

**MINERA EL TESORO**  
AUDITED FINANCIAL STATEMENTS  
FOR THE FULL YEAR ENDED 31 DECEMBER 2007 AND 2006

(TRANSLATION FROM SPANISH VERSION TO BE  
FILED WITH SUPERINTENDENCIA DE VALORES Y SEGUROS  
DE CHILE 28<sup>TH</sup> MARCH 2008)

## **MINERA EI TESORO**

Financial statements for the years ended  
December 31, 2007 and 2006 and independent  
auditor's report

## REPORT OF INDEPENDENT ACCOUNTANTS

To the Shareholders and Directors  
Minera El Tesoro

We have audited the accompanying balance sheets of Minera El Tesoro as at December 31, 2007 and 2006 and the related statements of income and of cash flows for the years then ended. These financial statements (including the notes thereto) are the responsibility of the management of Minera El Tesoro. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards in Chile. Those standards require that we plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also involves assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Minera El Tesoro as at December 31, 2007 and 2006 and the results of its operations and cash flows for the years then ended, in accordance with accounting principles generally accepted in Chile.

The accompanying financial statements have been translated into English for the convenience of the readers outside Chile.



January 31, 2008

## MINERA EL TESORO

BALANCE SHEETS AT DECEMBER 31, 2007 AND 2006  
(In thousands of US Dollars - ThUS\$)

<b>ASSETS</b>	<b>2007</b> ThUS\$	<b>2006</b> ThUS\$
<b>CURRENT ASSETS:</b>		
Cash at bank and in hand	203	49
Time deposits	12,796	218,984
Marketable securities	521,253	
Trade debtors	55,594	48,380
Sundry debtors	9,528	3,601
Account receivable from related companies	675	96
Inventories	36,981	53,750
Recoverable taxes	4,926	2,474
Prepaid expenses	1,256	955
Other current assets	34	29
Total current assets	<u>643,246</u>	<u>328,318</u>
<b>FIXED ASSETS:</b>		
Land	301	301
Mining properties	46,529	46,529
Construction and infrastructure	150,666	147,179
Machinery and equipment	133,138	125,061
Other fixed assets	39,754	25,370
Subtotal	370,388	344,440
Less: Accumulated depreciation	<u>(108,655)</u>	<u>(86,291)</u>
Total fixed assets	<u>261,733</u>	<u>258,149</u>
<b>OTHER ASSETS:</b>		
Mine development costs - net	32,360	44,445
Others	6,344	6,908
Total other assets	<u>38,704</u>	<u>51,353</u>
<b>TOTAL ASSETS</b>	<u><u>943,683</u></u>	<u><u>637,820</u></u>

The accompanying notes are an integral part of these financial statements

<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>2007</b> ThUS\$	<b>2006</b> ThUS\$
<b>CURRENT LIABILITIES:</b>		
Bank loans - senior debt, current portion	14,029	14,064
Accounts payable	21,914	9,590
Leasing obligations - current portion	34	120
Accounts payable to related companies	2,379	1,063
Sundry payables		5,225
Accruals and withholdings	27,617	27,490
Income tax payable	3,659	35,379
Deferred taxes	372	648
Total current liabilities	<u>70,004</u>	<u>93,579</u>
<b>LONG-TERM LIABILITIES:</b>		
Bank loans-senior debt		14,000
Leasing obligations		30
Accruals	7,986	6,515
Deferred taxes	34,048	31,562
Total long-term liabilities	<u>42,034</u>	<u>52,107</u>
<b>SHAREHOLDERS' EQUITY:</b>		
Paid-in capital	90,995	90,995
Retained earnings	401,139	77,442
Net income for the year	339,511	323,697
Total shareholders' equity	<u>831,645</u>	<u>492,134</u>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<u><u>943,683</u></u>	<u><u>637,820</u></u>

## MINERA EL TESORO

### STATEMENTS OF INCOME FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006 (In thousands of US Dollars - ThUS\$)

	2007 ThUS\$	2006 ThUS\$
REVENUES	673,931	603,190
COST OF SALES	<u>(244,138)</u>	<u>(178,611)</u>
GROSS MARGIN	429,793	424,579
ADMINISTRATIVE AND SELLING EXPENSES	<u>(31,286)</u>	<u>(27,219)</u>
OPERATING INCOME	<u>398,507</u>	<u>397,360</u>
OTHER INCOME (EXPENSES):		
Financial income	22,362	4,754
Other income	2,336	337
Exchange differences	1,158	1,059
Financial expenses	(1,968)	(2,986)
Other expenses	<u>(5,238)</u>	<u>(2,108)</u>
Other income	<u>18,650</u>	<u>1,056</u>
INCOME BEFORE INCOME TAX	417,157	398,416
INCOME TAX	<u>(77,646)</u>	<u>(74,719)</u>
NET INCOME FOR THE YEAR	<u><u>339,511</u></u>	<u><u>323,697</u></u>

The accompanying notes are an integral part of these financial statements

## MINERA EL TESORO

### STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006 (In thousands of US Dollars - ThUS\$)

	<b>2007</b>	<b>2006</b>
	ThUS\$	ThUS\$
Net income for the year	339,511	323,697
Charges (credits) to income which do not represent cash flows:		
Depreciation and amortization	39,116	35,278
Deferred taxes	2,232	5,427
Exchange differences	(1,158)	(1,059)
Project write-offs	1,725	1,581
Fixed assets write-offs	2,401	491
Decrease (increase) in assets which affect cash flows:		
Trade debtors	(7,214)	(20,990)
Sundry debtors and others	(6,011)	(1,497)
Inventories	12,102	(20,860)
Recoverable taxes	(2,478)	1,238
Other assets	(2,024)	(1,139)
Increase (decrease) in liabilities which affect cash flows:		
Accounts payable	12,544	(2,405)
Accounts payable to related companies	1,318	(615)
Income tax payable	(27,287)	24,816
Other liabilities	(5,366)	10,341
Net cash provided by operating activities	<u>359,411</u>	<u>354,304</u>
CASH FLOW FROM FINANCING ACTIVITIES:		
Payment senior debt	(14,000)	(28,000)
Dividends paid	<u>(95,000)</u>	<u>(95,000)</u>
Net cash used in financing activities	<u>(14,000)</u>	<u>(123,000)</u>
CASH FLOW FROM INVESTMENT ACTIVITIES:		
Purchase of fixed asset - net	<u>(30,192)</u>	<u>(15,744)</u>
NET POSITIVE CASH FLOW FOR THE YEAR	315,219	215,560
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>219,033</u>	<u>3,473</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u><u>534,252</u></u>	<u><u>219,033</u></u>

The accompanying notes are an integral part of these financial statements

## MINERA EL TESORO

### NOTES TO THE FINANCIAL STATEMENTS

(In thousands of US dollars – ThUS\$)

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#### 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 16/16/2005, 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.

#### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**a. Bases of presentation** - The financial statements as at December 31, 2007 and 2006 have been prepared in accordance with accounting principles generally accepted in Chile.

**b. Accounting period** - The accompanying financial statements, related to these notes, correspond to the periods between January 1 and December 31, 2007 and 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 \$496.89 per US\$1 in 2007 (\$532.39 per US\$1 in 2006).

**d. Time deposits** - Investments in time deposits include capital plus readjustments and interest accrued at year-end.

**e. Marketable securities** - Marketable securities include investments in debt instruments registered in the United States in US dollars. The portfolios average maturity is less than 90 days and they are valued at their market value.

**f. 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.

**g. 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 and, thus, it cannot dispose of them until it exercises the purchase option.

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

**h. 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.

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

**j. 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 N°60 and their complements of the Chilean Institute of Accountants.

**k. Derivative contracts** - The Company has entered into an interest rate collar contract to hedge against variations in the Libor rate on its senior debt. It has also 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 year has been deferred, as established by Technical Bulletin N°57 of the Chilean Institute of Accountants (Note 12).

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

**m. Severance indemnity** - Severance indemnity, including the benefit contracted as well as the non-contractual benefit resulting from mine closure, has been accrued for all employees. This benefit has been calculated at the net present value of the projected cost of the benefit, using an annual discount rate of 6.5%.

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

**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 time deposits and marketable securities.

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

**q. Reclassifications** - Some reclassifications have been made to the financial statements at December 31, 2006 to maintain their uniformity.

### 3. TIME DEPOSITS

This item includes time deposits as follows:

	<b>Currency</b>	<b>2007</b> ThUS\$	<b>2006</b> ThUS\$
Time deposits overseas	US\$	9,856	141,804
Local financial investments	\$		77,048
	US\$	<u>2,940</u>	<u>132</u>
Total time deposits		<u><u>12,796</u></u>	<u><u>218,984</u></u>

### 4. MARKETABLE SECURITIES

The detail of investments in marketable securities is as follows:

	<b>2007</b> ThUS\$	<b>2006</b> ThUS\$
Asset manager Deutsche	260,977	
Asset manager Blackrock	<u>260,276</u>	<u>          </u>
Total	<u><u>521,253</u></u>	<u><u>-</u></u>

## 5. TRADE DEBTORS

The split of this balance by geographical destination is follows:

	<b>2007</b>	<b>2006</b>
	ThUS\$	ThUS\$
<b>Foreign clients:</b>		
Europe	21,093	31,850
Latin America	11,205	7,851
Asia Pacific	14,407	5,713
North America	6,586	2,674
	<u>53,291</u>	<u>48,088</u>
Total foreign clients	<u>53,291</u>	<u>48,088</u>
<b>Domestic clients:</b>	<u>2,303</u>	<u>292</u>
Total	<u><u>55,594</u></u>	<u><u>48,380</u></u>

## 6. INVENTORIES

Inventories of the Company are as follows:

	<b>2007</b>	<b>2006</b>
	ThUS\$	ThUS\$
Finished products	7,171	5,330
Products in process	23,352	41,259
Materials, raw materials and parts	6,458	7,161
	<u>36,981</u>	<u>53,750</u>
Total	<u><u>36,981</u></u>	<u><u>53,750</u></u>

## 7. FIXED ASSETS

Fixed assets are stated as mentioned in Note 2g and their detail is as follows:

	<b>2007</b> ThUS\$	<b>2006</b> ThUS\$
Land	<u>301</u>	<u>301</u>
Mining properties	<u>46,529</u>	<u>46,529</u>
<b>Construction and infrastructure:</b>		
Facilities	89,228	85,741
Buildings and construction	27,860	27,860
Infrastructure	<u>33,578</u>	<u>33,578</u>
Total buildings and infrastructure	<u>150,666</u>	<u>147,179</u>
<b>Machinery and equipment:</b>		
Machinery and equipment	54,343	54,309
Mobile equipment	73,592	65,739
Minor equipment	4,325	4,236
Auxiliary equipment	<u>878</u>	<u>777</u>
Total machinery and equipment	<u>133,138</u>	<u>125,061</u>
<b>Other fixed assets:</b>		
Equipment	9,744	9,660
Computer equipment, software and hardware	892	892
Furniture	60	60
Leased assets	366	353
Construction in progress	1,730	930
Ongoing projects	16,083	2,596
Preoperating expenses	<u>10,879</u>	<u>10,879</u>
Total other fixed assets	<u>39,754</u>	<u>25,370</u>
Total fixed assets, gross	<u>370,388</u>	<u>344,440</u>
Total accumulated depreciation	<u>(108,655)</u>	<u>(86,291)</u>
Total fixed assets, net	<u><u>261,733</u></u>	<u><u>258,149</u></u>

## 8. MINE DEVELOPMENT COSTS - NET

As described in Note 2h, development costs mainly includes preoperational costs incurred prior to the operation, as follows:

	<b>2007</b> ThUS\$	<b>2006</b> ThUS\$
<b>Mine development costs:</b>		
Project expenses	55,057	55,057
Financing	23,830	23,830
Development expenses property contribution	15,713	15,713
Preinvestment expenses	<u>7,560</u>	<u>7,560</u>
Total mine development costs, gross	<u>102,160</u>	<u>102,160</u>
Accumulated amortization	<u>(69,800)</u>	<u>(57,715)</u>
Total mine development costs, net	<u><u>32,360</u></u>	<u><u>44,445</u></u>

## 9. BANKS LOANS - SENIOR DEBT

The balance is as follows:

Financial institution	Interest	2007		2006	
		Short term ThUS\$	Long term ThUS\$	Short term ThUS\$	Long term ThUS\$
The Royal Bank of Scotland - BBVA	LIBOR+0,5%	<u>14,029</u>	<u>          </u>	<u>14,064</u>	<u>14,000</u>
Total		<u><u>14,029</u></u>	<u><u>-</u></u>	<u><u>14,064</u></u>	<u><u>14,000</u></u>

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

## 10. ACCRUALS AND WITHHOLDINGS

This detail of this item is as follows:

	<b>2007</b> ThUS\$	<b>2006</b> ThUS\$
<b>Short-term:</b>		
Operations	26,472	26,423
Freight, insurance, export commissions	<u>608</u>	<u>751</u>
Subtotal accruals	27,080	27,174
Withholdings	<u>537</u>	<u>316</u>
Total short-term	<u><u>27,617</u></u>	<u><u>27,490</u></u>
<b>Long-term:</b>		
Severance indemnity	4,887	3,684
Mine closure	<u>3,099</u>	<u>2,831</u>
Total long-term	<u><u>7,986</u></u>	<u><u>6,515</u></u>

## 11. INCOME TAX AND DEFERRED TAXES

The balance of recoverable taxes is as follows:

	<b>2007</b> ThUS\$	<b>2006</b> ThUS\$
<b>Current assets:</b>		
VAT Credit (net)	4,214	2,082
Others	<u>712</u>	<u>392</u>
Total short-term	<u><u>4,926</u></u>	<u><u>2,474</u></u>
<b>Other assets:</b>		
Additional tax for technical advisory services	1,020	993
Long-term tax credits	<u>86</u>	<u>146</u>
Total long-term	<u><u>1,106</u></u>	<u><u>1,139</u></u>

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

### a. Income tax and deferred taxes

At December 31, 2007, the Company provided for first category income tax based on the net taxable income of ThUS\$405,718 (ThUS\$367,241 in 2006), as determined in accordance with the Chilean Income Tax Law. The specific mining tax provision was calculated based on the Operational Taxable Income of ThUS\$402,600 (ThUS\$468,900 in 2006).

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

	2007 ThUS\$	2006 ThUS\$
Income tax provision for the year	68,972	62,431
Specific mining tax provision	8,052	9,378
Monthly estimated payments	(58,231)	(34,427)
Monthly estimated payments - Specific mining tax	(14,819)	(1,863)
Other credits	(315)	(140)
	<u>3,659</u>	<u>35,379</u>
Total income tax payable	<u>3,659</u>	<u>35,379</u>

### b. Deferred taxes

The detail of accumulated balances at December 31, 2007 and 2006 of deferred tax assets and liabilities is as follows:

	2007				2006			
	Assets		Liabilities		Assets		Liabilities	
	Short term ThUS\$	Long term ThUS\$	Short term ThUS\$	Long term ThUS\$	Short term ThUS\$	Long term ThUS\$	Short term ThUS\$	Long term ThUS\$
<b>Temporary differences</b>								
Vacation accrual	233				144			
Bonus accrual	964				470			
Severance indemnity		451				374		
Accrual for mine closure, net		386				325		
Finance leases		2				3		
Accruals and others	84	260	223		4	1,622		85
Indirect manufacturing costs			1,453				1,266	
Fixed assets				24,482				21,977
Preoperating expenses				10,812				12,282
Specific mining tax	23	147				458		
	<u>1,304</u>	<u>1,246</u>	<u>1,676</u>	<u>35,294</u>	<u>618</u>	<u>2,782</u>	<u>1,266</u>	<u>34,344</u>
Balance at December 31	<u>1,304</u>	<u>1,246</u>	<u>1,676</u>	<u>35,294</u>	<u>618</u>	<u>2,782</u>	<u>1,266</u>	<u>34,344</u>

The net balances of short-term deferred taxes of ThUS\$372 (ThUS\$648 in 2006), and long-term deferred taxes of ThUS\$34,048 (ThUS\$31,562 in 2006), are presented in current liabilities and long-term liabilities, respectively.

### c. Income tax

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

	<b>2007</b>	<b>2006</b>
	ThUS\$	ThUS\$
<b>Current tax expense:</b>		
Income tax	68,972	62,431
Surplus provision for prior year income tax	(829)	(2,420)
Specific mining tax	8,052	9,378
Surplus provision for prior year specific mining tax	(171)	(127)
Exchange differences	(610)	30
<b>Deferred taxes:</b>		
Changes in deferred taxes	<u>2,232</u>	<u>5,427</u>
Total	<u><u>77,646</u></u>	<u><u>74,719</u></u>

## 12. INTEREST RATE COLLAR AND COPPER PRICE CONTRACTS

### a. Zero cost collar interest rate contract

An interest rate hedge on the senior debt was taken out with The Royal Bank of Scotland plc. for ThUS\$20,000, via a “Zero cost collar” with a ceiling of 6% and floor of 4.83% for the period from August 15, 2001 to December 15, 2006.

As a result of the refinancing of the senior debt, this operation was terminated cost-free on December 30, 2004, and a collar was signed simultaneously with The Royal Bank of Scotland plc. - BBVA, with the same ceiling and floor, but with determination of interest and payment of compensation coinciding with the dates for payment of interest on a portion of the refinanced senior debt, maturing on December 15, 2006. This operation cost ThUS\$192, which is equivalent to the compensation that the Company should have paid on February 15, 2005 under the hedge that was terminated and an initial hedge payment of ThUS\$15,500. At December 31, 2007, the above hedge has been terminated.

### b. Copper Price futures contracts

In 2007 and 2006, various contracts for future COMEX price base sales and future LME price base purchases were signed for 5,000 and 6,000 tons. The above tonnage corresponds to the sale contract with the client Southwire 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 December 31, 2007:**

Product	Institution	Date		Quantity MT	Price of the transaction	
		Subscription	Maturity		Sale of Futures Comex US\$/Ton	Purchase of Futures LME US\$/Ton
Copper	Koch	16-11-2006	04-02-2008	200	6,690	6,670
Copper	Koch	05-12-2006	04-02-2008	100	7,120	7,110
Copper	Koch	05-12-2006	04-02-2008	100	7,115	7,100
Copper	Prudential	14-12-2006	04-02-2008	100	6,815	6,800
Copper	Koch	05-10-2007	03-02-2009	<u>6,000</u>	7,975	7,950
				<u>6,500</u>		

The contracts entered into in 2006 are 400 and 100 metric tons of copper per month for Koch and Prudential, respectively, from April 2007.

The contracts entered into in 2007 are 500 metric tons of copper per month for Koch, from February 2008.

**c. Options**

In April 2007, the Company entered into min-max options to hedge 2,800 tons per month in 2007, 2,700 tons in 2008 and 2,300 tons in 2009, LME base price.

**Operations at December 31, 2007:**

Product	Institution	Date		Quantity MT	Options	
		Subscription	Annual Maturity		Put US\$/Ton	Call US\$/Ton
<b>2008</b>						
Copper	J. Aron & Co.	11-04-2007	31-12-2008	3,900	5,735	8,850
Copper	JP Morgan	12-04-2007	31-12-2008	3,900	5,735	8,810
Copper	Morgan Stanley	05-04-2007	31-12-2008	7,800	5,515	8,400
Copper	J. Aron & Co.	17-04-2007	31-12-2008	4,500	5,735	9,370
Copper	Calyon	17-04-2007	31-12-2008	2,400	6,285	8,500
Copper	Koch	18-04-2007	31-12-2008	2,400	6,285	8,510
Copper	BNP Paribas	20-04-2007	31-12-2008	3,600	6,285	8,550
Copper	Calyon	23-04-2007	31-12-2008	3,900	6,285	8,560
				Total	<u>32,400</u>	
<b>2009</b>						
Copper	J. Aron & Co.	11-04-2007	31-12-2009	3,600	5,735	8,850
Copper	JP Morgan	12-04-2007	31-12-2009	3,600	5,735	8,810
Copper	BNP Paribas	05-04-2007	31-12-2009	7,200	5,515	8,400
Copper	J. Aron & Co.	17-04-2007	31-12-2009	3,600	5,735	9,370
Copper	J. Aron & Co.	17-04-2007	31-12-2009	3,600	6,285	8,500
Copper	JP Morgan	23-04-2007	31-12-2009	3,000	6,285	8,560
Copper	Triland Metals	02-05-2007	31-12-2009	3,000	5,295	8,245
				Total	<u>27,600</u>	

### 13. SHAREHOLDERS' EQUITY

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

	<b>Paid-in capital</b> ThUS\$	<b>Retained earnings</b> ThUS\$	<b>Net income for the year</b> ThUS\$	<b>Total shareholders' equity</b> ThUS\$
Balance at January 1, 2006	90,995	18,628	153,814	263,437
Transfer of income		153,814	(153,814)	
Final dividend		(95,000)		(95,000)
Net income for the year			323,697	323,697
			<hr/>	<hr/>
Balance at December 31, 2006	90,995	77,442	323,697	492,134
			<hr/> <hr/>	<hr/> <hr/>
Balance at January 1, 2007	90,995	77,442	323,697	492,134
Transfer of income		323,697	(323,697)	
Net income for the year			339,511	339,511
			<hr/>	<hr/>
Balance at December 31, 2007	90,995	401,139	339,511	831,645
			<hr/> <hr/>	<hr/> <hr/>

- b. At December 31, 2007 and 2006, the paid-in capital of the Company is represented by 90,994 no-par value shares. The equity ownership is as follows:

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

### 14. BALANCES AND TRANSACTIONS WITH RELATED PARTIES

- a. **Accounts receivable – Short-term**

<b>Company</b>	<b>Relationship</b>	<b>2007</b> ThUS\$	<b>2006</b> ThUS\$
Antofagasta Minerals S.A.	Parent	17	96
Minera Esperanza	Indirect	76	
Minera Michilla S.A.	Indirect	556	
Minera Los Pelambres	Indirect	20	
Agua de Antofagasta S.A.	Indirect	6	
		<hr/>	<hr/>
Total		675	96
		<hr/> <hr/>	<hr/> <hr/>

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

<b>Company</b>	<b>Relationship</b>	<b>2007</b> ThUS\$	<b>2006</b> ThUS\$
Antofagasta Minerals S.A.	Parent	214	42
Minera Michilla S.A.	Indirect	925	67
Aguas de Antofagasta S.A.	Indirect	75	
Transportes Integrados S.A.	Indirect	72	
Antofagasta Railway Company Plc. (Chilean Agency)	Indirect	<u>1,093</u>	<u>954</u>
<b>Total</b>		<u><u>2,379</u></u>	<u><u>1,063</u></u>

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

**c. Transactions with related parties**

Significant transactions with related parties during 2007 and 2006 are the following:

<b>Company</b>	<b>Relationship</b>	<b>Transaction</b>	<b>2007</b>		<b>2006</b>	
			<b>Amount of the transaction</b> ThUS\$	<b>Effect on income charge (credit)</b> ThUS\$	<b>Amount of the transaction</b> ThUS\$	<b>Effect on income charge (credit)</b> ThUS\$
Antofagasta Minerals S.A.	Parent	Administrative services	2,555	2,147	2,354	1,978
		Reimbursement of expenses	70		91	
		Final dividends			57,950	
		AMSA project services	235	(99)	431	(181)
Compañía Contractural Minera Leonor	Shareholder	Royalty	13,299	13,299	12,008	12,008
		Final dividends			37,050	
Minera Michilla S.A.	Indirect	Purchase of supplies	1,540		572	
		Sale of supplies	3,223	(17)	249	
		Lease of terminal	890	748		
		Miscellaneous	9		120	
Minera Esperanza	Indirect	Sundry services	82	(35)		
Minera Los Pelambres	Indirect	Outsourcing services	267	171	204	171
		Sale of supplies	20			
Antofagasta Railway Company Plc. (Agencia en Chile)	Indirect	Transportation	10,887	9,149	9,200	7,731
		Purchase of water			587	493
		Miscellaneous	51	51	6	5
Aguas de Antofagasta S.A.	Indirect	Water	295	248		
		Sale of supplies	6	3		
Entel S.A.	Indirect	Telecommunication services	238	200	178	150
Banco de Chile	Indirect	Bank expenses	32	27	30	25
		Loans	65,871	(222)	31,729	(47)
Artikos	Indirect	Administrative services	35	29	26	22
Adriático	Indirect	Office rental	76	76	83	83
Madeco	Indirect	Supplies	277	233	82	68
Other related	Indirect	Sundry expenses	90	76	6	6

## 15. OTHER INCOME AND EXPENSES

At December 31, the detail is as follows:

	<b>2007</b> ThUS\$	<b>2006</b> ThUS\$
<b>Other income:</b>		
Indemnities received	2,246	
Sale of supplies	<u>90</u>	<u>337</u>
Total	<u><u>2,336</u></u>	<u><u>337</u></u>
<b>Other expenses:</b>		
Project write - offs	1,725	1,581
Write-off of damaged fixed assets	1,526	491
Write-off of fixed assets	875	36
Obsolescence of material	494	
Others	<u>618</u>	
Total	<u><u>5,238</u></u>	<u><u>2,108</u></u>

## 16. CONTINGENCIES, COMMITMENTS AND GUARANTEES

- a. The Company has deposits in guarantee for ThUS\$34 in favor of the Third Civil Court of Antofagasta. This court proceeding has ended, with the granting of definitive easements.
- b. The Company has a dispute with the Internal Revenue Service for the refund of additional tax for outside advisory services for ThUS\$1,020, case number 7889-2004, which is in the second instance in the court of appeal. It also has a dispute for a ThUS\$31 reimbursement, where the Court, on appeal, annulled the proceedings based on the illegality of the designation and consequent incompetence of Tax Judge, these will return to the court of first instance.
- c. As part of its normal operating process, the Company entered into purchase contracts with suppliers to guarantee the supply of consumables.

## 17. SUBSEQUENT EVENTS

Between January 1, and January 31, 2008, 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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