

**MINERA MICHILLA S.A.**  
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 MICHILLA S.A.**

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

## INDEPENDENT AUDITORS' REPORT

To the Shareholders and Board of Directors of  
Minera Michilla S.A.

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

We conducted our audits in accordance with auditing standards generally accepted in Chile. Those standards require that we plan and perform the audit to obtain reasonable assurance about 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 includes 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, such financial statements present fairly, in all material respects, the financial position of Minera Michilla S.A. at December 31, 2007 and 2006 and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in Chile.

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



February 1, 2008

**MINERA MICHILLA S.A.****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	467	161
Time deposits	40,984	61,336
Marketable securities	1,652	8,047
Trade debtors	21,646	15,516
Sundry debtors	9,111	962
Accounts receivable from related companies	1,172	299
Refundable taxes	2,902	1,951
Inventories	16,312	18,076
Prepaid expenses	187	250
Deferred taxes	565	657
Other current assets	14	13
<b>Total current assets</b>	<b>95,012</b>	<b>107,268</b>
<b>FIXED ASSETS:</b>		
Mining properties	13,622	13,622
Construction and infrastructure	71,359	73,364
Machinery and equipment	77,810	75,897
Other fixed assets	100,908	94,791
Technical revaluation of fixed assets	4,104	4,104
Accumulated depreciation and amortization	(224,697)	(207,193)
<b>Total fixed assets net</b>	<b>43,106</b>	<b>54,585</b>
<b>OTHERS:</b>		
Investments in other companies	106	106
Long term debtors	16	16
Deferred taxes	1,364	257
Others	195	299
<b>Total other assets</b>	<b>1,681</b>	<b>678</b>
<b>TOTAL ASSETS</b>	<b>139,799</b>	<b>162,531</b>

The accompanying notes form 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>		
Accounts payable	2,157	4,683
Sundry creditors	204	806
Accounts payable to related companies	1,036	251
Accruals and withholdings	22,245	14,733
Income tax	8,960	15,516
Total current liabilities	<u>34,602</u>	<u>35,989</u>
<b>LONG TERM LIABILITIES:</b>		
Sundry creditors		204
Accruals	8,731	7,267
Total long term liabilities	<u>8,731</u>	<u>7,471</u>
<b>SHAREHOLDERS' EQUITY:</b>		
Paid-in capital	78,422	78,422
Reserve for fixed asset technical revaluation	219	219
Retained earnings		4,409
Interim dividends	(109,000)	(50,000)
Net income for the year	126,825	86,021
Total shareholders' equity	<u>96,466</u>	<u>119,071</u>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<u><u>139,799</u></u>	<u><u>162,531</u></u>

**MINERA MICHILLA S.A.**

## STATEMENTS OF INCOME

FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

(In thousands of US dollars -ThUS\$)

	<b>2007</b>	<b>2006</b>
	ThUS\$	ThUS\$
OPERATING REVENUE	323,965	260,484
OPERATING COSTS	<u>(157,716)</u>	<u>(142,277)</u>
OPERATING MARGIN	166,249	118,207
ADMINISTRATIVE AND SELLING EXPENSES	<u>(15,375)</u>	<u>(13,231)</u>
OPERATING INCOME	<u>150,874</u>	<u>104,976</u>
OTHER INCOME (EXPENSES):		
Financial income	3,637	1,896
Other income	10,342	763
Financial expenses	(196)	(322)
Other expenses	(9,327)	(554)
Exchange differences	<u>801</u>	<u>716</u>
OTHER INCOME	<u>5,257</u>	<u>2,499</u>
INCOME BEFORE INCOME TAX	156,131	107,475
INCOME TAX	<u>(29,306)</u>	<u>(21,454)</u>
NET INCOME FOR THE YEAR	<u><u>126,825</u></u>	<u><u>86,021</u></u>

The accompanying notes form an integral part of these financial statements.

**MINERA MICHILLA S.A.**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\$
<b>RECONCILIATION BETWEEN NET CASH FLOW FROM OPERATING ACTIVITIES AND NET INCOME FOR THE YEAR:</b>		
Net income for the year	126,825	86,021
Gain on sale of assets:		
Gain on sale of assets	(267)	(125)
Charges (credits) to income that do not represent cash flows:		
Depreciation	12,838	8,490
Amortization	6,066	6,718
Write-offs and accruals	10,541	20,240
Exchange differences	(801)	(716)
Other credits to income that do not represent cash flows	(990)	846
Variation of assets affecting cash flow:		
Increase in trade debtors	(6,130)	(9,177)
Decrease in inventories	1,764	773
Decrease (increase) in deferred taxes	92	(15)
(Increase) decrease in other assets	(13,417)	337
Variation of liabilities affecting cash flow:		
Increase (decrease) in accounts payable and sundry creditors	527	(1,397)
Net (decrease) increase in value added tax and other similar taxes payable	(951)	322
Decrease in deferred taxes	(1,107)	(257)
Net cash provided by operating activities	<u>134,990</u>	<u>112,060</u>
<b>CASH FLOW FROM INVESTMENT ACTIVITIES:</b>		
Sale of fixed assets	267	125
Purchase of fixed assets	(11,356)	(7,798)
Other loans to related companies	(912)	(37)
Net cash used in investment activities	<u>(12,001)</u>	<u>(7,710)</u>
<b>CASH FLOW FROM FINANCING ACTIVITIES:</b>		
Dividend payments	<u>(149,430)</u>	<u>(50,000)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(26,441)	54,350
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>69,544</u>	<u>15,194</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u><u>43,103</u></u>	<u><u>69,544</u></u>

The accompanying notes form an integral part of these financial statements.

## 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 No.20,026 on the Specific Mining Tax published in the Official Gazette of 6/16/2005, and the relevant regulations issued by the Superintendence of Securities and Insurance ("SVS") through its Exempt Resolutions 549 of 9/23/2005 and 39 of 2/3/2006, 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 PRINCIPLES

**a. Basis of presentation** - The financial statements at December 31, 2007 and 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 exchange rate current at period end of Ch\$496.89 per US\$1 (December 31, 2006: Ch\$532.39 per US\$ 1).

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

**d. Marketable securities** - Marketable securities include investments in fixed income mutual funds, which are stated at year-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 allowance 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 lives of the assets, except for values disbursed for mining concessions that are amortized based on production, considering economically exploitable ore reserves.

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.

According to the 2007 - 2009 business plan approved by the Board of Directors in October 2006, supported by highly certain mining reserves, in January 2007 the Company modified the remaining useful life of its fixed assets, to distribute their depreciation over the same period. This modification implied a ThUS\$3,859 higher depreciation charge at December 2007.

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.

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

**i. 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.

**j. Vacations** - The annual cost of personnel vacations is recognized as an expense in the financial statements on the accrual basis.

**k. 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 loss and other events creating differences between the accounting and tax base of assets and liabilities, are recorded following Technical Bulletin No.60 of the Chilean Institute of Accountants and its complements and modifications.

**l. 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.

**m. Mine closure** - The Company provides for mine closure and abandonment of installations cost at net present value considering a discount rate of 6.5% and pursuant to corporate policies and environmental obligations subscribed with government organizations.

**n. Operating revenue** - These include product sales and the result of future contracts that determine sales prices. Sales revenue is recorded when the risk and product ownership are substantially transferred to the buyer.

**o. Derivative contracts** - The Company has entered into derivative contracts to cover the variation experienced by 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 No.57 of the Chilean Institute of Accountants.

**p. Statements 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 mutual fund units.

**q. Reclassifications** - Some items in the Financial Statements at December 31, 2006 have been reclassified for reasons of uniformity.

### 3. TIME DEPOSITS

The detail is as follows:

	<b>Currency</b>	<b>2007</b> ThUS\$	<b>2006</b> ThUS\$
Time deposits overseas	US\$	3,151	57,422
Time deposits local	US\$	<u>37,833</u>	<u>3,914</u>
Total		<u><u>40,984</u></u>	<u><u>61,336</u></u>

### 4. TRADE DEBTORS

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

	<b>2007</b> ThUS\$	<b>2006</b> ThUS\$
Europe	6,537	5,652
Asia Pacific	15,109	2,183
North America		5,916
Latin America		<u>1,765</u>
Total	<u><u>21,646</u></u>	<u><u>15,516</u></u>

### 5. INVENTORIES

The detail of inventories at respective year-end is as follows:

	<b>2007</b> ThUS\$	<b>2006</b> ThUS\$
Finished products	7,428	7,997
Supplies and materials	5,603	5,263
Products in process	<u>3,281</u>	<u>4,816</u>
Total	<u><u>16,312</u></u>	<u><u>18,076</u></u>

## 6. FIXED ASSETS

Fixed assets are stated as indicated in Notes 2g and 2h. The detail is as follows:

	<b>2007</b> ThUS\$	<b>2006</b> ThUS\$
Mining properties	<u>13,622</u>	<u>13,622</u>
Construction and infrastructure	<u>71,359</u>	<u>73,364</u>
Machinery and equipment	<u>77,810</u>	<u>75,897</u>
Investments in development and prospecting	91,045	85,551
Furniture and fixtures, equipment	3,940	3,914
Works in progress	2,950	1,592
Leased assets	2,378	2,466
Other fixed assets	<u>595</u>	<u>1,268</u>
Total other fixed assets	100,908	94,791
Fixed asset technical revaluation	<u>4,104</u>	<u>4,104</u>
Total fixed assets - gross	<u>267,803</u>	<u>261,778</u>
Accumulated depreciation	(122,181)	(115,091)
Depreciation for the year	(12,838)	(8,490)
Increased value of accumulated depreciation as a result of technical revaluation of fixed assets	(4,104)	(4,104)
Accumulated amortization	(79,508)	(72,790)
Amortization for the year	<u>(6,066)</u>	<u>(6,718)</u>
Total accumulated depreciation	<u>(224,697)</u>	<u>(207,193)</u>
Total fixed assets - net	<u><u>43,106</u></u>	<u><u>54,585</u></u>

7. ACCOUNTS PAYABLE

The detail of this item at each year-end is as follows:

	<b>2007</b>	<b>2006</b>
	ThUS\$	ThUS\$
Invoices payable	955	3,968
Creditor from imports	529	419
Withholdings to contractors	653	267
Others	20	29
	<u>2,157</u>	<u>4,683</u>
Total	<u><u>2,157</u></u>	<u><u>4,683</u></u>

8. SHORT AND LONG TERM SUNDRY CREDITORS

The detail of this item is as follows:

	<b>2007</b>	<b>2006</b>
	ThUS\$	ThUS\$
<b>Short term:</b>		
Leasing obligations	206	834
Deferred interest	(2)	(28)
	<u>204</u>	<u>806</u>
Total	<u><u>204</u></u>	<u><u>806</u></u>
<b>Long-term:</b>		
Leasing obligations		206
Deferred interest		(2)
		<u>204</u>
Total	<u><u>-</u></u>	<u><u>204</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%.

## 9. BALANCES AND TRANSACTIONS WITH RELATED COMPANIES

### a. Accounts receivable from/payable to related companies:

	<b>Relationship</b>	<b>2007</b> ThUS\$	<b>2006</b> ThUS\$
<b>Receivables - short-term:</b>			
Minera El Tesoro	Indirect	925	67
Antofagasta Minerals S.A.	Shareholder	22	9
Minera Los Pelambres	Indirect	19	17
Madeco S.A.	Indirect	205	205
Antofagasta Railway Agencia en Chile	Indirect	<u>1</u>	<u>1</u>
Total		<u>1,172</u>	<u>299</u>
<b>Payables - short-term:</b>			
Antofagasta Minerals S.A.	Shareholder	250	1
Antofagasta Railway Agencia en Chile	Indirect	225	147
Madeco S.A.	Indirect	5	103
Minera El Tesoro	Indirect	<u>556</u>	<u>1</u>
Total		<u>1,036</u>	<u>251</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	2007		2006	
			Amount of the Transaction ThUS\$	Effect on income Charge (Credit) ThUS\$	Amount of the Transaction ThUS\$	Effect on income Charge (Credit) ThUS\$
Antofagasta Minerals S.A.	Shareholder	Administrative services	1,428	1,200	1,428	1,200
		Expense refunds	1,496	1,258	382	321
		Recovery of expenses	641			
		Rental income	107	(106)	101	(101)
Antofagasta Railway Agencia en Chile	Indirect	Transport services	1,388	1,166	1,446	1,215
		Recovery of expenses	7		6	
Minera Los Pelambres	Indirect	Rental income	212	(212)	201	(201)
		Administrative services	17	(14)	3	2
Madeco S.A.	Indirect	Copper sales	2,203	(801)	1,967	(785)
		Purchase of materials	64	54	152	128
Minera El Tesoro	Indirect	Sale of materials	1,540		572	
		Purchase of materials	3,223	35	249	
		Sea Terminal service	890	(748)		
		Expense refunds			120	101
		Rental income	7	(6)		
		Sundry	2			
Compañía Inversiones Adriático S.A.	Indirect	Office rent			16	16
Banco de Chile	Indirect	Time deposits	21,410	(100)	27,890	(78)

## 10. ACCRUALS AND WITHHOLDINGS

The detail of this item at each year-end is as follows:

	<b>2007</b>	<b>2006</b>
	ThUS\$	ThUS\$
<b>Short term:</b>		
Monthly expenses accrual	6,692	4,740
Sundry US dollar accrual	10,363	4,457
Staff vacations accrual	1,015	862
Futures market accrual		2,428
Withholdings payable	<u>4,175</u>	<u>2,246</u>
Total	<u><u>22,245</u></u>	<u><u>14,733</u></u>
<b>Long term:</b>		
Mine closure	1,692	1,448
Severance indemnities	<u>7,039</u>	<u>5,819</u>
Total	<u><u>8,731</u></u>	<u><u>7,267</u></u>

## 11. INCOME TAX AND DEFERRED TAXES

### a. Refundable taxes

The balance at each year-end is as follows:

	<b>2007</b>	<b>2006</b>
	ThUS\$	ThUS\$
VAT recoverable	<u>2,902</u>	<u>1,951</u>
Total	<u><u>2,902</u></u>	<u><u>1,951</u></u>

### b. Income tax

The First Category Income Tax provision at December 31, 2007, was ThUS\$26,907 (ThUS\$18,014 in December 2006), calculated in conformity with the Income Tax Law.

The specific mining tax provision was ThUS\$3,157 (ThUS\$3,522 in December 2006).

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

	<b>2007</b>	<b>2006</b>
	ThUS\$	ThUS\$
Income tax accrual	(26,907)	(18,014)
Special Tax Law Art. 21 accrual	(7)	(76)
Specific mining tax accrual	(3,157)	(3,522)
Provisional monthly payments	15,348	4,989
Provisional monthly specific mining tax payments	5,540	998
Sence training expenses	<u>223</u>	<u>109</u>
 Total	 <u><u>(8,960)</u></u>	 <u><u>(15,516)</u></u>

### c. Deferred taxes

At December 31 each year, the detail of the accumulated balances for deferred taxes is as follows:

	<b>2007</b>			<b>2006</b>		
	<u>Assets</u>		<u>Liabilities</u>	<u>Assets</u>		<u>Liabilities</u>
	<u>Short term</u>	<u>Long term</u>	<u>Long term</u>	<u>Short term</u>	<u>Long term</u>	<u>Long term</u>
<b>Temporary differences</b>	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$
Inventories	308			308		
Fixed asset depreciation			888			1,885
Vacation provision	173			146		
Provision for mine closure costs		1,408			1,209	
Provision for leasing and others	84	164		203	397	
Others		<u>680</u>			<u>474</u>	
Total deferred taxes	565	2,252	888	657	2,080	1,885
Complementary accounts - net of accumulated amortization						<u>(62)</u>
Total	<u><u>565</u></u>	<u><u>2,252</u></u>	<u><u>888</u></u>	<u><u>657</u></u>	<u><u>2,080</u></u>	<u><u>1,823</u></u>

Deferred taxes are presented in the balance sheet as shown below:

	<b>2007</b> ThUS\$	<b>2006</b> ThUS\$
Current deferred tax assets	<u>565</u>	<u>657</u>
Total current assets	<u><u>565</u></u>	<u><u>657</u></u>
Long term deferred tax assets	2,252	2,080
Long term deferred tax liabilities	<u>(888)</u>	<u>(1,823)</u>
Total net long term asset	<u><u>1,364</u></u>	<u><u>257</u></u>

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

	<b>2007</b> ThUS\$	<b>2006</b> ThUS\$
<b>Current tax expense</b>		
Income tax	(26,907)	(18,014)
Special Tax Law Art. 21 Income Tax Law	(7)	(75)
Specific mining tax	(3,157)	(3,522)
Income tax difference prior year	(278)	(128)
<b>Deferred taxes</b>		
Effect of the variation of assets and liabilities from deferred taxes	900	378
Effect of amortization of complementary accounts and others	(62)	(62)
Effect of specific mining tax	<u>205</u>	<u>(31)</u>
Total net charge to income	<u><u>(29,306)</u></u>	<u><u>(21,454)</u></u>

## 12. SHAREHOLDERS' EQUITY

The following are the equity movements during the years:

	<b>Paid-in capital</b> ThUS\$	<b>Reserve for technical revaluation</b> ThUS\$	<b>Retained earnings</b> ThUS\$	<b>Interim dividend</b> ThUS\$	<b>Net income for the year</b> ThUS\$	<b>Total</b> ThUS\$
Balance at January 1, 2006	78,422	219		(7,325)	11,734	83,050
Transfer 2005 net income			11,734		(11,734)	-
Final dividend			(7,325)	7,325		-
Interim dividend				(50,000)		(50,000)
Net income for the year					86,021	86,021
<b>Balance at December 31, 2006</b>	<b>78,422</b>	<b>219</b>	<b>4,409</b>	<b>(50,000)</b>	<b>86,021</b>	<b>119,071</b>
Balance at January 1, 2007	78,422	219	4,409	(50,000)	86,021	119,071
Transfer 2006 net income			86,021		(86,021)	-
Final dividend			(90,430)	50,000		(40,430)
Interim dividend				(109,000)		(109,000)
Net income for the year					126,825	126,825
<b>Balance at December 31, 2007</b>	<b>78,422</b>	<b>219</b>	<b>-</b>	<b>(109,000)</b>	<b>126,825</b>	<b>96,466</b>

At the General Shareholders' Meeting held on April 21, 2006, it was unanimously agreed to approve and ratify the April 25, 2005 Board of Directors' decision to distribute against 2005 net income 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 N° 294 of August 28, 2006, the Board of Directors agreed unanimously to distribute an interim dividend of US\$50 million, at US\$1.906984613 per share, charged to the net income from 2006, which was paid to the shareholders as of September 5, 2006.

In the Ordinary General Shareholders Meeting held on April 27, 2007, the shareholders in attendance unanimously agreed to approve and ratify the Board of Directors April 23, 2007 decision to pay a US\$50 million dividend with charge to 2006 net income, at US\$1.906984613 per share, which was paid to the shareholders beginning on September 5, 2006, b) approve a dividend payment with charge to 2006 retained earnings of US\$4,408,701.35, at US\$0.168146513 per share, and c) approve a dividend payment of US\$36,020,536.37, at US\$1.373812172 per share, with charge to 2006 earnings, which must be placed at the shareholders disposal from April 30, 2007 onward.

As a result, the dividends paid by the Company to the shareholders with charge to 2006 net income amount to US\$86,020,536.37 and with charge to retained earnings of US\$4,408,701.35.

In Board Meeting N° 302 on May 28, 2007, it was unanimously agreed to distribute an interim dividend of US\$65 million, at US\$2.479079997 per share, against 2007 net income, which was paid to the shareholders from June 6, 2007 onward.

In Board Meeting N° 306 on September 24, 2007, it was unanimously agreed to distribute an interim dividend of US\$44 million, at US\$1.678146460 per share, against 2007 net income, which was paid to the shareholders from October 16, 2007 onward.

### 13. OTHER INCOME AND EXPENSES

#### a. Other income:

	<b>2007</b>	<b>2006</b>
	ThUS\$	ThUS\$
2007 earthquake insurance income	7,776	
Recovery of written off debt	1,352	
Rental income	461	381
Gain on sale of fixed assets	267	125
Sea Terminal service	123	
Other income	<u>363</u>	<u>257</u>
Total	<u><u>10,342</u></u>	<u><u>763</u></u>

#### b. Other expenses:

	<b>2007</b>	<b>2006</b>
	ThUS\$	ThUS\$
2007 earthquake loss	9,276	
Adjustment sulfate inventory tonnage		295
Other expenses	<u>51</u>	<u>259</u>
Total	<u><u>9,327</u></u>	<u><u>554</u></u>

### 14. FUTURE OPERATIONS AND OPTIONS

The Company holds the following hedge contracts at each period-end:

#### a. Outstanding positions at December 31, 2007:

At December 31, 2007, the Company holds Min-Max options for 10,200 MT, with monthly maturities, from January to December, 2008. These options have a floor of US\$2.57 per pound of fine copper, and a cap of US\$4.14 per pound of fine copper.

#### b. Outstanding positions at December 31, 2006:

At December 31, 2006, the Company holds Min-Max options for 12,000 MT, with 1,000 MT maturing each month, from January to December, 2007. These options have a floor of US\$2.81227 per pound of fine copper and a cap of US\$3.37926 per pound of fine copper.

At December 31, 2007, the Company has Future Contracts for 9,600 MT, with 800 MT maturing every month, from January to December 2007. The average price of these contracts is US\$ 3.068552 per pound of fine copper.

**c. Result of operations that matured during the year:**

<b>2007</b>	<b>Gain</b> ThUS\$	<b>Loss</b> ThUS\$	<b>Total</b> ThUS\$
Fixed price	2,215	(8,062)	(5,847)
Options	<u>1,088</u>	<u>(2,160)</u>	<u>(1,072)</u>
Total	<u>3,303</u>	<u>(10,222)</u>	<u>(6,919)</u>
<b>2006</b>	<b>Gain</b> ThUS\$	<b>Loss</b> ThUS\$	<b>Total</b> ThUS\$
Options	<u>          </u>	<u>(74,462)</u>	<u>(74,462)</u>
Total	<u>-</u>	<u>(74,462)</u>	<u>(74,462)</u>

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

15. CONTINGENCIES AND COMMITMENTS

As a result of the earthquake on November 14, 2007, the Company recorded a provision for the damages to facilities and losses in inventories of products in process for ThUS\$9,276, as well as the recoverability of ThUS\$7,776, considering that the Company has insurance policies in force that cover these risks.

16. SUBSEQUENT EVENTS

Between January 1 and February 1, 2008, date of issue of these financial statements, no significant financial or other events have occurred that could significantly affect the balances or interpretation of these financial statements.

\* \* \* \* \*