

Chilean Northern Mines Limited

Registered Number 111449

Directors' Report and Accounts

31 December 2002



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Chilean Northern Mines Limited

Report of the Directors

The Directors present their Annual Report and the audited financial statements for the year ended 31 December 2002.

Review of business and future developments

The principal activity of the Company is the holding of investments.

Results and dividends

The loss on ordinary activities after taxation is £25,754,756 (2001 – profit of £49,989,422). The Directors recommend the payment of dividend of £21,185,680 (2001 – £45,586,407). The retained loss of £46,940,436 (2001 – profit of £4,403,015) has been transferred to reserves.

Directors

The following were Directors throughout the year:

AA Luksic (Chairman)
PJ Adeane
CH Bailey
JP Luksic
GS Menendez

No Director had an interest in the shares of the Company or in any contract to which the Company was a party during the year. The interests of the Directors in the capital of the UK parent company, Antofagasta plc, are disclosed in the accounts of that company.

Insurance

During the year the parent company, Antofagasta plc, purchased Directors' and Officers' liability insurance on behalf of the Group as permitted by Section 310 (3) of the Companies Act 1985.

Statement of Directors' responsibilities

United Kingdom company law requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company as at the end of the financial year and of the profit or loss of the Company for that period. In preparing those financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

Chilean Northern Mines Limited

Report of the Directors' (continued)

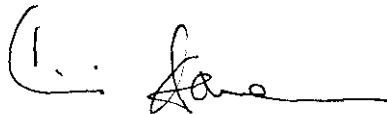
The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for the system of internal control, for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditors

On 1 August 2003 Deloitte & Touche transferred their business to Deloitte & Touche LLP, a limited liability partnership incorporated under the Limited Liability Partnerships Act 2000. The Company's consent has been given to treating the appointment of Deloitte & Touche as extending to Deloitte & Touche LLP with effect from 1 August 2003 under the provisions of section 26(5) of the Companies Act 1989. The Company has elected to dispense with the obligation to appoint auditors annually and, accordingly, Deloitte & Touche LLP shall be deemed to be re-appointed as auditors for a further term under the provisions of section 386(2) of the Companies Act 1985.

By Order of the Board

P J Adeane
Director
Park House
16 Finsbury Circus
London EC2M 7AH



25 September 2003

Chilean Northern Mines Limited

Independent Auditors' Report to the Members of Chilean Northern Mines Limited

We have audited the financial statements of Chilean Northern Mines Ltd for the year ended 31 December 2002 which comprise the profit and loss account, the balance sheet and the related notes 1 to 15. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' 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 and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As described in the statement of directors' responsibilities, the Company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and auditing standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the directors' report for the above year and consider the implications for our report if we become aware of any apparent misstatements.

Basis of audit opinion

We conducted our audit in accordance with United Kingdom auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the financial statements.

Chilean Northern Mines Limited

Independent Auditors' Report to the Members of Chilean Northern Mines Limited (continued)

Opinion

In our opinion the financial statements give a true and fair view of the state of the Company's affairs as at 31 December 2002 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche LLP

Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
London

25 September 2003

Chilean Northern Mines Limited

Profit and Loss Account for the year ended 31 December 2002

	Note	2002 £	2001 £
Administrative expenses		(30)	(3,719)
Exchange (loss)/gain		(21,892,853)	6,923,926
Other income	2	604,362	603,225
Liabilities released on dissolution of subsidiaries (exceptional)	3	-	42,134,510
Operating (loss)/profit		(21,288,521)	49,657,942
Income from other fixed asset investments		12,300	12,300
Amounts written off investments	8	(111,920)	(20,080)
(Loss) / profit on ordinary activities before interest and taxation		(21,288,141)	49,650,162
Interest receivable and similar income	4	305,000	339,260
(Loss) / profit on ordinary activities before taxation	5	(21,083,141)	49,989,422
Tax on loss/(profit) on ordinary activities	6	(4,671,615)	-
(Loss) / profit on ordinary activities after taxation		(25,754,756)	49,989,422
Dividends proposed	7	(21,185,680)	(45,586,407)
Retained (loss) / profit for the year	12	(46,940,436)	4,403,015
Reserves brought forward		56,807,223	52,404,208
Reserves carried forward		9,866,787	56,807,223

All activities were derived from continuing operations during the year and the preceding year.

There were no gains or losses arising during the year other than the loss on ordinary activities after taxation of £25,754,756 (2001 – profit of £49,989,422).

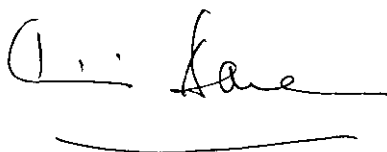
Chilean Northern Mines Limited

Balance Sheet as at 31 December 2002

	Note	2002 £	2001 £
Fixed assets			
Investments in subsidiary undertakings	8	50,676,286	50,788,206
Other investments	9	222,000	222,000
		50,898,286	51,010,206
Current assets			
Debtors due within one year	10	1,094,526	1,206,170
Debtors due after more than one year	10	199,959,721	224,861,741
Cash at bank and in hand		29,548	16,759
		201,083,795	226,084,670
Creditors - amounts falling due within one year			
Amounts owed to parent undertaking		(236,943,679)	(219,183,290)
Amounts owed to subsidiary undertakings		-	(604,363)
Corporation tax - withholding taxes	6	(4,671,615)	-
		(241,615,294)	(219,787,653)
Net current (liabilities)/assets		(40,531,499)	6,297,017
Total assets less current liabilities		10,366,787	57,307,223
Capital and reserves			
Called up share capital	11	500,000	500,000
Profit and loss account		9,866,787	56,807,223
Equity shareholders' funds	12	10,366,787	57,307,223

Approved by the Board on 25 September 2003

PJ Adeane
Director



Chilean Northern Mines Limited

Notes to The Financial Statements – 31 December 2002

1 Accounting policies

a) Basis of accounting

The Company prepares its financial statements under the historical cost convention and in accordance with applicable United Kingdom accounting standards.

b) Investments

Investments are stated at cost, at the exchange rate ruling on the date of acquisition, less provisions for impairment where appropriate.

c) Currency translation

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the year end rate of exchange. Profit and loss items, where incurred other than in sterling, are translated at the average rate for the year. The results for the year Exchange differences are shown as a separate item in the profit and loss account.

Year end rates

2002: £1 = US\$1.60

2001: £1 = US\$1.45

Average rates

2002: £1 = US\$1.50

2001: £1 = US\$1.44

d) Group accounts

The Company is a wholly owned subsidiary undertaking of a company incorporated in Great Britain and is therefore exempt under Section 228 of the Companies Act 1985 from the requirement to prepare group accounts.

2 Other income

Other income relates to commission on a loan to a fellow subsidiary undertaking.

3 Liabilities released on dissolution of subsidiaries (exceptional)

Certain wholly owned subsidiaries, whose only assets were intercompany balances due from the Company totalling £42,134,510 and which had no liabilities, were dissolved at the end of 2000 and formal confirmation of dissolution was received in early 2001. These subsidiaries were held at nil cost of investment, and amounts due from the Company were released on dissolution. The gain by the Company on the release of amounts due to the dissolved subsidiaries has been reflected as an exceptional gain in 2001. There were no comparable exceptional gains in 2002.

4 Interest receivable and similar income

	2002	2001
	£	£
Interest receivable from fellow subsidiary undertaking	304,268	338,983
Other interest receivable	732	277
	<hr/>	<hr/>
	305,000	339,260

Chilean Northern Mines Limited

Notes To The Financial Statements – 31 December 2002 (continued)

5 (Loss)/profit on ordinary activities before taxation

None of the Directors received any emoluments for their services to the Company (2001 - £nil).

There were no employees, other than directors, in 2002 (2001 - nil).

The auditors' remuneration is borne by the United Kingdom parent company in the current and prior years.

6 Tax on (loss)/profit on ordinary activities

The Company is resident outside the United Kingdom and accordingly is not liable to United Kingdom corporation tax. The principal factors affecting the current tax charge during the year are set out below.

	2002 £	2001 £
Profit on ordinary activities before taxation	(21,083,141)	49,989,422
Profit on ordinary activities multiplied by a nil standard rate of corporation tax	-	-
Withholding tax charge for the year	4,671,615	-
Current tax charge for the year	4,671,615	-

Withholding taxes relate to an accrual for non-recoverable withholding taxes payable on receipt of inter-company interest from fellow subsidiary undertakings in Chile. The withholding taxes were paid when the interest was received in 2003.

7 Dividend proposed

The Directors recommend the payment of a dividend of £21,185,680 (2001 - £45,586,407), which amounts to £42.3714 per share.

8 Investment in subsidiary undertakings

Investments in subsidiary undertakings at cost:

	£
Balance at 1 January 2002	50,788,206
Write down of fixed asset investment	(111,920)
Balance at 31 December 2002	50,676,286

Full provision has been made against the Company's investment in Sierra Gorda Limitada, being mining rights in Chile, as the Group's policy is not to capitalise exploration-related costs.

The Directors are of the opinion that the value of investments in subsidiary undertakings is not less than the aggregate amount at which they are shown above.

Chilean Northern Mines Limited

Notes To The Financial Statements – 31 December 2002 (continued)

The principal subsidiary undertakings are described below:

Name	Business	Percentage of equity and voting rights held	Country of incorporation	Country of operation
Helleborus Anstalt	Holding company	100%	Liechtenstein	Liechtenstein
Anaconda South America, Inc.	Holding company	100%	USA	USA
Lamborn Land Co	Land	100%	USA	Chile
Los Pelambres Holding Company Limited	Holding company	100%	Jersey	Jersey

9 Fixed asset investments

Other investments may be analysed as follows:

	£
Balance at 1 January 2002 and 31 December 2002	222,000

These investments represent shares in Oceans Wilson and are quoted on the UK Stock Exchange with a market value of £132,225 at 31 December 2002.

10 Debtors

	2002 £	2001 £
Amounts due within one year		
Amounts owed by fellow subsidiary undertakings	1,094,526	1,206,170
Amounts due after more than one year		
Amounts owed by fellow subsidiary undertakings	199,959,721	224,861,741

11 Called up share capital

	31 December 2002 and 2001 Authorised	Issued and fully paid
500,000 ordinary shares of £1 each	500,000	500,000

Each ordinary share is entitled to one vote. Each ordinary share is entitled to a dividend.

Chilean Northern Mines Limited

Notes To The Financial Statements – 31 December 2002 (continued)

12 Reconciliation of movements in shareholders' funds

	2002 £	2001 £
(Loss) / Profit for the financial year	(25,754,756)	49,989,422
Dividends	(21,185,680)	(45,586,407)
Net (decrease) / increase to shareholders' funds	(46,940,436)	4,403,015
Opening shareholders' funds	57,307,223	52,904,208
Closing shareholders' funds	10,366,787	57,307,223

13 Cash flow statement

The Company is a wholly owned subsidiary undertaking of Antofagasta plc which has prepared a consolidated cash flow statement as required by FRS 1 (revised 1996). The Company is accordingly exempt from the requirement to prepare a cash flow statement under FRS 1 (revised 1996).

14 Related party transactions

The Company is a wholly owned subsidiary of Antofagasta plc and as permitted by Financial Reporting Standard 8 "Related Party disclosures" transactions with other entities in the Group are not disclosed.

15 Ultimate parent company

The ultimate parent company is Dolberg Finance Corporation, a company incorporated in Liechtenstein and which is controlled by the Chairman, Mr. A A Luksic, and his family. The United Kingdom parent company is Antofagasta plc a company incorporated in Great Britain and listed on the London Stock Exchange.

Antofagasta plc is the only parent undertaking to prepare Group accounts. Copies of these accounts are available from Antofagasta plc, Park House, 16 Finsbury Circus, London EC2M 7AH.