El Tesoro replaced its project finance loans with unsecured corporate facilities. Following further repayments in the first half of this year El Tesoro's borrowings were US\$74.3 million at 30 June 2005.

During the first half of 2005 El Tesoro initiated a plant optimisation to increase processing capacity to 10.5 million tonnes of ore annually, compared with the current level of 9.7 million tonnes. The increased processing capacity should be completed by the fourth quarter of this year and formal environmental permits are expected to be issued in September.

El Tesoro expects to produce 97,000 tonnes of cathodes with cash costs averaging approximately 65 cents per pound.

### **Michilla**

Michilla produced 22,600 tonnes of cathodes to 30 June 2005 compared with 23,500 tonnes in the first half of 2004. Ore grades from the current phase of the open pit, which provides more than 50% of the ore for the crushing plant, have been lower than expected. The area being mined, which is located near former underground workings, is geologically complex. During the first half of 2005, Michilla also experienced operational difficulties in the underground mine which affected grades and throughput. Costs have also risen due to higher sulphuric acid and other input prices, as well as the effect of a stronger peso. These factors combined to increase cash costs to 112.2 cents per pound in the first half of 2004 compared to 84.7 cents per pound in the first six months of last year.

Strong copper prices compensated for increased costs and enabled Michilla to make an operating profit of US\$9.6 million (2004 half year - US\$9.5 million).

Michilla is continuing its exploration programme initiated at the end of 2004, in order to identify further ore resources with drilling concentrated on the underground Estefania Este area.

Higher processing levels should allow production for the year to reach around 46,000 tonnes with cash costs expected at 115 cents per pound for the year.

### **Projects and Exploration**

The Group spent US\$8.0 million on exploration in the first six months to June 2005. The principal focus was the Esperanza project, located approximately 5 kilometres from El Tesoro. The project is advancing to the pre-feasibility stage and includes a 40,000 metre drilling programme, the construction of a 2.25 kilometre exploration decline, and metallurgical and engineering studies. Completion is expected by October 2006 at a budgeted cost of US\$15.3 million. Approximately 800 metres of the decline has been constructed with the drilling programme expected to be completed by September 2005. The current drill-inferred sulphide resource at Esperanza is 469 million tonnes of copper with an average grade of 0.63% and 0.27 g/t of gold.

### **Railway and Other Transport Services**

Rail volumes transported were steady at 2.2 million tons (2004 half year – 2.1 million tons) and turnover was US\$44.7 million compared with US\$39.9 million in 2004. Train Ltda., the road transport subsidiary, also continued to perform well. Operating results for the transport division were slightly down.

The FCAB's medium-term prospects remain positive. During the first half of 2005 the Railway signed two new contracts: firstly, with Apex Silver Mines' San Cristobal polymetallic project in southwest Bolivia and secondly with BHP Billiton's Spence copper project in Chile's Second Region near El Tesoro. These projects should start to contribute to additional rail tonnages from the second half of 2006, eventually increasing overall volumes by up to 20%.

### **Aguas de Antofagasta**

Aguas de Antofagasta, which began operations in Chile's Second Region at the end of 2003, has continued to perform satisfactorily. Combined industrial and domestic water sales increased from 16.0 million cu. m. in the first half of 2004 to 16.6 million cu. m. Turnover in the first six months of 2005 was US\$25.8 million, compared with US\$22.1 million in the first six months of 2004. A programme to improve the quality of service and productivity levels is resulting in a progressive reduction in water losses.

A contract has been signed with BHP Billiton's Spence project for the supply of water for the construction period and subsequently for its operations. Detailed engineering studies are underway to supply water for a possible future expansion of the Collahuasi mine owned by Noranda and Anglo American.

### **Dividends**

An interim dividend of 16 cents (2004 interim – 15 cents) will be paid on 13 October 2005 to ordinary shareholders on the register at the close of business on 23 September 2005. Dividends are payable in either US dollars or sterling, and shareholders who receive dividends in sterling will be paid an interim dividend of 8.69 pence per share, based on an exchange rate of £1=US\$1.8412. Further details are given in Note 9 to this Interim Report.

### **Current Trading Prospects**

Copper prices remain at historically high levels having averaged just under 170 cents per pound since the end of June, traditionally a weaker summer period. Visible inventory levels remain low at around 120,000

tonnes representing less than three days of world consumption. The copper market remains volatile, against a background of strong global economic growth, a weak dollar, smelting constraints and supply disruption; market commentators remain divided about the future direction of prices. Most commentators expect the market to move towards a balance of supply and demand during 2006 and prices to ease back from the current levels as higher mine production and greater smelting capacity becomes available. The tight inventory position suggests, nevertheless, that the market remains vulnerable to any supply disruption or delays in the limited number of new mines or expansions currently underway.

Although molybdenum prices have retreated from the peak of US\$39 per pound reached at the beginning of June 2005, they remain at exceptionally high historical levels, averaging US\$30 per pound since the end of June. Increases in supply from primary producers in North America and from copper mines producing molybdenum as a by-product have been offset by disruption to production in China due to a number of factors, particularly safety and environmental issues. Demand also remains strong, both in the stainless steel sector and in non-metallurgical applications. Prices should eventually ease as supply responds to the current highs and existing production difficulties in China are resolved.

Group copper production is expected to be just under 470,000 tonnes this year and molybdenum production around 8,300 tonnes. Although underlying cash costs have increased as a result of pressures affecting all mines, copper and molybdenum prices remain robust. Antofagasta should continue to benefit from current strength in metals prices.

12 September 2005

## FINANCIAL COMMENTARY FOR THE HALF YEAR TO 30 JUNE 2005

### Results

Turnover increased by 49.1% to US\$1,123.6 million, compared with US\$753.4 million in the first six months of 2004. The increase was mainly due to higher metal prices and higher sales volumes at all three mines, which enabled turnover from the mining division to increase by US\$361.7 million. Copper sales volume increased by 6.9% from 209,800 tonnes in the first six months of 2004, when some shipments of concentrate were delayed until the second half of that year, to 224,300 tonnes in the first six months of this year. Molybdenum sales volumes also increased by 16.2% to 4,300 tonnes compared with 3,700 tonnes in the same period of last year. The Group's realised copper price averaged 159.1 cents per pound (2004 half year – 133.1 cents per pound) while the realised molybdenum price increased significantly from US\$14.4 per pound in the first half of 2004 to US\$36.0 per pound. Realised copper and molybdenum prices are determined by comparing turnover (gross of tolling charges for concentrates) with sales volume in the period. Realised prices exceeded market prices mainly because, in line with industry practice, concentrate sales agreements at Los Pelambres generally provide for provisional pricing at the time of shipment with final pricing based on the average market price for future periods (normally 30 to 180 days after delivery to the customer). These pricing adjustments were positive as copper and molybdenum prices generally increased during the first half. Sales of LME-registered cathodes by El Tesoro and Michilla also benefited from strong cathode premiums, reflecting tight market conditions. Turnover from the transport division (FCAB) increased by US\$4.8 million to US\$44.7 million, while Aguas de Antofagasta, which operates the Group's water business, increased by US\$3.7 million to US\$25.8 million, reflecting higher transport tonnages and water sales volumes respectively.

Excluding by-product credits (which are reported as part of turnover), weighted average cash costs for the Group as a whole increased from 55.7 cents per pound in the first half of 2004 to 71.7 cents per pound, reflecting the impact of higher treatment and refining charges and input costs, as well as lower grades and higher waste-to-ore ratios. Nevertheless, the strong metal prices and higher sales volumes enabled Group operating profits to increase by 73.1% to US\$739.0 million (2004 half year – US\$426.9 million), despite these higher operating costs. Operating profits at the transport division decreased by US\$1.5 million compared to the 2004 despite improved transport tonnages, mainly due to lower revenues from ancillary services. Aguas de Antofagasta contributed US\$11.9 million compared to US\$ 10.4 million in the same period last year.

EBITDA (earnings before interest, depreciation, tax and amortisation) in the first half of 2005 was US\$806.4 million, compared with US\$505.7 million in the first half of 2004. This is calculated by adding back

depreciation and amortisation of US\$63.6 million (2004 first half – US\$71.5 million) and other amounts written off plant, property and equipment of US\$3.8 million (2004 half year – US\$7.3 million).

The Group's share of net profit from its 30% investment in Antofagasta Terminal Internacional S.A. ("ATI"), acquired at the end of 2004, was US\$0.5 million. This compares with an acquisition cost of US\$2.9 million.

Net finance costs in the period were nil, as interest receivable of US\$15.4 million offset interest payable of US\$12.2 million and other net finance charges, including net foreign exchange losses, of US\$3.2 million. This compared with net finance costs of US\$11.5 million in the first half of 2004, comprising interest receivable of US\$9.8 million, interest payable of US\$14.9 million and other net finance charges, including net foreign exchange losses, of US\$6.4 million. Higher interest receivable resulted mainly from higher cash and deposit balances held by the Group, while interest payable decreased with loan repayments, including prepayments made in the second half of 2005. As the Group was in a net cash position during 2004, it also benefited from the increase in market interest rates.

The resulting profit before tax for the period was US\$739.5 million compared to US\$415.4 million in the first six months of 2004.

Tax (including deferred tax) amounted to US\$132.0 million (2004 half year – US\$79.2 million), reflecting the increased profit for the period. The tax charge comprises current tax of US\$118.3 million (2004 half year – US\$75.7 million) and deferred tax of US\$13.7 million (US\$3.5 million). The tax charge in the first half of 2005 includes a provision of US\$8.7 million for withholding taxes, and is the principal reason the effective tax rate of 17.9% exceeds the Chilean statutory tax rate of 17%. The effective tax rate in the first half of 2004 was 19.1% mainly due to non-deductible costs incurred by the operations.

Earnings per share were 186.4 cents compared with 105.2 cents for the corresponding period last year, reflecting the higher profit after tax and minority interests.

## **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 trading purposes, but as it has not applied the hedge accounting provisions of IAS 39 "Financial Instruments: Recognition and Measurement", derivatives are measured at fair value in the balance sheet with changes in value recognised in the income statement.

At 30 June 2005, Group had min/max instruments for 78,150 tonnes of copper production, with a weighted average floor of 117.7 cents per pound and a weighted average cap of 151.7 cents per pound. These instruments had an average duration of four months. The Group's exposure to the copper price up to this

level of production will be limited to the extent that market prices exceed the cap or fall below the floor at each relevant exercise date.

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

## **Cash Flows, Cash and Debt**

Net cash inflow from operating activities was US\$767.1 million in the first six months of 2005 compared with US\$517.3 million in the same period last year, reflecting the improved operating results adjusted for depreciation, amortisation and normal working capital movements. A dividend of US\$1.0 million was received from the Group's investment in ATI, acquired at the end of 2004.

Tax payments in the period were US\$191.5 million, compared with US\$4.8 million in the first six months of 2004. The significant increase arose because at the beginning of 2004, Los Pelambres and El Tesoro absorbed the tax losses which derived from the start up of their operations in 1999 and 2001 respectively. The current tax liability for these operations in respect of 2004 was paid in the first half of 2005.

Capital expenditure was US\$79.2 million in the period. This included first expenditures on the Mauro tailings dam project at Los Pelambres and the investment in additional ore processing capacity at El Tesoro.

Dividends paid to ordinary shareholders of the Company in the first six months of this year were US\$124.3 million (2004 half year – US\$47.0 million), which related to the final dividend declared in respect of 2004 including a special dividend of 40 cents per ordinary share. Dividends paid by subsidiaries to minority shareholders were US\$114.3 million (2004 half year – US\$18.8 million), principally due to increased distributions by Los Pelambres.

Repayment of borrowings, mainly at Los Pelambres and El Tesoro, were US\$67.1 million compared with US\$111.5 million in the first half of 2004. Regular repayments are now lower following the prepayments and refinancings which took place at the end of 2004. The repayments in the first half of 2004 also included repayment of short-term facilities of US\$41.5 million drawn down the previous year.

Details of other cash inflows and outflows in the period are contained in the Consolidated Cash Flow Statement on page 13.

At 30 June 2005, the Group had cash and cash equivalents of US\$1,064.6 million (2004 – US\$491.3 million), which includes cash balances held by Los Pelambres to finance the Mauro tailings dam and the

plant expansion projects. Excluding the minority share in each partly-owned operation, the Group's share of this balance was US\$793.6 million (2004 – US\$351.4 million).

Total Group borrowings at 30 June 2005 were US\$524.7 million (2004 – US\$749.1 million); of this, US\$319.4 million (2004 – US\$448.9 million) is proportionally attributable to the Group after excluding the minority shareholdings in partly-owned operations. The decrease in debt is mainly due to further principal repayments at Los Pelambres and El Tesoro as explained above.

## **Balance Sheet**

Net equity (i.e. equity attributable to ordinary shareholders of the Company) increased from US\$1,465.5 million at the beginning of the year to US\$1,702.7 million, relating mainly to profit after tax and minority interests for the period less the ordinary dividend for 2004 which was approved and paid in the first half of 2005.

Minority interests increased from US\$604.5 million at the beginning of the year to US\$722.2 million, principally reflecting the minority's share of profit after tax less the minority's share of the dividends approved or paid by subsidiaries in the period.

## **International Financial Reporting Standards**

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

12 September 2005

## Consolidated Income Statement

		Six months ended 30.6.05	Six months ended 30.6.04	Year ended 31.12.04
	Notes	US\$'m	US\$'m	US\$'m
<b>Group turnover</b>	3,4	<b>1,123.6</b>	753.4	1,942.1
Total operating costs	3,4	<b>(384.6)</b>	(326.5)	(738.7)
<b>Group operating profit</b>		<b>739.0</b>	426.9	1,203.4
Share of income from associate	13	<b>0.5</b>	-	-
<b>Total profit from operations and associates</b>	4	<b>739.5</b>	426.9	1,203.4
Net finance costs	6	-	(11.5)	(4.9)
<b>Profit before tax</b>		<b>739.5</b>	415.4	1,198.5
Income tax expense	7	<b>(132.0)</b>	(79.2)	(241.9)
<b>Profit for the financial year</b>		<b>607.5</b>	336.2	956.6
Attributable to:				
Minority interests		<b>240.0</b>	128.7	377.1
<b>Equity holders of the Company (net earnings)</b>		<b>367.5</b>	207.5	579.5
		US cents	US cents	US cents
<b>Basic earnings per share</b>	8	<b>186.4</b>	105.2	293.9
<b>Dividends to ordinary shareholders of the Company</b>				
<b>Per share</b>		US cents	US cents	US cents
Dividends per share proposed in relation to the period	9	<b>16.0</b>	15.0	79.0
Dividends per share paid in the period		<b>64.0</b>	24.0	39.0
<b>In aggregate</b>		US\$'m	US\$'m	US\$'m
Dividends proposed in relation to the period	9	<b>31.5</b>	29.6	155.8
Dividends paid in the period		<b>126.2</b>	47.3	76.9

There was no potential dilution of earnings per share in any period set out above.

The results relate wholly to continuing operations.

## Consolidated Balance Sheet

		At 30.6.05	At 30.6.04	At 31.12.04
	Notes	US\$m	US\$m	US\$m
<b>Non-current assets</b>				
Intangible asset	10	88.1	83.1	93.2
Property, plant and equipment	11	1,807.1	1,807.1	1,796.1
Investment property	12	3.1	2.8	3.2
Investment in associate	13	2.4	-	2.9
Available for sale investments	14	0.2	0.2	0.1
Deferred tax assets	18	2.5	1.5	1.6
		<b>1,903.4</b>	<b>1,894.7</b>	<b>1,897.1</b>
<b>Current assets</b>				
Inventories		87.3	80.9	69.9
Trade and other receivables		340.1	190.8	349.8
Current tax assets		1.6	4.7	1.0
Financial instruments -derivatives	5	0.9	-	0.2
Cash and cash equivalents	20	1,064.6	491.3	881.4
		<b>1,494.5</b>	<b>767.7</b>	<b>1,302.3</b>
<b>Total assets</b>		<b>3,397.9</b>	<b>2,662.4</b>	<b>3,199.4</b>
<b>Current liabilities</b>				
Short-term borrowings	15, 20	(103.3)	(125.5)	(104.7)
Financial instruments -derivatives	5	(6.2)	(6.3)	(2.3)
Trade and other payables		(113.5)	(106.7)	(135.3)
Current tax liabilities		(87.8)	(66.6)	(162.2)
		<b>(310.8)</b>	<b>(305.1)</b>	<b>(404.5)</b>
<b>Non-current liabilities</b>				
Medium and long term borrowings	15, 20	(421.4)	(623.6)	(498.1)
Trade and other payables		(3.1)	(1.3)	(1.3)
Post-employment benefit obligations	16	(16.8)	(12.8)	(16.2)
Long-term provisions	17	(10.2)	(11.7)	(13.2)
Deferred tax liabilities	18	(210.7)	(140.7)	(196.1)
		<b>(662.2)</b>	<b>(790.1)</b>	<b>(724.9)</b>
<b>Total liabilities</b>		<b>(973.0)</b>	<b>(1,095.2)</b>	<b>(1,129.4)</b>
<b>Net assets</b>		<b>2,424.9</b>	<b>1,567.2</b>	<b>2,070.0</b>
<b>Equity</b>				
Share capital		16.6	16.6	16.6
Share premium		272.4	272.4	272.4
Translation reserves		4.4	(6.0)	8.5
Retained earnings		1,409.3	825.6	1,168.0
Net equity attributable to equity holders of the Company		<b>1,702.7</b>	<b>1,108.6</b>	<b>1,465.5</b>
Minority interests		722.2	458.6	604.5
<b>Total equity</b>		<b>2,424.9</b>	<b>1,567.2</b>	<b>2,070.0</b>

The interim financial information was approved by the Board of Directors on 12 September 2005.

## Consolidated Cash Flow Statement

		Six months ended 30.6.05	Six months ended 30.6.04	Year ended 31.12.04
	Note	US\$m	US\$m	US\$m
<b>Cash flows from operations</b>	19	<b>767.1</b>	517.3	1,253.5
Dividend from associate		<b>1.0</b>	-	-
Income tax paid		<b>(191.5)</b>	(4.8)	(14.3)
<b>Net cash flow from operating activities</b>		<b>576.6</b>	512.5	1,239.2
<b>Investing activities</b>				
Acquisition of subsidiary		-	-	(0.1)
Recovery of IVA (Chilean VAT) paid on purchase of water concession		<b>3.8</b>	-	5.8
Acquisition of investment in associate		-	-	(2.9)
Purchases of property, plant and equipment		<b>(79.2)</b>	(31.1)	(80.4)
Proceeds from sale of property, plant and equipment		<b>0.4</b>	0.2	0.2
Purchase of available for sale investments		-	(0.4)	-
Proceeds from disposal of available for sale investments		-	0.1	0.1
<b>Net cash used in investing activities</b>		<b>(75.0)</b>	(31.2)	(77.3)
<b>Financing activities</b>				
Dividends paid to equity holders of the Company		<b>(124.3)</b>	(47.0)	(76.5)
Dividends paid to preference shareholders of the Company		<b>(0.1)</b>	(0.1)	(0.2)
Dividends paid to minority interests		<b>(114.3)</b>	(18.8)	(120.8)
Interest paid, including payments under interest derivatives		<b>(11.8)</b>	(14.2)	(32.5)
Interest received		<b>14.7</b>	2.2	11.1
Realised gains from currency swaps		-	7.5	7.5
Net proceeds from issue of new borrowings		-	0.3	558.0
Repayments of borrowings		<b>(67.1)</b>	(111.5)	(818.4)
Repayments of obligations under finance leases		<b>(12.7)</b>	(1.7)	(2.9)
Movement on medium term deposits		-	27.0	27.0
<b>Net cash used in financing activities</b>		<b>(315.6)</b>	(156.3)	(447.7)
Net increase in cash and cash equivalents		<b>186.0</b>	325.0	714.2
<b>Cash and cash equivalents at beginning of period</b>		<b>881.4</b>	168.7	168.7
Net increase in cash and cash equivalents		<b>186.0</b>	325.0	714.2
Effect of foreign exchange rate changes		<b>(2.8)</b>	(2.4)	(1.5)
<b>Cash and cash equivalents at end of period</b>	20	<b>1,064.6</b>	491.3	881.4

## Consolidated statements of changes in equity

### For the six months ended 30 June 2004

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

### For the year ended 31 December 2004

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

### For the six months ended 30 June 2005

	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	<b>1,465.5</b>	604.5	<b>2,070.0</b>
Profit for the financial period	-	-	-	367.5	<b>367.5</b>	240.0	<b>607.5</b>
Currency translation adjustment	-	-	(4.1)	-	<b>(4.1)</b>	(0.2)	<b>(4.3)</b>
Dividends	-	-	-	(126.2)	<b>(126.2)</b>	(122.1)	<b>(248.3)</b>
Balance at 30 June 2005	16.6	272.4	4.4	1,409.3	<b>1,702.7</b>	722.2	<b>2,424.9</b>

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

## Notes to the interim financial statements

### 1. General information and accounting policies

#### a) General information

These June 2005 interim consolidated financial statements are for the six months ended 30 June 2005. The information for the year ended 31 December 2004 does not constitute statutory accounts as defined in section 240 of the Companies Act 1985. A copy of the statutory accounts for that year, which were prepared under UK Generally Accepted Accounting Principles ("UK GAAP"), has been delivered to the Registrar of Companies. The auditors' report on these accounts was unqualified.

#### b) Accounting policies

For accounting periods beginning on or after 1 January 2005, the Group is required to prepare consolidated financial statements in accordance with International Financial Reporting Standards ("IFRSs") in place of UK GAAP. For these purposes, IFRSs comprise the Standards and Interpretations issued by the International Accounting Standards Board ("IASB") and Interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC") that have been, or are expected to be, endorsed by the European Union by 31 December 2005.

These interim financial statements, including all comparatives, have been prepared using the accounting policies consistent with all IFRS Standards and Interpretations published by 31 December 2004 which are mandatory for accounting periods beginning on or after 1 January 2005. The Group has also chosen to adopt IFRS 6 "Exploration for and Evaluation of Mineral Resources" early. These interim financial statements are covered by IFRS 1 "First-time adoption of International Financial Reporting Standards" because they form part of the period included in the Group's first IFRS financial statements for the year ended 31 December 2005. The Group has applied the exemption not to comply fully with International Accounting Standard 34 "Interim Financial Reporting".

The accounting policies and methods of computation followed in these interim financial statements are those set out in the news release "Adoption of International Financial Reporting Standards and Restatements for 2004" published by the Company on 13 September 2005. The news release, including full disclosure of these accounting policies, is available on the Company's website [www.antofagasta.co.uk](http://www.antofagasta.co.uk) or from the Company's Registered Office. These policies have been consistently applied to all periods presented in these interim financial statements.

### 2. Production and Sales Statistics (Neither Audited nor Reviewed)

(See notes following Note 2(d).)

#### a) Production volumes for copper and molybdenum

	Six months ended 30.6.05 000 tonnes	Six months ended 30.6.04 000 tonnes	Year ended 31.12.04 000 tonnes
<b>Copper</b>			
Los Pelambres	154.9	165.0	350.6
El Tesoro	49.9	46.9	97.8
Michilla	22.6	23.5	50.0
<b>Group total</b>	<b>227.4</b>	<b>235.4</b>	<b>498.4</b>
<b>Molybdenum</b>			
Los Pelambres	4.7	3.7	7.9

b) Sales volumes for copper and molybdenum

	Six months ended 30.6.05	Six months ended 30.6.04	Year ended 31.12.04
	000 tonnes	000 tonnes	000 tonnes
<b>Copper</b>			
Los Pelambres	150.6	139.8	352.2
El Tesoro	50.6	47.1	98.3
Michilla	23.1	22.9	50.2
<b>Group total</b>	<b>224.3</b>	<b>209.8</b>	<b>500.7</b>
<b>Molybdenum</b>			
Los Pelambres	4.3	3.7	7.9

c) Cash costs per pound of copper produced

	Six months ended 30.6.05	Six months ended 30.6.04	Year ended 31.12.04
	cents	cents	cents
<b>Copper</b>			
Los Pelambres	(48.1)	18.0	7.9
El Tesoro	58.9	50.5	52.4
Michilla	112.2	84.7	85.6
<b>Group weighted average (including by-products)</b>	<b>(8.7)</b>	<b>31.2</b>	<b>24.3</b>
<b>Group weighted average (before deducting by-products)</b>	<b>71.7</b>	<b>55.7</b>	<b>56.6</b>
<b>Cash costs at Los Pelambres comprise:</b>			
On-site and shipping costs	43.9	36.4	37.2
Tolling charges for concentrates	26.0	16.6	16.5
<b>Cash costs before deducting by-product credits</b>	<b>69.9</b>	<b>53.0</b>	<b>53.7</b>
By-product credits (principally molybdenum)	(118.0)	(35.0)	(45.8)
<b>Cash costs (net of by-product credits)</b>	<b>(48.1)</b>	<b>18.0</b>	<b>7.9</b>

d) Realised prices per pound for copper and molybdenum and market prices

	Six months ended 30.6.05	Six months ended 30.6.04	Year ended 31.12.04
	cents	cents	cents
<b>Copper</b>			
Los Pelambres	159.8	134.1	141.5
El Tesoro	157.9	131.2	136.9
Michilla	157.1	131.3	137.4
<b>Group weighted average</b>	<b>159.1</b>	<b>133.1</b>	<b>140.2</b>
<b>LME average</b>	<b>151.1</b>	<b>125.2</b>	<b>130.0</b>
	US\$	US\$	US\$
<b>Molybdenum</b>			
Los Pelambres	36.0	14.4	21.5
<b>Market average price</b>	<b>33.4</b>	<b>11.4</b>	<b>16.2</b>

**Notes to the production and sales statistics**

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

**3. Operating profit**

	Six months ended 30.6.05	Six months ended 30.6.04	Year ended 31.12.04
	US\$m	US\$m	US\$m
<b>Turnover</b>	<b>1,123.6</b>	753.4	1,942.1
Cost of sales	<b>(311.7)</b>	(262.2)	(593.4)
<b>Gross profit</b>	<b>811.9</b>	491.2	1,348.7
Administrative expenses	<b>(59.3)</b>	(52.1)	(118.1)
Closure provision	<b>3.9</b>	(0.6)	(1.2)
Severance charges	<b>(2.5)</b>	(1.0)	(3.2)
Exploration costs	<b>(8.0)</b>	(2.7)	(10.3)
Other operating income	<b>2.1</b>	1.0	4.7
Other operating expenses	<b>(9.1)</b>	(8.9)	(17.2)
<b>Group operating profit</b>	<b>739.0</b>	426.9	1,203.4
<b>Share of income from associate</b>	<b>0.5</b>	-	-
<b>Total profit from operations and associates</b>	<b>739.5</b>	426.9	1,203.4

#### 4. Segmental analysis

##### a) Turnover by operation

	Six months ended 30.6.05	Six months ended 30.6.04	Year ended 31.12.04
	US\$m	US\$m	US\$m
Los Pelambres	797.0	488.9	1,362.8
El Tesoro	176.1	136.2	296.6
Michilla	80.0	66.3	152.1
<b>Mining</b>	<b>1,053.1</b>	691.4	1,811.5
<b>Railway and other transport services</b>	<b>44.7</b>	39.9	85.7
<b>Water concession</b>	<b>25.8</b>	22.1	44.9
	<b>1,123.6</b>	753.4	1,942.1

##### Notes to turnover by operation

- (i) Turnover from Railway and other transport services is stated after eliminating inter-segmental sales to the mining division of US\$4.1 million (2004 half year – US\$3.3 million).
- (ii) 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.

##### Turnover prior to deduction of tolling charges:

	Six months ended 30.6.05	Six months ended 30.6.04	Year ended 31.12.04
	US\$m	US\$m	US\$m
Copper	530.6	413.3	1,098.4
Molybdenum	341.7	117.7	374.9
Gold and silver	9.5	7.1	16.8
<b>Los Pelambres</b>	<b>881.8</b>	538.1	1,490.1

##### Tolling charges:

	Six months ended 30.6.05	Six months ended 30.6.04	Year ended 31.12.04
	US\$m	US\$m	US\$m
Copper	(71.0)	(43.2)	(111.4)
Molybdenum	(13.6)	(5.8)	(15.4)
Gold and silver	(0.2)	(0.2)	(0.5)
<b>Los Pelambres</b>	<b>(84.8)</b>	(49.2)	(127.3)

**Turnover (net of tolling charges) included in Group turnover:**

	Six months ended 30.6.05	Six months ended 30.6.04	Year ended 31.12.04
	US\$m	US\$m	US\$m
Copper	459.6	370.1	987.0
Molybdenum	328.1	111.9	359.5
Gold and silver	9.3	6.9	16.3
<b>Los Pelambres</b>	<b>797.0</b>	<b>488.9</b>	<b>1,362.8</b>

**b) Earnings before interest, tax, depreciation and amortisation (EBITDA) by operation**

	Six months ended 30.6.05	Six months ended 30.6.04	Year ended 31.12.04
	US\$m	US\$m	US\$m
Los Pelambres	655.4	374.7	1,072.0
El Tesoro	110.8	82.7	179.6
Michilla	18.0	19.6	53.6
Exploration	(8.0)	(2.7)	(10.3)
Corporate and other items	(6.7)	(3.7)	(10.2)
<b>Mining</b>	<b>769.5</b>	<b>470.6</b>	<b>1,284.7</b>
<b>Railway and other transport services</b>	<b>19.8</b>	<b>21.0</b>	<b>41.8</b>
<b>Water concession</b>	<b>17.1</b>	<b>14.1</b>	<b>30.2</b>
	<b>806.4</b>	<b>505.7</b>	<b>1,356.7</b>

EBITDA is calculated by adding back depreciation, amortisation and amounts written off plant, property and equipment (see Note 4(c)) to operating profit (see Note 4(d)).

**c) Depreciation and amortisation by operation**

	Six months ended 30.6.05	Six months ended 30.6.04	Year ended 31.12.04
	US\$m	US\$m	US\$m
Los Pelambres	34.8	42.3	80.2
El Tesoro	13.1	11.2	22.3
Michilla	6.9	10.0	13.9
Corporate and other items	0.2	0.2	0.4
<b>Mining</b>	<b>55.0</b>	<b>63.7</b>	<b>116.8</b>
<b>Railway and other transport services</b>	<b>4.5</b>	<b>4.2</b>	<b>9.1</b>
<b>Water concession</b>	<b>4.1</b>	<b>3.6</b>	<b>8.3</b>
	<b>63.6</b>	<b>71.5</b>	<b>134.2</b>
<b>Amounts written off plant, property and equipment</b>	<b>3.8</b>	<b>7.3</b>	<b>19.1</b>
	<b>67.4</b>	<b>78.8</b>	<b>153.3</b>

## d) Operating profit/(loss) by operation

	Six months ended 30.6.05	Six months ended 30.6.04	Year ended 31.12.04
	US\$m	US\$m	US\$m
Los Pelambres	620.1	330.8	988.7
El Tesoro	97.6	66.6	151.4
Michilla	9.6	9.5	31.6
Exploration	(8.0)	(2.7)	(10.3)
Corporate and other items	(6.9)	(3.9)	(10.7)
<b>Mining</b>	<b>712.4</b>	<b>400.3</b>	<b>1,150.7</b>
<b>Railway and other transport services</b>	<b>14.7</b>	<b>16.2</b>	<b>30.9</b>
<b>Water concession</b>	<b>11.9</b>	<b>10.4</b>	<b>21.8</b>
<b>Group operating profit</b>	<b>739.0</b>	<b>426.9</b>	<b>1,203.4</b>
<b>Share of income from associate</b>	<b>0.5</b>	<b>-</b>	<b>-</b>
<b>Total profit from operations and associates</b>	<b>739.5</b>	<b>426.9</b>	<b>1,203.4</b>

## e) Capital expenditure by operation

	Six months ended 30.6.05	Six months ended 30.6.04	Year ended 31.12.04
	US\$m	US\$m	US\$m
Los Pelambres	35.4	14.7	47.7
El Tesoro	28.7	4.2	10.0
Michilla	7.1	7.2	14.8
Corporate and other items	1.2	0.1	0.2
<b>Mining</b>	<b>72.4</b>	<b>26.2</b>	<b>72.7</b>
<b>Railway and other transport services</b>	<b>7.0</b>	<b>4.3</b>	<b>7.1</b>
<b>Water concession</b>	<b>1.6</b>	<b>0.7</b>	<b>1.4</b>
	<b>81.0</b>	<b>31.2</b>	<b>81.2</b>

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

## 5. Derivatives and embedded derivatives

### 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:

	At 30.6.05	At 30.6.04	At 31.12.04
	US\$m	US\$m	US\$m
<b>Balance sheet</b>			
Pelambres - copper concentrate	2.1	(15.3)	17.6
Pelambres - molybdenum concentrate	14.9	3.1	32.9
Tesoro - copper cathodes	(0.4)	-	0.8
Michilla - copper cathodes	(0.4)	0.1	0.4
	<u>16.2</u>	<u>(12.1)</u>	<u>51.7</u>
	Six months ended 30.6.05	Six months ended 30.6.04	Year ended 31.12.04
	US\$m	US\$m	US\$m
Mark-to-market effect on turnover	<u>(35.5)</u>	<u>(8.8)</u>	<u>11.3</u>

Copper concentrate sales at Los Pelambres totalling 112,900 tonnes at 30 June 2005 remained open as to price, with an average mark-to-market price of 152.9 cents per pound.

Molybdenum concentrate sales at Los Pelambres totalling 1,700 tonnes at 30 June 2005 remained open as to price, with an average mark-to-market price of US\$37.4 per pound.

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

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

	At 30.6.05	At 30.6.04	At 31.12.04
	US\$m	US\$m	US\$m
<b>Balance sheet</b>			
Current assets - derivative financial instruments	0.9	-	0.2
Current liabilities - derivative financial instruments	(6.2)	(6.3)	(2.3)
	<u>(5.3)</u>	<u>(6.3)</u>	<u>(2.1)</u>
	At 30.6.05	At 30.6.04	At 31.12.04
	US\$m	US\$m	US\$m
<b>Balance sheet - net position</b>			
Commodity	(3.8)	-	0.2
Interest	(1.5)	(6.3)	(2.2)
Exchange	-	-	(0.1)
	<u>(5.3)</u>	<u>(6.3)</u>	<u>(2.1)</u>
	Six months ended 30.6.05	Six months ended 30.6.04	Year ended 31.12.04
	US\$m	US\$m	US\$m
<b>Income statement</b>			
Mark-to-market effect on other operating expenses	(4.0)	3.8	4.0
Mark-to-market effect on net finance costs	0.8	3.5	7.5
	<u>(3.2)</u>	<u>7.3</u>	<u>11.5</u>

The Group had min/max instruments at 30 June 2005 for 78,150 tonnes of copper production, with a weighted average floor of 117.7 cents per pound and a weighted average cap of 151.7 cents per pound. These instruments had a weighted average duration of 4.4 months and covered a period of 1.5 years.

The Group had interest rate collars at 30 June 2005 with a notional principal amount of US\$111.5 million, with a weighted average floor of 5.01% and a weighted average cap of 5.99%. These instruments had a weighted average duration of 1.1 years.

The Group had outstanding forward exchange contracts at 30 June 2005 to buy US dollars and sell pesos with a net value of US\$3 million. The duration of these instruments was 1.5 months.

## 6. Net finance costs

	Six months ended 30.6.05	Six months ended 30.6.04	Year ended 31.12.04
	US\$m	US\$m	US\$m
Interest receivable	15.4	9.8	19.2
Interest payable	(12.2)	(14.9)	(34.0)
Foreign exchange	(3.1)	(9.4)	3.3
Mark-to-market effect of derivatives	0.8	3.5	7.5
Preference dividends	(0.1)	(0.1)	(0.2)
Discount charge relating to provisions	(0.8)	(0.4)	(0.7)
<b>Net finance cost</b>	<b>-</b>	<b>(11.5)</b>	<b>(4.9)</b>

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

## 7. Taxation

The tax charge for the period is comprised as follows:

	Six months ended 30.6.05	Six months ended 30.6.04	Year ended 31.12.04
	US\$m	US\$m	US\$m
Current tax charge	(118.3)	(75.7)	(183.1)
Deferred tax charge	(13.7)	(3.5)	(58.8)
	<b>(132.0)</b>	<b>(79.2)</b>	<b>(241.9)</b>

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

The effective tax rate for the six months ended 30 June 2005 was 17.9%, compared with the Chilean statutory tax rate of 17%. This was principally due to the provision of additional deferred tax of US\$8.7 million in the period for withholding taxes. The effective tax rate for the six months ended 30 June 2004 was 19.1% and for the year ended 31 December 2004 was 20.2%. In the 2004 financial year, US\$36 million was provided for such withholding taxes accounting for the higher effective tax rate that year.

## 8. Earnings per share

Earnings per share is calculated on profit after tax and minority interest giving net earnings of US\$367.5 million (2004 half year – US\$207.5 million) and based on 197,171,339 ordinary shares in issue throughout both periods.

There was no potential dilution of ordinary shares in either 2004 or the six months ended 30 June 2005.

## 9. Dividends

Dividends are declared in US dollars but may be paid in either dollars or sterling. Shareholders on the register of members with an address in the United Kingdom receive dividend payments in sterling, unless they elect to be paid in dollars. All other shareholders are paid by cheque in dollars, unless they have previously instructed the Company's registrar to pay dividends by bank transfer to a sterling bank account, or they elect for payment by cheque in sterling. The Company's registrar must receive any such election before the record date of 23 September 2005.

The Board has declared an interim dividend of 16 cents per ordinary share (2004 half year – 15 cents) for payment on 13 October 2005 to shareholders on the register at the close of business on 23 September 2005. Dividends are declared and paid gross. The exchange rate to be applied for the conversion of dividends will be £1 = US\$1.8412 (2004 half year - £1=US\$1.8151), giving those shareholders who will be paid in sterling an interim dividend of 8.69 pence per ordinary share (2004 half year – 8.2640 pence).

In 2004, the Group proposed an ordinary dividend of 39 cents per share and a special dividend per share of 40 cents per share, giving a total dividend for the year of 79 cents per ordinary share.

## 10. Intangible asset – concession right

Concession right	Six months ended 30.6.05	Six months ended 30.6.04	Year ended 31.12.04
	US\$m	US\$m	US\$m
Balance at the beginning of the period	93.2	90.6	90.6
Amortisation	(1.6)	(1.4)	(3.3)
Foreign currency exchange difference	(3.5)	(6.1)	5.9
<b>Balance at the end of the period</b>	<b>88.1</b>	83.1	93.2

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

## 11. Property, plant and equipment

	Mining	Railway and other transport	Water Concession	Six months ended 30.6.05	Six months ended 30.6.04	Year ended 31.12.04
	US\$m	US\$m	US\$m	US\$m	US\$m	US\$m
Balance at the beginning of the period	1,627.2	99.7	69.2	1,796.1	1,860.0	1,860.0
Additions	72.4	7.0	1.6	81.0	31.2	81.2
Acquisition	-	-	-	-	-	0.2
Transfers and reclassifications	(0.8)	-	-	(0.8)	(0.4)	0.3
Disposals and amounts written off property, plant and equipment	(2.5)	(0.6)	(1.1)	(4.2)	(7.3)	(19.1)
Depreciation	(55.0)	(4.5)	(2.5)	(62.0)	(70.1)	(130.9)
Foreign currency exchange difference	-	(0.6)	(2.4)	(3.0)	(6.3)	4.4
<b>Balance at the end of the period</b>	<b>1,641.3</b>	101.0	64.8	<b>1,807.1</b>	1,807.1	1,796.1

## 12. Investment property

	Six months ended 30.6.05	Six months ended 30.6.04	Year ended 31.12.04
	US\$m	US\$m	US\$m
Balance at the beginning of the period	3.2	3.0	3.0
Foreign currency exchange difference	(0.1)	(0.2)	0.2
<b>Balance at the end of the period</b>	<b>3.1</b>	<b>2.8</b>	<b>3.2</b>

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

## 13. Investment in associate

	Six months ended 30.6.05	Six months ended 30.6.04	Year ended 31.12.04
	US\$m	US\$m	US\$m
Balance at the beginning of the period	2.9	-	-
Acquisition	-	-	2.9
Share of profit before tax	0.6	-	-
Share of tax	(0.1)	-	-
Dividends received	(1.0)	-	-
Foreign currency exchange difference	-	-	-
<b>Balance at the end of the period</b>	<b>2.4</b>	<b>-</b>	<b>2.9</b>

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

## 14. Available for sale investments

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

## 15. Borrowings

	At 30.6.05	At 30.6.04	At 31.12.04
	US\$m	US\$m	US\$m
<b>Los Pelambres</b>			
Corporate loans	(419.8)	(552.8)	(457.9)
Other loans	(16.7)	(21.5)	(19.1)
<b>El Tesoro</b>			
Corporate loans	(73.7)	(138.4)	(99.7)
Subordinated debt	-	(9.7)	-
Finance leases	(0.3)	(13.2)	(12.2)
<b>Michilla</b>			
Finance leases	(3.2)	(1.6)	(2.1)
<b>Railway and other transport services</b>			
Loans	(7.4)	(8.2)	(7.9)
<b>Other</b>			
Preference shares	(3.6)	(3.7)	(3.9)
<b>Total</b>	<b>(524.7)</b>	<b>(749.1)</b>	<b>(602.8)</b>

Loans at 30 June 2005 are shown net of deferred financing costs of US\$2.2 million (30 June 2004 – US\$2.5 million; 31 December 2004 – US\$2.4 million). The amount in relation to Los Pelambres was US\$1.9 million (30 June 2004 – nil; 31 December 2004 – US\$2.1 million). The amount in relation to El Tesoro was US\$0.3 million (30 June 2004 – US\$2.5 million; 31 December 2004 – US\$0.3 million)

### Maturity of borrowings

	At 30.6.05	At 30.6.04	At 31.12.04
	US\$m	US\$m	US\$m
Short-term borrowings	(103.3)	(125.5)	(104.7)
Medium and long-term borrowings	(421.4)	(623.6)	(498.1)
	<b>(524.7)</b>	<b>(749.1)</b>	<b>(602.8)</b>

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

## 16. Post-employment benefit obligation

	Six months ended 30.6.05	Six months ended 30.6.04	Year ended 31.12.04
	US\$m	US\$m	US\$m
Balance at the beginning of the period	(16.2)	(13.0)	(13.0)
Charge to operating profit in the period	(2.5)	(1.0)	(3.2)
Release of discount to net interest in period	(0.4)	(0.2)	(0.1)
Reclassification	1.0	(0.3)	(0.5)
Utilised in period	0.4	0.6	0.7
Foreign currency exchange difference	0.9	1.1	(0.1)
<b>Balance at the end of the period</b>	<b>(16.8)</b>	<b>(12.8)</b>	<b>(16.2)</b>

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

	Six months ended 30.6.05	Six months ended 30.6.04	Year ended 31.12.04
	US\$m	US\$m	US\$m
Balance at the beginning of the period	(13.2)	(11.6)	(11.6)
Charge to operating profit in the period	3.9	0.6	1.2
Release of discount to net interest in period	(0.5)	(0.2)	(0.6)
Utilised in period	(0.4)	(0.5)	(2.2)
<b>Balance at the end of the period</b>	<b>(10.2)</b>	<b>(11.7)</b>	<b>(13.2)</b>
Analysed as follows:			
Decommissioning and restoration	(10.0)	(11.6)	(13.0)
Termination of water concession	(0.2)	(0.1)	(0.2)
<b>Balance at the end of the period</b>	<b>(10.2)</b>	<b>(11.7)</b>	<b>(13.2)</b>

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.

## 18. Deferred tax assets and liabilities

	Six months ended 30.6.05	Six months ended 30.6.04	Year ended 31.12.04
	US\$m	US\$m	US\$m
Net position at the beginning of the period	(194.5)	(135.7)	(135.7)
Charge to tax on profit in period	(13.7)	(3.5)	(58.8)
<b>Net position at the end of the period</b>	<b>(208.2)</b>	<b>(139.2)</b>	<b>(194.5)</b>
Analysed between:			
Deferred tax assets	2.5	1.5	1.6
Deferred tax liabilities	(210.7)	(140.7)	(196.1)
<b>Net position</b>	<b>(208.2)</b>	<b>(139.2)</b>	<b>(194.5)</b>

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

	Six months ended 30.6.05	Six months ended 30.6.04	Year ended 31.12.04
	US\$m	US\$m	US\$m
Profit before tax	739.5	415.4	1,198.5
Depreciation and amortisation	63.6	71.5	134.2
Amounts written off property, plant and equipment	3.8	7.3	19.1
Net finance costs	-	11.5	4.9
Share of profit of associate	(0.5)	-	-
Increase in inventories	(17.6)	(20.1)	(9.5)
Decrease/(increase) in debtors	4.0	20.7	(140.7)
(Decrease)/increase in creditors and provisions	(25.7)	11.0	47.0
<b>Cash flow from operations</b>	<b>767.1</b>	<b>517.3</b>	<b>1,253.5</b>

**20. Analysis of changes in net borrowings**

	At 1.1.05	Cash Flows	Other	Exchange	At 30.06.05
	US\$m	US\$m	US\$m	US\$m	US\$m
Cash and cash equivalents	881.4	186.0	-	(2.8)	<b>1,064.6</b>
Bank borrowings due within one year	(102.1)	51.1	(50.9)	0.1	<b>(101.8)</b>
Bank borrowings due after one year	(482.5)	16.0	50.7	-	<b>(415.8)</b>
Finance leases due within one year	(2.6)	2.3	(1.3)	0.1	<b>(1.5)</b>
Finance leases due after one year	(11.7)	10.4	(0.7)	-	<b>(2.0)</b>
Preference shares	(3.9)	-	-	0.3	<b>(3.6)</b>
Total borrowings	(602.8)	79.8	(2.2)	0.5	<b>(524.7)</b>
Net borrowings	278.6	265.8	(2.2)	(2.3)	<b>539.9</b>

**Net cash/(borrowings)**

Net cash and net borrowings at the end of each period is as follows:

	At 30.6.05	At 30.6.04	At 31.12.04
	US\$m	US\$m	US\$m
Cash and cash equivalents	<b>1,064.6</b>	491.3	881.4
Total borrowings	<b>(524.7)</b>	(749.1)	(602.8)
	<b>539.9</b>	(257.8)	278.6

## 21. Reconciliation between UK GAAP and IFRS

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

- net earnings (profit after tax and minority interests) for the six months ended 30 June 2004 and the year ended 31 December 2004;
- net equity (excluding minority interests) at 1 January 2004 (the date of transition), 30 June 2004 and 31 December 2004.

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

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

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

Net earnings are stated after tax and minority interests.

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

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

Net equity is stated excluding minority interests.

## 22. Other disclosures

### Contingent assets and liabilities

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

### Changes in estimates

During the six months ended 30 June 2005, the Group conducted a formal review of its mine closure plans and accordingly reassessed the decommissioning and restoration provisions for each mine.

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

### Related Party Transactions

The ultimate parent company of the Group is Metalinvest Establishment, a company controlled by the estate of Mr. A A Luksic and his family interests. The Company's subsidiaries, in the ordinary course of business, enter into various sale, purchase and transactions with companies also controlled by the estate of Mr. A A Luksic and his family interests, including Quinenco S.A., a Chilean industrial and financial conglomerate the shares of which are traded on the Santiago and New York Stock Exchanges. These transactions are under terms that are no more favourable than those arranged with third parties. These transactions, in total, are not considered to be material.

The Group has a 30% interest in Antofagasta Terminal Internacional S.A. ("ATI"), which is accounted for as an associate. The Group received dividends during the period of US\$1.0 million, as disclosed in the Consolidated Cash Flow Statement on page 13.

## 23. Currency translation

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

	<b>Period end rates</b>	<b>Average rates</b>
30.06.05	US\$ 1.7905 = £1; US\$1 = Ch\$579	US\$1.8737 = £1; US\$1 = Ch\$580
30.06.04	US\$1.8185 = £1; US\$1 = Ch\$636	US\$1.8222 = £1; US\$1 = Ch\$608
31.12.04	US\$1.9257 = £1; US\$1 = Ch\$557	US\$1.8457 = £1; US\$1 = Ch\$607

## 24. Distribution

These results will be sent by first class post to all shareholders on 13 September 2005. Copies of this report will be available for members of the public who are not shareholders at the Company's registered office, 5 Princes Gate, London SW7 1QJ (telephone: +44 20 7808 0988).

## Independent Review Report to Antofagasta plc

### Introduction

We have been instructed by the Company to review the financial information for the six months ended 30 June 2005 which comprises the consolidated profit and loss account, the consolidated balance sheet, the consolidated cash flow statement, the consolidated statement of changes in equity and related Notes 1 to 24, with the exception of Note 2. We have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

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

### Directors' responsibilities

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

### International Financial Reporting Standards

As disclosed in Note 1, the next annual financial statements of the Group will be prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted for use in the European Union. Accordingly, the Interim Report has been prepared in accordance with the recognition and measurement criteria of IFRS and the disclosure requirements of the Listing Rules.

### Review work performed

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

### Review conclusion

On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the six months ended 30 June 2005.

Deloitte & Touche LLP  
Chartered Accountants  
London  
12 September 2005