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QV.1 Building, 250 St Georges Terrace, Telephone +61 8 9211 7777 (switch)
Perth WA 6000 Australia Facsimile +61 8 9211 7878
DX 104 Perth

From Justin Mannolini
Phone 08 9211 7777
Email justin.mannolini@freehills.com

To Companies Announcements
Manager
Australian Stock Exchange
Limited
Fax 1900 999 279

Pages 7

4 January 2006

Matter no 80781036

Doc no Perth003952004

**Skafell Pty Ltd - Takeover Bid for Tethyan Copper Company Limited –
Fifth Supplementary Bidder's Statement**

Please see the attached.

Freehills

4 January 2006

Our ref JJM
Phone +61 8 9211 7777
Email Justin.mannolini@freehills.com
Matter no 80781036
Doc no Perth003952002

Company Announcements Manager
Australian Stock Exchange Limited
Level 4
Exchange Centre
20 Bridge Street
SYDNEY NSW 2000

Dear Sir

**Takeover bid by Skafell Pty Limited for Tethyan Copper Company Ltd
Fifth Supplementary Bidder's Statement**

We act for Skafell Pty Limited ACN 114 187 334 (Skafell) in relation to its off-market takeover bid for Tethyan Copper Company Limited ABN 24 093 519 692.

On behalf of our client, we attach by way of service pursuant to sub-section 647(3)(b) of the Corporations Act 2001 (Cth), Skafell's supplementary bidder's statement dated 4 January 2006.

Yours faithfully
Freehills



Justin Mannolini
Partner

Skafell Pty Limited ACN 114 187 334

Fifth Supplementary Bidder's Statement

1 Introduction

This document is a supplementary bidder's statement under section 643 of the Corporations Act 2001 (Cth). It is the fifth supplementary bidder's statement (**Fifth Supplementary Bidder's Statement**) issued by Skafell Pty Limited ACN 114 187 334 (**Skafell**) in relation to its off-market takeover offer (**Offer**) for all the ordinary shares in Tethyan Copper Company Limited ABN 24 093 519 692 (**Tethyan**). This Fifth Supplementary Bidder's Statement supplements, and should be read together with, Skafell's bidder's statement dated 30 June 2005 (**Bidder's Statement**), Skafell's first supplementary bidder's statement dated 14 July 2005, Skafell's second supplementary bidder's statement dated 5 August 2005, Skafell's third supplementary bidder's statement dated 4 November 2005 and Skafell's fourth supplementary bidder's statement dated 14 December 2005.

2 Letter to Tethyan shareholders

A copy of an open letter from Skafell to Tethyan shareholders containing information in relation to new circumstances that have arisen since the Bidder's Statement was lodged with ASIC is attached as Annexure A to this Fifth Supplementary Bidder's Statement.

3 Other notices

Unless the context otherwise requires, terms defined in this Fifth Supplementary Bidder's Statement have the same meaning as in the Bidder's Statement.

A copy of this Fifth Supplementary Bidder's Statement has been lodged with ASIC. Neither ASIC nor any of its officers take any responsibility for its contents.

Signed for and on behalf of Skafell following a resolution of the directors of Skafell



Shahzad Ashfaq, Director

Dated: 4 January 2006

Annexure A – Letter to Tethyan shareholders

Skafell Pty Ltd

(ACN 114 187 334)

3 January 2006

Dear Tethyan Shareholder,

Your company's senior management issued a Media Release dated 23rd December 2005 which, once again, raises more questions than it answers. Tethyan's approach to disclosure remains highly and damagingly selective. The media release fails to address or quantify several of the key points raised by the agreements entered into between Antofagasta Plc, BHP Billiton and Tethyan.

Skafell will provide a more comprehensive response to Tethyan shareholders once further details of the proposed transaction are made available by the company. We have been promised that an extraordinary general meeting is to be held by late February 2006, but since there is no definitive date, we would like to provide shareholders with a summary of our initial views – namely that after months of scrambling around and having discussions with several Asian and International copper mining companies, Tethyan has apparently rushed into a highly dilutive and economically damaging deal that is far less appealing than the management team would have you believe.

It is interesting to note that the market appears to agree with our assessment, as the company's shares have, since the media release, traded at a significant discount to the price of the new issue of shares to Antofagasta (if it proceeds), closing on 29 December 2005 at \$0.675.

Shareholders should be concerned and be asking questions about the following issues.

Dilution, Dilution, Dilution

Under the proposed transaction, which your board and management has so eagerly endorsed, Tethyan Shareholders face additional significant dilution, without any clear guidance on the incremental value created through that dilution.

Note that Tethyan shareholders face an immediate 20% dilution in Tethyan itself, and a further 50% dilution via the creation of a Joint Venture Company. **In basic terms, and subject to further clarification on the points below, if the transaction with Antofagasta proceeds as planned, existing shareholders will own only 80% of 50% of an asset of which they currently own 100%, diluting their interest in Reko Diq by a massive 60%.**

Despite this:

- full funding for the development of the project has not been identified, never mind confirmed;
- Tethyan shareholders risk suffering further as the company hands over operational and day to day control to Antofagasta; and
- Tethyan's management still provides no guidance or estimates on the timing of commercial production, or what value Tethyan shareholders can look forward to.

Joint Venture Company: Tethyan will become a holding non operating Company

As a result of the proposed Agreement, Tethyan Copper Company Limited will no longer be an operating company, but essentially a holding company with a 50% interest in a Joint Venture Company, which in turns holds all the rights under the Exploration License 5, 6, and 8 and Reconnaissance License number 7. Antofagasta would own the remaining 50% interest in the Joint Venture Company.

One consequence of this arrangement would be that dividends to Tethyan shareholders would be contingent upon Antofagasta agreeing to dividends being paid by the Joint Venture Company, which cannot be taken for granted – Antofagatsa may take a very different view to how the Reko Diq projects should be developed. In any event, cash returns to shareholders are now an even more distant prospect than when Skafell first launched its offer.

Management should provide clarification to Tethyan shareholders on how key matters such as dividend policy will be governed.

Furthermore, Tethyan Shareholders should keep in mind that, as things stand prior to any agreement with Antofagasta, and even if BHP Billiton was to exercise its clawback right, Tethyan would retain a 30% direct interest (to the extent Tethyan currently has a 100% interest, or 22.5% where Tethyan has a 75% interest) in the significant mineralized occurrence, in addition to being entitled to compensation of 310% of costs incurred.

To put this in perspective, if BHP were to exercise its clawbacks right on any of the significant mineralized occurrence deposits identified thus far, it would have to pay Tethyan in excess of US\$16 million in compensation. Shareholders should expect and seek clarification from Tethyan management on whether the Joint Venture Company will pay Tethyan shareholders US\$16 million in cash.

Furthermore, will Tethyan Shareholders retain the 30% interest with the 70% clawback rights being transferred to the Joint Venture Company or will 100% be transferred? If not, what is the compensation to Tethyan Shareholders for the transfer of the 30% interest currently owned by them which is not subject to the clawback?

Operational risks of sharing control with a company with absolutely no international experience

Shareholders should be extremely concerned that day to management of the Joint Venture Company will be shared with Antofagasta, a company that, with all due respect, has even less claim to being capable in a country such as Pakistan than Tethyan.

As an Australian company, Tethyan has at least managed to maintain a credible dialogue with the wide variety of counterparties that need to be handled in a project of this complexity. In having the clawback rights reside with BHP Billiton, an internationally acclaimed "major", Tethyan was seen as being a junior partner in a larger and more credible context. These advantages have disappeared, and Tethyan's shareholders must now ponder how a company run from Santiago, Chile, can bring value to the management of a project in a remote region of Pakistan.

Tanjeel Project: Will Tethyan lose 50% of its interest in Tanjeel?

Tethyan's media release fails to provide clarification on the future prospects of Tanjeel. Will Tanjeel remain within Tethyan or will all rights for Tanjeel also go into the Joint Venture Company? Currently 100% of Tanjeel is owned by Tethyan, without any BHP clawback rights. What is the compensation for Tethyan Shareholders for having the Tanjeel project transferred into the Joint Venture Company, if that is the case?

Tethyan's management have repeatedly maintained the attractiveness of Tanjeel on a stand alone basis and, until recently, repeatedly stressed that Tanjeel would be the stepping stone to further development and value creation for Tethyan shareholders. Tethyan shareholders should be told whether they can expect any compensation in the event of having to give up 50% interest in Tanjeel. **Or is Tethyan management, which for so long defended the value of Tanjeel, suddenly (and silently) conceding that it has no or minimal value as a stand-alone project?**

Terms of US\$75 million into the operating Joint Venture Company

What are the exact terms of the US\$75 million in sole funding committed by Antofagasta? The media release provides no meaningful details on this and other fundamental issues relating to the economics of the transaction:

- Should US\$75 million be spent by Antofagasta, what can Tethyan shareholders expect in terms of project status and timing of commencement of first production?
- What is the equity interest, if any, that Antofagasta would hold in the Joint Venture Company prior to any of the US\$75 million sole funding being committed?
- What percentage of the Joint Venture Company will Antofagasta own if it spends only US\$50 million?
- What are the fallback provisions for Tethyan Shareholders if Antofagasta does not expend the US\$75 million, as the funding is at their discretion?

These are material questions to which Tethyan shareholders need answers to in order to evaluate the attractiveness of the Autofagasta transaction versus the offer made by Skafell. Skafell offers guaranteed now to shareholders, whilst this convoluted and inter-conditional transaction, that appears to have been hurried through with indecent haste (and which remains subject to both due diligence and definitive documentation), will not only dilute, but may also damage shareholder value.

Tethyan Board and Management

The Tethyan Management and Board continue to advise shareholders to reject the Skafell bid without providing any answers to the questions repeatedly raised by Skafell, which have a direct impact on shareholders. Shareholders should demand clear cut answers now, rather than allow the Management and Board to continue to evade the questions. The tired and repetitive posture adopted by Tethyan management when confronted with the questions that Skafell and all shareholders have raised is unacceptable.

Additional correspondence from Skafell

Skafell will communicate again with Tethyan shareholders prior to the planned extraordinary general meeting, once further details on the transaction are provided by Tethyan Management.

In the meantime, Skafell reserves the right to amend the terms of its offer, and reminds shareholders that its offer is the only cash alternative currently in place.

Yours sincerely,



Shahzad Ashfaq
Director
Skafell Pty Ltd