

MINERA MICHILLA S.A.
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 MICHILLA S.A.

BALANCE SHEET AT SEPTEMBER 30, 2006

(In thousands of US dollars -ThUS\$)

	ThUS\$
ASSETS	
CURRENT ASSETS:	
Cash in hand and at bank	96
Time deposits	34,348
Marketable securities	1,994
Trade debtors	17,196
Sundry debtors	1,352
Accounts receivable from related companies	316
Refundable taxes	1,714
Inventories	17,845
Prepaid expenses	933
Deferred taxes	570
Other current assets	13
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Total current assets	76,377
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FIXED ASSETS:	
Mining properties	13,622
Construction and infrastructure	71,750
Machinery and equipment	73,911
Other fixed assets	99,153
Technical revaluation of fixed assets	4,104
Accumulated depreciation and amortization	(203,307)
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Total fixed assets net	59,233
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OTHERS:	
Investments in other companies	106
Long term debtors	16
Deferred taxes	177
Others	332
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Total other assets	631
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TOTAL ASSETS	136,241
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The accompanying notes form an integral part of this financial statement

	ThUS\$
LIABILITIES AND SHAREHOLDERS' EQUITY	
CURRENT LIABILITIES:	
Accounts payable	3,644
Sundry creditors	1,020
Accounts payable to related companies	494
Accruals	15,228
Withholdings	1,071
Income tax payable	<u>10,578</u>
Total current liabilities	<u>32,035</u>
LONG TERM LIABILITIES:	
Sundry creditors	609
Accruals	<u>6,848</u>
Total long term liabilities	<u>7,457</u>
SHAREHOLDERS' EQUITY	
Paid-in capital	78,422
Reserve for fixed asset technical revaluation	219
Retained earnings	4,409
Net income for the period	63,699
Interim dividends	<u>(50,000)</u>
Total shareholders' equity	<u>96,749</u>
TOTAL LIABILITIES	<u>136,241</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	<u><u>136,241</u></u>

MINERA MICHILLA S.A.

STATEMENT OF INCOME
FOR THE PERIOD ENDED SEPTEMBER 30, 2006
(In thousands of US dollars - ThUS\$)

	ThUS\$
OPERATING REVENUE	191,984
OPERATING COSTS	<u>(102,807)</u>
OPERATING MARGIN	89,177
ADMINISTRATIVE AND SELLING EXPENSES	<u>(11,923)</u>
OPERATING RESULT	<u>77,254</u>
OTHER INCOME (EXPENSES)	
Financial income	1,180
Other non-operating income	298
Financial expenses	(210)
Other non-operating expenses	(351)
Exchange differences	<u>768</u>
OTHER INCOME	<u>1,685</u>
INCOME BEFORE INCOME TAX	78,939
INCOME TAX	<u>(15,240)</u>
NET INCOME FOR THE PERIOD	<u><u>63,699</u></u>

The accompanying notes form an integral part of this financial statement

MINERA MICHILLA S.A.**STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED SEPTEMBER 30, 2006
(In thousands of US dollars -ThUS\$)**

	ThUS\$
RECONCILIATION BETWEEN NET CASH FLOWS FROM OPERATING ACTIVITIES AND NET INCOME FOR THE PERIOD	
Net income for the period	63,699
Charges to income that do not represent cash flows:	
Depreciation	6,168
Amortization	5,041
Write-offs and accruals	3,239
Exchange differences	(768)
Other credits to income that do not represent cash flows	(153)
Variation of assets affecting cash flow:	
Increase in trade debtors	(10,857)
Decrease in inventories	1,004
Decrease in deferred taxes	72
Decrease in other assets	10,601
Variation of liabilities affecting cash flow:	
Increase in accounts payable and sundry creditors	1,023
Net increase in value added tax and other similar payables	587
Decrease in deferred taxes	(177)
Net cash provided by operating activities	<u>79,479</u>
CASH FLOW FROM INVESTMENT ACTIVITIES:	
Purchase of fixed assets	(8,183)
Other loans to related companies	(52)
Net cash used in investment activities	<u>(8,235)</u>
CASH FLOW FROM FINANCING ACTIVITIES:	
Payment of dividends	<u>(50,000)</u>
Net cash used in financing activities	<u>(50,000)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	21,244
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	<u>15,194</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u><u>36,438</u></u>

The accompanying notes form an integral part of this financial statement

MINERA MICHILLA S.A.

NOTES TO THE FINANCIAL STATEMENTS

(In thousands of U.S. dollars - ThUS\$)

1. NATURE OF THE COMPANY'S OPERATIONS

The corporate purpose of the Company is the exploration, development, exploitation, production, commercialization of minerals, concentrates, precipitates, cathodes and copper bars and bars of non-ferrous metals, and products and sub-products obtained there from; and the exploitation of mining properties, including all the stages of the mining industry.

According to the requirements of Law N°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 23/09/2005 and 39 of 03/02/2006, the Company shall deliver its Quarterly and Audited Annual Financial Statements, and an Annual Report, to the SVS, in the manner and at the time stipulated in such Resolutions.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

b. 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 were translated into US dollars at the current end of period exchange rate of \$537.03 per US\$1.

c. Time deposits - Time deposits are stated at original investment amount plus accrued interest at the close of the reporting period.

d. Marketable securities – Marketable securities include investments in fixed income mutual funds, which are stated at the period-end value of the respective unit.

e. Estimate for uncollectible accounts – Considering the age and risk of its accounts receivable, the Company has decided not to constitute an estimate for uncollectible accounts.

f. Inventory – Inventory is valued in accordance with the following criteria:

- Finished products and products in process are stated at the monthly average production cost.
- Materials and supplies are stated at weighted average acquisition cost.

The cost of inventories does not exceed its estimated net realizable value.

g. Fixed assets – Fixed assets are presented at acquisition or revaluation cost. Depreciation for the year has been calculated based on the straight-line method, over the estimated useful life of the assets, except for values disbursed from mining concessions that are amortized based on production, considering proven and provable ore reserves.

The costs of the mine development stages correspond to:

- Exploring and prospective drilling of ore deposits.
Costs for locating mineralized areas, and determining their possible commercial exploitation are debited to construction in progress. Once results are concluded and analyzed, they are charged to income if not feasible.
- Mine pre-operation expenses
Expenses incurred from the moment the Company determines that the exploitation of an ore deposit is feasible until the moment of start-up, are capitalized and amortized in relation with mineral production.
- Development expenses of ore deposits being exploited.
The expenses for maintaining production volumes are charged to costs when incurred.

Mining licenses paid for mining properties that are not under operation are amortized during the year.

Assets acquired under a Finance Lease (Note 6) are not legally owned by the Company and therefore, it cannot freely dispose of these assets until it exercises its purchase option.

h. Investments in other companies – Investments in other companies are stated at cost and represent principally the contribution in Minera Pampa Fénix S.C.M.. The Company owns 90% of this mining company. The non-consolidation of the aforementioned subsidiary does not affect the interpretation of the current financial statements, as its assets, liabilities, results and cash flows are not significant.

i. Personnel vacation – The periodic cost of personnel vacations is recognized as an expense in the financial statements on an accrual basis.

j. Income tax and deferred taxes - The Company determines provisions for the first category income tax and specific mining tax, based on the Net Taxable Income and Operating Taxable Income, respectively, determined in accordance with the Income Tax Law.

Deferred taxes on temporary differences, tax losses and other events create differences between the accounting and tax base of assets and liabilities, are recorded according to Technical Bulletin N°60 of the Chilean Institute of Accountants and its complements and modifications.

k. Severance indemnity – The Company has accrued severance indemnity at the present value of the projected cost of the benefit, applying a 6.5% annual discount rate.

l. Mine closure - The Company provides mine closure and abandonment of installations cost at present value considering a discount rate of 6.5% and pursuant to the policies of its Parent Company Antofagasta PLC, and legal environmental obligations subscribed with government organizations.

m. Operating revenue – These include product sales and the result of future contracts that determine sale prices. Income sales are recorded when the risk and product ownership are substantially transferred to the buyer.

n. Derivative contracts - The Company has entered into derivative contracts to cover the variation in the price of copper. As these contracts were defined as coverage of expected transactions, the unrealized result has been deferred, as established by Technical Bulletin N°57 of the Chilean Institute of Accounts.

o. 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 mutual fund units.

3. TIME DEPOSITS

The detail is as follows:

	Currency	ThUS\$
Time deposit overseas	US\$	28,239
Time deposit local	US\$	6,109
Total		<u>34,348</u>

4. TRADE DEBTORS

The distribution of this item broken down by geographical are, is as follows:

	ThUS\$
Europe	5,348
Asia Pacific	4,918
North America	6,925
Latin America	<u>5</u>
Total	<u><u>17,196</u></u>

5. INVENTORIES

The detail of inventories at period end is as follows:

	ThUS\$
Products in process	8,723
Supplies and materials	6,043
Finished products	<u>3,079</u>
Total	<u><u>17,845</u></u>

6. FIXED ASSETS

Fixed assets are stated as indicated in Note 2g. The detail is as follows:

	ThUS\$
Mining properties	<u>13,622</u>
Construction and infrastructure	<u>71,750</u>
Machinery and equipment	<u>73,911</u>
Investments in development and prospecting	82,971
Furniture and fixtures, equipment and belongings	3,920
Works in progress	5,619
Leased assets	5,359
Other fixed assets	<u>1,284</u>
Total other fixed assets	99,153
Fixed asset technical revaluation	<u>4,104</u>
Total fixed assets - gross	<u>262,540</u>
Accumulated depreciation	(115,204)
Depreciation for the period	(6,168)
Increased value of accumulated depreciation as a result of technical revaluation of fixed assets	(4,104)
Accumulated amortization	(72,790)
Amortization for the period	<u>(5,041)</u>
Total accumulated depreciation and amortization	<u>(203,307)</u>
Total fixed assets - net	<u><u>59,233</u></u>

7. SHORT AND LONG TERM SUNDRY CREDITORS

The detail of these balances is as follows:

	ThUS\$
Short-term:	
Leasing obligations	1,083
Deferred interest	<u>(63)</u>
Total	<u><u>1,020</u></u>
Long-term:	
Leasing obligations	623
Deferred interest	<u>(14)</u>
Total	<u><u>609</u></u>

The leasing obligations correspond to machinery and equipment financing. They are expressed in US dollars, and accrue an average annual interest of 4.68%.

The long-term balance matures in equal and successive monthly installments up to May 10, 2008.

8. BALANCES AND TRANSACTIONS WITH RELATED COMPANIES

a. Accounts receivable from/payable to related companies

	Relationship	ThUS\$
Receivables-short-term:		
Minera El Tesoro	Indirect	288
Antofagasta Minerals S.A.	Shareholder	8
Minera Los Pelambres	Indirect	17
Antofagasta (Chile) Bolivia Railway Plc.	Indirect	<u>3</u>
Total		<u><u>316</u></u>
Payables-short-term:		
Antofagasta Minerals S.A.	Shareholder	193
Madeco	Indirect	24
Antofagasta (Chile) and Bolivia Railway Plc.	Indirect	<u>277</u>
Total		<u><u>494</u></u>

The balances receivable and payable are stated in Chilean pesos and do not accrue interest or indexation.

b. The main transactions with related companies are as follows:

Entity	Relationship	Transaction	Amount of the transaction ThUS\$	Effect on income Charge (credit) ThUS\$
Antofagasta Minerals S.A.	Shareholder	Administrative services	900	900
		Expense refunds	308	308
		Rental income	75	(75)
Antofagasta (Chile) and Bolivia Railway Plc.	Indirect	Transport services	920	920
		Recovery of expenses	5	
Minera Los Pelambres	Indirect	Rental income	150	(150)
Madeco S.A.	Indirect	Copper sales	1,149	(545)
		Purchase of materials	41	41
Minera El Tesoro	Indirect	Sale of materials	346	(346)
Cía. Inv. Adriático S.A.	Indirect	Office rent	16	16
Banco de Chile	Indirect	Investment in time deposits	23,871	(64)

9. ACCRUALS

The detail at period end is as follows:

	ThUS\$
Short-term	
Monthly expenses accrual	3,950
Sundry US dollar accrual	5,698
Staff vacations accrual	827
Futures market accrual	3,031
Withholdings payable	1,722
Total	<u>15,228</u>
Long-term	ThUS\$
Mine closure	1,392
Severance indemnities	5,456
Total	<u>6,848</u>

10. INCOME TAX AND DEFERRED TAXES

a. Refundable taxes

The balance at period-end is as follows:

	ThUS\$
VAT recoverable	1,686
Mining patents	<u>28</u>
Total	<u><u>1,714</u></u>

b. Income Tax

The First Category Income Tax provision at September 30, 2006 was ThUS\$13,621 calculated in conformity with the Income Tax Law. The specific mining tax provision was ThUS\$ 1,534.

The calculated Income Tax provision is presented in income tax payable in current liabilities net of monthly provisional payments, training credits, donation credits, and other credits.

	ThUS\$
Income Tax Accruals	(13,695)
Royalty Tax Accruals	(1,534)
Monthly Provisional Payments	3,811
Monthly Provisional Royalty Payments	769
Sence Training Expenses	<u>71</u>
Total	<u><u>(10,578)</u></u>

c. Deferred taxes

At September 30, 2006, the detail of the accumulated balances for deferred taxes is as follows:

	Assets		Liabilities
	Short term ThUS\$	Long term ThUS\$	Long term ThUS\$
Temporary differences			
Inventories	220		
Fixed asset depreciation			1,971
Vacation provision	140		
Provision for mine closure costs		1,139	
Provision for leasing and others	210	460	
Others		471	
	570	2,070	1,971
Total deferred taxes			
Complementary accounts - net of accumulated amortization			(78)
	570	2,070	1,893
Total	570	2,070	1,893

The deferred taxes are presented in the balance sheet as shown below:

	ThUS\$
Current deferred tax assets	570
Current deferred tax liabilities	
	570
Total current assets	570
Long term deferred tax assets	2,070
Long term deferred tax liabilities	(1,893)
	177
Total net long term asset	177

The composition of the charge to income from income tax, after the effect of deferred taxes is recognized, is as follows:

	ThUS\$
Current tax expense	
Special tax Article 21 Income tax law	(73)
Current tax	(13,621)
Specific mining tax	(1,534)
Difference 2006 Income Tax	(128)
Deferred taxes	
Effect for variations in assets and liabilities due to deferred taxes	198
Effect for amortization of complementary accounts and others	(48)
Effect for Royalty tax	(34)
Total net charge to income	<u>(15,240)</u>

11. SHAREHOLDERS' EQUITY

The following are the equity movements during the period:

	Paid-in capital	Reserve for negative goodwill technical revaluation	Retained earnings	Interim Dividend	Net Income for the period	Total
	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$
Balance at January 1, 2006	78,422	219		(7,325)	11,734	83,050
Transfer 2005 income			11,734		(11,734)	-
Final dividend			(7,325)	7,325		-
Interim dividend				(50,000)		(50,000)
Net income for the period					63,699	63,699
Balance at September 30, 2006	<u>78,422</u>	<u>219</u>	<u>4,409</u>	<u>(50,000)</u>	<u>63,699</u>	<u>96,749</u>

At the General Shareholders' Meeting held on April 21, 2006, it was unanimously agreed to approve and ratify the April 25, 2005 Board of Director's decision to distribute against 2005 earnings an interim dividend of US\$7,325,070.51, at US\$0.279375935 per share, which was paid to the shareholders from May 2, 2005 onward.

In Board Meeting No. 294 of August 28, 2006, the Board of Directors agreed unanimously to distribute an interim dividend of US\$50,000,000, by reason of US\$ 1.906984613 per share, charged to the net income from 2006.

12. OTHER INCOME AND EXPENSES

a. Other income:

	ThUS\$
Rental income	285
Other income	13
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Total	298
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b. Other expenses:

	ThUS\$
Adjustment sulfate inventory tonnage	332
Other expenses	19
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Total	351
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13. FUTURE OPERATIONS AND OPTIONS

The Company holds the following hedge contracts:

a. Outstanding positions at September 30, 2006:

At September 30, 2006, the Company holds Min-Max options for 1,950 MT, with 650 MT due from October to December, 2006. These options have a floor of US\$1.334 per pound of fine copper during the second semester.

Product	N° of cont.	Date		Tons		US\$/Ton.		Liquidation US\$/Ton.	Provision for 30-09-2006 loss ThUS\$	Fair value contract versus market ThUS\$
		Maturity	Liquidation	Min	Max	Put	Call			
Copper	2	31/10/06	03/11/06	650	650	2,646.00	2,940.00	7,602.36		(3,031)
Copper	2	30/11/06	04/12/06	650	650	2,646.00	2,940.00	7,602.36		(3,031)
Copper	2	31/12/06	04/01/07	650	650	2,646.00	2,940.00	7,602.36		(3,031)
									-	(9,093)
									<hr/> <hr/>	<hr/> <hr/>

This type of operation does not pay a premium; therefore, there is no amortization cost.

b. Result of operations performed during the period:

	Income ThUS\$	Loss ThUS\$	Total ThUS\$
Options	<u> </u>	<u>(66,411)</u>	<u>(66,411)</u>
Total	<u> - </u>	<u>(66,411)</u>	<u>(66,411)</u>

The result of these operations is presented net in Sales in the statement of income.

14. SUBSEQUENT EVENTS

Between October 1, 2006 and the date of issue of these financial statements, there have been no subsequent events that could significantly affect the balances or interpretation of these financial statements.

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