

MINERA EL TESORO
UNAUDITED FINANCIAL STATEMENTS
FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2006

(TRANSLATION FROM SPANISH VERSION
FILED WITH SUPERINTENDENCIA DE VALORES Y SEGUROS
DE CHILE 29TH NOVEMBER 2006)

MINERA EL TESORO

BALANCE SHEET AT SEPTEMBER 30, 2006

(In thousands of US Dollars - ThUS\$)

ASSETS	ThUS\$
CURRENT ASSETS:	
Cash in hand and at bank	130
Time deposits	116,527
Trade debtors	60,012
Sundry debtors	2,658
Inventories	51,386
Recoverable taxes	2,970
Prepaid expenses	2,275
Other current assets	<u>22</u>
Total current assets	<u>235,980</u>
FIXED ASSETS:	
Land	301
Mining properties	46,529
Construction and infrastructure	145,191
Machinery and equipment	120,881
Other fixed assets	<u>26,853</u>
Subtotal	339,755
Less: Accumulated depreciation	<u>(80,161)</u>
Total fixed assets	<u>259,594</u>
OTHER ASSETS:	
Mine development costs	47,806
Others	<u>6,956</u>
Total other assets	<u>54,762</u>
TOTAL ASSETS	<u><u>550,336</u></u>

The accompanying notes are an integral part of this financial statement

LIABILITIES AND SHAREHOLDERS' EQUITY	ThUS\$
CURRENT LIABILITIES:	
Bank loans - senior debt, current portion	14,619
Accounts payable	6,416
Leasing obligations - current portion	117
Accounts payable to related companies	2,024
Sundry creditors	2,658
Accruals	25,952
Withholdings	14
Income tax payable	29,101
Deferred taxes	<u>205</u>
Total current liabilities	<u>81,106</u>
LONG-TERM LIABILITIES:	
Bank loans-senior debt	21,000
Leasing obligations	61
Accruals	6,143
Deferred taxes	<u>30,343</u>
Total long-term liabilities	<u>57,547</u>
SHAREHOLDERS' EQUITY:	
Paid-in capital	90,995
Retained earnings	77,442
Net income for the period	<u>243,246</u>
Total shareholders' equity	<u>411,683</u>
 TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	 <u><u>550,336</u></u>

MINERA EL TESORO

STATEMENTS OF INCOME FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2006 (In thousands of US Dollars - ThUS\$)

	ThUS\$
REVENUES	447,588
COST OF SALES	<u>(129,101)</u>
GROSS MARGIN	318,487
ADMINISTRATIVE AND SELLING EXPENSES	<u>(20,155)</u>
OPERATING INCOME	<u>298,332</u>
OTHER INCOME (EXPENSES):	
Financial income	1,844
Other income	160
Exchange differences	2,245
Financial expenses	(2,382)
Other expenses	<u>(1,132)</u>
Other income	<u>735</u>
INCOME BEFORE INCOME TAX	299,067
INCOME TAX	<u>(55,821)</u>
NET INCOME FOR THE PERIOD	<u><u>243,246</u></u>

The accompanying notes are an integral part of this financial statement

MINERA EL TESORO

STATEMENTS OF CASH FLOWS FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2006 (In thousands of US Dollars - ThUS\$)

	ThUS\$
RECONCILIATION OF NET CASH PROVIDED BY OPERATING ACTIVITIES AND NET INCOME FOR THE PERIOD	
Net income for the period	243,246
Charges (credits) to income which do not represent cash flows:	
Depreciation and amortization	26,009
Deferred taxes	4,630
Exchange differences	(2,245)
Write-off of fixed assets, net	1,581
Increase in assets which affect cash flows:	
Trade debtors	(32,622)
Sundry debtors and others	(430)
Inventories	(18,719)
Recoverable taxes	(35,107)
Other assets	(2,514)
Increase (decrease) in liabilities which affect cash flows:	
Accounts payable	(5,881)
Accounts payable to related companies	346
Income tax payable	53,331
Other liabilities	6,515
Net cash provided by operating activities	<u>238,140</u>
CASH FLOW FROM FINANCING ACTIVITIES	
Payment of senior debt	(21,000)
Payment of dividends	<u>(95,000)</u>
Net cash used in financing activities	<u>(116,000)</u>
CASH FLOW FROM INVESTING ACTIVITIES	
Purchase of fixed assets, net	<u>(8,959)</u>
NET POSITIVE CASH FLOW FOR THE PERIOD	113,181
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	<u>3,476</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u><u>116,657</u></u>

The accompanying notes are an integral part of this financial statement

MINERA EL TESORO

NOTES TO THE FINANCIAL STATEMENTS

(In thousands of US dollars - ThUS\$)

1. INCORPORATION OF THE COMPANY

The Company was incorporated as a contractual mining company by means of a public deed dated June 20, 1996. The corporate purpose of the Company is the exploration, development and exploitation of mining properties, comprising all stages involved in the mining industry. The Company started its exploitation stage on July 1, 2001.

According to the requirements of Law No.20,026 on the Specific Mining Tax published in the Official Gazette of 16/06/2005, and the relevant regulations issued by the Superintendence of Securities and Insurance ("SVS") through its Exempt Resolutions 549 of September 23, 2005 and 39 of February 2, 2006, the Company shall deliver its Audited Quarterly and Annual Financial Statements, and an Annual Report, to the SVS, in the manner and at the time stipulated in such Resolutions.

By express provision of the above regulations issued by the SVS, the Financial Statements and the Annual Report delivered for the operations and transactions occurred from January 1, 2006, will not be compared with 2005, for this year only, because 2006 is the first year this tax is in force.

2. SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES

a. General - The financial statements at September 30, 2006 have been prepared in accordance with accounting principles generally accepted in Chile.

b. Accounting period - The attached financial statements correspond to the nine month period between January 1 and September 30, 2006.

c. Basis of preparation - The official accounting records of the Company are maintained in US dollars.

Transactions in Chilean pesos have been translated into US dollars at the exchange rates prevailing on the date of the transaction. Assets and liabilities in Chilean pesos outstanding at the end of the period were translated into US dollars at the observed exchange rate published by the Chilean Central Bank of \$537.03 per US\$1.

d. Time deposits - Investments in time deposits include capital plus readjustment and interest accrued at period end.

e. Inventories - Inventories of semi-finished products, ore in stockpile, and finished products are stated at monthly average production cost, including indirect manufacturing costs. Materials are stated at weighted average acquisition cost.

These valuations do not exceed the respective net realizable values.

f. Fixed assets - Tangible fixed assets are presented at acquisition cost. Depreciation has been calculated based on the straight-line method, over the lower of the estimated mine life or the useful lives of the assets.

Fixed assets acquired by the Company through capital lease transactions, are accounted for as a purchase of fixed assets, recognizing the total obligation and interest on the accrual basis. Such assets are not legally owned by the Company until it exercises the purchase option.

Mining properties are presented at acquisition cost and are amortized based on mineral production.

g. Mine development costs - These assets are presented at acquisition cost or at mine development cost and include concepts such as consulting services, exploratory drilling, research and engineering, which are amortized based on mineral production.

h. Deferred cost - The Company capitalizes expenses associated with the refinancing of financial obligations, recording them as deferred costs in Other long-term assets. Previous year refinancing expenses are charged to income, whenever a new refinancing is agreed. These costs are being amortized under the straight-line method over the term of the debt.

i. Income tax and deferred taxes - The Company calculates its liabilities for First Category income tax and specific mining tax based on the net taxable income and operating taxable income, respectively, determined in accordance with current regulations. The effects of deferred taxes on temporary differences, tax losses and other events giving rise to differences between the accounting and tax base of assets and liabilities are recorded according to standards established in Technical Bulletins No.60 and their supplements of the Chilean Institute of Accountants.

j. Derivative contracts - The Company has entered into an interest rate collar contract in order to cover the variation experienced by the Libor rate on a portion of its senior debt. In addition, the Company has entered into copper forward contracts and Min-Max Zero Cost operations, which were defined as hedges of transactions to cover changes in the price of copper. As these contracts were defined as coverage of expected transactions, the unrealized result at the end of the period has been deferred, as established by Technical Bulletin N°57 of the Chilean Institute of Accountants (Note 11).

k. Vacations - The cost of employee vacations is recognized on the accrual basis.

l. Severance indemnity - Severance indemnity has been accrued for employees who have this contractual benefit and has been calculated at the present value of the projected cost of the benefit, using an annual discount rate of 6.5%.

m. Mine closure - The Company accrues the costs of mine closure and abandonment at the present value in conformity with corporate standards and considering legal environmental obligations entered into with government bodies, and are presented in long-term liabilities.

n. Statement of cash flows - In the statement of cash flows, the Company has considered as cash equivalent all readily disposable financial investments maturing within 90 days, including time deposits.

o. Revenues - Revenue from the sale of cathodes is recognized when the rights and obligations are transferred to the buyer.

3. TIME DEPOSITS

This item includes time deposits as follows:

a. Time deposits

	Currency	ThUS\$
Time deposits abroad	US\$	96,515
Local financial investments	Ch\$	<u>20,012</u>
Total time deposits		<u><u>116,527</u></u>

4. TRADE DEBTORS

Trade debtors receivables classified by location are as follows:

	ThUS\$
Foreign clients:	
Europe	35,577
Latin America	12,041
Pacific Asia	7,771
North America	<u>3,958</u>
Total foreign clients	<u>59,347</u>
Domestic clients:	<u>665</u>
Total	<u><u>60,012</u></u>

5. INVENTORIES

Inventories of the Company are as follows:

	ThUS\$
Finished products	5,084
Semi-finished products	38,043
Materials, raw materials and parts	<u>8,259</u>
Total	<u><u>51,386</u></u>

6. FIXED ASSETS

Fixed assets are accounted for as described in Note 2f and their detail as follows:

	ThUS\$
Land	<u>301</u>
Mining properties	<u>46,529</u>
Construction and infrastructure	
Facilities	83,994
Buildings and construction	27,751
Infrastructure	<u>33,446</u>
Total buildings and infrastructure	<u>145,191</u>
Machinery and equipment:	
Machinery and equipment	53,327
Mobile equipment	62,682
Minor equipment	4,194
Auxiliary equipment	<u>678</u>
Total machinery and equipment	<u>120,881</u>
Other fixed assets:	
Equipment	9,574
Computer equipment, software and hardware	891
Chattel	60
Leased assets	353
Construction in progress	57
Ongoing projects	5,039
Preoperating expenses	<u>10,879</u>
Total other fixed assets	<u>26,853</u>
Total fixed assets, gross	<u>339,754</u>
Total accumulated depreciation	<u>(80,161)</u>
Total fixed assets, net	<u><u>259,594</u></u>

7. DEVELOPMENT COSTS

As described in Note 2g, this balance mainly includes preoperational expenses incurred prior to the start-up and its detail is as follows:

	ThUS\$
Development costs:	
Project expenses	55,057
Financing	23,830
Development expenses property contribution	15,713
Preinvestment expenses	<u>7,560</u>
Total development costs	<u>102,160</u>
Accumulated amortization	<u>(54,354)</u>
Total development costs	<u><u>47,806</u></u>

8. BANKS LOANS - SENIOR DEBT

The balance is as follows:

Financial institution	Interest	Short term	Long term
		ThUS\$	ThUS\$
The Royal Bank of Scotland - BBVA	LIBOR+0,4%	<u>14,619</u>	<u>21,000</u>
Total		<u><u>14,619</u></u>	<u><u>21,000</u></u>

The senior debt has semi-annual maturity dates, ending December 2008.

9. ACCRUALS

The detail of this item is as follows:

	ThUS\$
Short-term:	
Operations	25,266
Freight, insurance, export commissions	<u>686</u>
Total short-term	<u><u>25,952</u></u>
Long-term:	
Severance indemnity	3,375
Mine closure	<u>2,768</u>
Total long-term	<u><u>6,143</u></u>

10. INCOME TAX AND DEFERRED TAXES

The balance of recoverable taxes is as follows:

	ThUS\$
Current assets:	
VAT Credit (net)	2,540
Others	<u>430</u>
Total short-term	<u><u>2,970</u></u>
Other assets:	
Additional tax for technical advisory services	984
Long-term tax credits	<u>237</u>
Total long-term	<u><u>1,221</u></u>

The long-term recoverable tax is included in Others under Other long-term assets.

a. Income tax and deferred taxes

At September 30, 2006, the Company provided for first category income tax based on the net taxable income of ThUS\$278,937, as determined in accordance with the Chilean Income Tax Law. The specific mining tax was calculated based on the operational taxable income of ThUS\$295,598.

The income tax and specific mining tax accruals are classified as income tax payable under current liabilities net of monthly provisional payments and other credits.

	ThUS\$
Income tax provision for the period	47,419
Specific mining tax provision	11,824
Monthly estimated payments	(22,889)
Specific mining tax credit	(5,912)
Monthly estimated payments - Specific tax	(1,267)
Other credits	(74)
	<u> </u>
Total income tax payable	<u> 29,101</u>

b. Deferred taxes

The detail of accumulated balances at September 30, 2006 of deferred tax assets and liabilities is as follows:

	<u>Assets</u>		<u>Liabilities</u>	
	Short Term ThUS\$	Long Term ThUS\$	Short Term ThUS\$	Long Term ThUS\$
Temporary differences				
Vacation accrual	134			
Bond accrual	202			
Accrual for major repair		1,736		
Severance indemnity		425		
Accrual for mine closure, net		310		
Accruals and others	768		333	18
Manufacturing overhead			976	
Fixed assets				20,272
Preoperating expenses				12,524
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Balance at September 30	<u> 1,104</u>	<u> 2,471</u>	<u> 1,309</u>	<u> 32,814</u>

The net balances of short-term deferred taxes for ThUS\$205, and long-term deferred taxes for ThUS\$30,343, are presented in current assets and long-term liabilities, respectively.

The charge to income for income tax for the period is as follows:

	Charge to income
	<u>ThUS\$</u>
Current tax expense:	
Income tax	45,277
Specific mining tax	5,913
Deferred taxes:	
Changes in deferred taxes	<u>4,631</u>
Total	<u><u>55,821</u></u>

11. FIXED INTEREST RATE AND COPPER PRICE CONTRACTS

a. Zero cost collar

With regard to the senior debt, an interest rate hedge was established with The Royal Bank of Scotland Plc. for ThUS\$20,000, by means of a zero cost collar with a ceiling of 6% and a floor of 4.83% for the period from August 15, 2001 to December 15, 2006.

Due to the refinancing of the senior debt, on December 30, 2004, the operation was terminated with no cost, while simultaneously entering into a collar with The Royal Bank of Scotland Plc. - BBVA, with the same ceiling and floor, but with rates and compensating payment fixing dates coincident with the interest payments of the refinanced senior debt, and with a maturity date on December 15, 2006. This new operation had a cost of ThUS\$192, which is equal to the compensation the Company would have had to pay as of February 15, 2005 under the terminated hedge, and covers an initial amount of ThUS\$20,000. At September 30, 2006, the amount hedged was reduced to ThUS\$7,130.

b. Price futures contracts

During 2005, various contracts for future COMEX price base sales and future LME price base purchases were signed for 5,300 tons during 2006. The above tonnage corresponds to the sale contract with the Southwire client in the United States, whose price is referenced to the COMEX price, but which the Company references to the LME price through this arbitrage.

Open operations at September 30, 2006:

Product	Institution	Subscription date	Maturity date	Quantity TM	Price of the transaction	
					Sale of Futures Comex US\$/Ton	Purchase of Future LME US\$/Ton
Copper	Calyon	02-12-2005	31-10-2006	500	4,034.46	4,024.46
Copper	Calyon	02-12-2005	30-11-2006	500	4,034.46	4,024.46
Copper	Calyon	02-12-2005	31-12-2006	500	4,034.46	4,024.46
Copper	Calyon	02-12-2005	31-01-2007	500	4,034.46	4,024.46

c. Options

During 2005, the Company signed 7 Min/Max options to cover 3,000 tons per month in the second half of 2005 and 1,500 tons per month in 2006, LME price base.

Open operations at September 30, 2006:

Product	Institution	Subscription date	Liquidation date	Quantity TM		Options	
				Floor	Cap	Put US\$/Ton	Call US\$/Ton
Copper	Triland Metals	06-04-2005	31-10-2006	500	500	2,426.00	3,250.00
Copper	Calyon	06-04-2005	31-10-2006	500	500	2,426.00	3,167.00
Copper	Standard Bank	03-06-2005	31-10-2006	500	500	2,426.00	3,119.00
Copper	Triland Metals	06-04-2005	30-11-2006	500	500	2,426.00	3,250.00
Copper	Calyon	06-04-2005	30-11-2006	500	500	2,426.00	3,167.00
Copper	Standard Bank	03-06-2005	30-11-2006	500	500	2,426.00	3,119.00
Copper	Triland Metals	06-04-2005	31-12-2006	500	500	2,426.00	3,250.00
Copper	Calyon	06-04-2005	31-12-2006	500	500	2,426.00	3,167.00
Copper	Standard Bank	03-06-2005	31-12-2006	500	500	2,426.00	3,119.00

12. SHAREHOLDERS' EQUITY

a. The changes in shareholders' equity were as follows:

	Paid-in capital ThUS\$	Retained earnings ThUS\$	Net income for the period ThUS\$	Total shareholders' equity ThUS\$
Balance at January 1, 2006	90,995	172,442		263,437
Final dividends		(95,000)		(95,000)
Net income for the period			243,246	243,246
Balance at September 30, 2006	<u>90,995</u>	<u>77,442</u>	<u>243,246</u>	<u>411,683</u>

b. On March 29, 2006 and June 28, 2006, it was agreed to distribute dividends against retained earnings for an amount equivalent to US\$40,000,000 and US\$55,000,000, respectively.

c. At September 30, 2006, the paid-in capital of the Company is represented by 90,994 no-par value shares. The equity ownership is as follows:

	N° of shares	Ownership %
Antofagasta Minerals S.A.	55,506	61
Compañía Contractual Minera Leonor	<u>35,488</u>	<u>39</u>
Total	<u>90,994</u>	<u>100</u>

13. BALANCES AND TRANSACTIONS WITH RELATED COMPANIES

a. **Accounts payable - Short-term:**

Company	Relationship	ThUS\$
Antofagasta Minerals S.A.	Parent	52
Minera Michilla S.A.	Indirect	288
Minera los Pelambres	Indirect	17
Antofagasta Railway Company Plc. (Agencia en Chile)	Indirect	<u>1,667</u>
Total		<u>2,024</u>

The balances arise from commercial transactions and do not accrue interest or indexation.

b. Transactions with related companies

Significant transactions with related companies between January 1 and September 30, 2006, are as follows:

Company	Relationship	Transaction	Amount of the transaction ThUS\$	Effect on income charge (credit) ThUS\$
Antofagasta Minerals S.A.	Parent	Administrative services	1,463	1,463
		Reimbursement of expenses	86	
		Final dividends	57,950	
		AMSA project services	146	(73)
Compañía Contractural Minera Leonor	Shareholder	Royalty	8,197	8,197
		Final dividends	37,050	
Minera Michilla S.A.	Indirect	Purchase of supplies	425	
		Sale of supplies	78	
Antofagasta Railway Company Plc. (Agencia en Chile)	Indirect	Transportation	5,240	5,240
		Purchase of water	444	444
		Miscellaneous	4	4
Minera Los Pelambres	Indirect	Outsourcing services	126	126
Entel S.A.	Indirect	Telecommunication services	131	131
Banco de Chile	Indirect	Bank expenses	22	22
		Loans	19,723	(40)
Artikos	Indirect	Administrative services	19	19
Adriatico	Indirect	Office rental	62	62
Other related	Indirect	Sundry expenses	4	4

14. OTHER INCOME AND EXPENSES

At September 30, 2006, the detail is as follows:

	ThUS\$
Other income:	
Sale of supplies	<u>160</u>
Total	<u><u>160</u></u>
Other expenses:	
Write-off of fixed assets	<u>1,132</u>
Total	<u><u>1,132</u></u>

15. CONTINGENCIES, COMMITMENTS AND GUARANTEES

- a. The Company has deposits in guarantee for ThUS\$49 in favor of the First Civil Court of Antofagasta, and deposit in current account in favor of the Third Court of Antofagasta and the Second Civil Court of Calama. These court proceedings have ended, with the granting of definitive easements.
- b. The Company has in a dispute with the Internal Revenue Service for the refund of additional tax for overseas advisory services for ThUS\$984, case number N°7889-2004, which is in the court of appeal. Also has a dispute for ThUS\$87 in the Review of Inspection Proceedings (RAF) stage, case number 10.078-2005.
- c. At September 30, 2006, the Company has standby letters of credit with the Banco de Chile for MUS\$6 in favor of Triland Metals and MUS\$5,5 in favor of Standard Bank to constitute margins for the open copper operations, 1,500 tons with each counterpart.
- d. As part of its normal operating process, the Company entered into purchase contracts with suppliers to guarantee the supply of consumables.

16. SUBSEQUENT EVENTS

Between September 30, 2006 and the date of issuance of these financial statements, no events have occurred that could significantly affect their interpretation.

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