

**MINERA EL TESORO**  
AUDITED FINANCIAL STATEMENTS  
FOR THE FULL YEAR ENDED 31 DECEMBER 2008 AND 2007

(TRANSLATION FROM SPANISH VERSION TO BE  
FILED WITH SUPERINTENDENCIA DE VALORES Y SEGUROS  
DE CHILE 27<sup>TH</sup> MARCH 2009)

# **MINERA EL TESORO**

Financial statements for the years ended  
December 31, 2008 and 2007 and independent  
auditors' report

## INDEPENDENT AUDITORS' REPORT

To the Shareholders of  
Minera El Tesoro

We have audited the accompanying balance sheets of Minera El Tesoro as of December 31, 2008, and 2007 and the related statements of income and of cash flows for the years then ended. These financial statements (including the related notes) 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 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 the Company's 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 El Tesoro at December 31, 2008 and 2007 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 solely for the convenience of readers outside Chile.



January 29, 2009

## MINERA EL TESORO

### BALANCE SHEETS AT DECEMBER 31, 2008 AND 2007 (In thousands of US Dollars - ThUS\$)

<b>ASSETS</b>	<b>2008</b> ThUS\$	<b>2007</b> ThUS\$
<b>CURRENT ASSETS:</b>		
Cash at banks and in hand	2,940	203
Time deposits	168,641	12,796
Marketable securities		521,253
Trade debtors	29,343	55,594
Accounts receivable from related companies	1,984	675
Sundry debtors	13,036	9,528
Inventories	44,144	36,981
Recoverable taxes	22,567	4,926
Prepaid expenses	2,809	1,256
Other current assets	37	34
Total current assets	<u>285,501</u>	<u>643,246</u>
<b>FIXED ASSETS:</b>		
Land	301	301
Mining properties	241,529	46,529
Construction and infrastructure	162,000	150,666
Machinery and equipment	150,057	133,138
Other fixed assets	131,857	39,754
Subtotal	685,744	370,388
Less: Accumulated depreciation	<u>(132,505)</u>	<u>(108,655)</u>
Total fixed assets	<u>553,239</u>	<u>261,733</u>
<b>OTHER ASSETS:</b>		
Accounts receivable from related company	90,000	
Mine development costs - net	20,948	32,360
Others	13,086	6,344
Total other assets	<u>124,034</u>	<u>38,704</u>
<b>TOTAL ASSETS</b>	<u><u>962,774</u></u>	<u><u>943,683</u></u>

The accompanying notes are an integral part of these financial statements

<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>2008</b> ThUS\$	<b>2007</b> ThUS\$
<b>CURRENT LIABILITIES:</b>		
Bank loans - senior debt, current portion		14,029
Accounts payable	19,338	21,914
Leasing obligations, current portion	133	34
Accounts payable to related companies	1,361	2,379
Accruals and withholdings	30,408	27,617
Income tax payable		3,659
Deferred taxes	378	372
Total current liabilities	<u>51,618</u>	<u>70,004</u>
<b>LONG-TERM LIABILITIES:</b>		
Leasing obligations	287	
Accruals	8,497	7,986
Deferred taxes	52,404	34,048
Total long-term liabilities	<u>61,188</u>	<u>42,034</u>
<b>SHAREHOLDERS' EQUITY:</b>		
Paid-in capital	90,995	90,995
Retained earnings	511,677	401,139
Net income for the year	247,296	339,511
Total shareholders' equity	<u>849,968</u>	<u>831,645</u>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<u><u>962,774</u></u>	<u><u>943,683</u></u>

## MINERA EL TESORO

STATEMENTS OF INCOME  
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007  
(In thousands of US Dollars - ThUS\$)

	<b>2008</b> ThUS\$	<b>2007</b> ThUS\$
REVENUES	632,420	673,931
COST OF SALES	<u>(292,543)</u>	<u>(246,357)</u>
GROSS MARGIN	339,877	427,574
ADMINISTRATIVE AND SELLING EXPENSES	<u>(35,735)</u>	<u>(31,286)</u>
OPERATING INCOME	<u>304,142</u>	<u>396,288</u>
OTHER INCOME (EXPENSES):		
Financial income	15,384	22,362
Other income	1,980	2,336
Exchange differences	(5,526)	1,158
Financial expenses	(826)	(1,968)
Other expenses	<u>(2,121)</u>	<u>(3,019)</u>
Other income - net	<u>8,891</u>	<u>20,869</u>
INCOME BEFORE INCOME TAX	313,033	417,157
INCOME TAX	<u>(65,737)</u>	<u>(77,646)</u>
NET INCOME FOR THE YEAR	<u><u>247,296</u></u>	<u><u>339,511</u></u>

The accompanying notes are an integral part of these financial statement

## MINERA EL TESORO

### STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007 (In thousands of US Dollars - ThUS\$)

	2008 ThUS\$	2007 ThUS\$
Net income for the year	247,296	339,511
Charges (credits) to income which do not represent cash flows:		
Depreciation and amortization	33,136	39,116
Deferred taxes	18,362	2,232
Exchange differences	5,526	(1,158)
Project write-offs	5,365	4,126
(Increase) decrease in assets which affect cash flows:		
Trade debtors	26,251	(7,214)
Sundry debtors and others	(5,061)	(6,011)
Inventories	(7,163)	12,102
Recoverable taxes	(17,641)	(2,478)
Other assets	(6,745)	(2,024)
Increase (decrease) in liabilities which affect cash flows:		
Accounts payable	(2,576)	12,544
Accounts payable to related companies - net	(92,327)	1,318
Income tax	(3,659)	(27,287)
Other liabilities	3,625	(5,366)
Net cash provided by operating activities	<u>204,389</u>	<u>359,411</u>
CASH FLOW FROM FINANCING ACTIVITIES:		
Payment senior debt	(14,000)	(14,000)
Payment of dividends	<u>(228,973)</u>	<u>          </u>
Net cash used in financing activities	<u>(242,973)</u>	<u>(14,000)</u>
CASH FLOW FROM INVESTMENT ACTIVITIES:		
Purchase of fixed asset - net	(52,501)	(30,192)
Incorporation of development costs, net	(71,076)	
Incorporation of mining properties, water rights	<u>(200,510)</u>	<u>          </u>
Net cash used in investment activities	<u>(324,087)</u>	<u>(30,192)</u>
NET (NEGATIVE) POSITIVE CASH FLOW FOR THE YEAR	(362,671)	315,219
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>534,252</u>	<u>219,033</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u><u>171,581</u></u>	<u><u>534,252</u></u>

The accompanying notes are an integral part of these financial statements

## MINERA EL TESORO

### NOTES TO THE FINANCIAL STATEMENTS

(In thousand 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 20.026 on the Specific Mining Tax published in the Official Gazette of June 16, 2005, and the relevant regulations issued by the Superintendence of Securities and Insurance ("SVS") through its Exempt Resolutions N°549 of September 23, 2005 and N° 39 of February 3, 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.

#### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**a. Basis of presentation** - The financial statements at December 31, 2008 and 2007 have been prepared in accordance with accounting principles generally accepted in Chile.

**b. Accounting period** - The attached interim financial statements, related to these notes, correspond to the periods between January 1 and December 31, 2008 and 2007.

**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 year were translated into US dollars at the observed exchange rate published by the Chilean Central Bank of \$636.45 per US\$1 in 2008 (\$496.89 per US\$1 in 2007).

**d. Time deposits** - Investments in time deposits include capital plus readjustment 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 periods 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** - For comparative purposes, certain reclassifications have been made in the financial statements at December 31, 2007.

### 3. TIME DEPOSITS

This item includes time deposits as follows:

#### Time deposits

	<b>Currency</b>	<b>2008</b> ThUS\$	<b>2007</b> ThUS\$
Time deposits overseas	US\$	16,460	9,856
Local financial investments	Ch\$	140,173	
	US\$	12,008	2,940
		<u>168,641</u>	<u>12,796</u>
Total time deposits		<u>168,641</u>	<u>12,796</u>

### 4. MARKETABLE SECURITIES

The detail of investments in marketable securities is as follows:

	<b>2008</b> ThUS\$	<b>2007</b> ThUS\$
Asset manager Deutsche		260,977
Asset manager Blackrock		260,276
		<u>521,253</u>
Total	-	<u>521,253</u>

## 5. TRADE DEBTORS

The split of this balance by geographical destination is as follows:

	<b>2008</b> ThUS\$	<b>2007</b> ThUS\$
<b>Foreign clients:</b>		
Europe	12,519	21,093
Latin America	4,729	11,205
Asia Pacific	8,190	14,407
North America	1,601	6,586
	<u>27,039</u>	<u>53,291</u>
Total foreign clients		
	<u>2,304</u>	<u>2,303</u>
<b>Domestic clients:</b>		
Total	<u><u>29,343</u></u>	<u><u>55,594</u></u>

## 6. INVENTORIES

Inventories of the Company are as follows:

	<b>2008</b> ThUS\$	<b>2007</b> ThUS\$
Finished products	7,355	7,171
Products in process	25,285	23,352
Materials, raw materials and parts	11,504	6,458
	<u>44,144</u>	<u>36,981</u>
Total	<u><u>44,144</u></u>	<u><u>36,981</u></u>

## 7. FIXED ASSETS

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

	<b>2008</b> ThUS\$	<b>2007</b> ThUS\$
Land	<u>301</u>	<u>301</u>
Mining properties (a)	<u>241,529</u>	<u>46,529</u>
<b>Construction and infrastructure:</b>		
Facilities	99,512	89,228
Buildings and construction	28,737	27,860
Infrastructure	<u>33,751</u>	<u>33,578</u>
Total buildings and infrastructure	<u>162,000</u>	<u>150,666</u>
<b>Machinery and equipment:</b>		
Machinery and equipment	55,714	54,343
Mobile equipment	84,264	73,592
Minor equipment	4,595	4,325
Auxiliary equipment	<u>5,484</u>	<u>878</u>
Total machinery and equipment	<u>150,057</u>	<u>133,138</u>
<b>Other fixed assets:</b>		
Equipment	10,294	9,744
Computer equipment, software and hardware	908	892
Furniture	87	60
Leased assets	453	366
Construction in progress	2,056	1,730
Ongoing projects (b)	107,180	16,083
Preoperating expenses	<u>10,879</u>	<u>10,879</u>
Total other fixed assets	<u>131,857</u>	<u>39,754</u>
Total fixed assets, gross	<u>685,744</u>	<u>370,388</u>
Total accumulated depreciation	<u>(132,505)</u>	<u>(108,655)</u>
Total fixed assets, net	<u><u>553,239</u></u>	<u><u>261,733</u></u>

(a) During the first semester of 2008, the Company acquired mining properties from Antofagasta Minerals for ThUS\$195,000 for the development of a new open pit project, Tesoro Noreste.

(b) The projects in progress mainly include the new open pit Tesoro Norte and ROM piles that start production at the beginning of the second semester of 2009.

## 8. MINE DEVELOPMENT COSTS - NET

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

	<b>2008</b> ThUS\$	<b>2007</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>(81,212)</u>	<u>(69,800)</u>
Total mine development costs, net	<u><u>20,948</u></u>	<u><u>32,360</u></u>

## 9. BANKS LOANS - SENIOR DEBT

The balance is as follows:

Financial institution	Interest	2008		2007	
		Short term ThUS\$	Long term ThUS\$	Short term ThUS\$	Long term ThUS\$
The Royal Bank of Scotland - BBVA	LIBOR+0,5%	<u>          </u>	<u>          </u>	14,029	<u>          </u>
Total		<u>          </u>	<u>          </u>	<u>14,029</u>	<u>          </u>

In 2007, the senior debt had half-yearly maturities terminating in December 2008. On February 28, 2008, Minera El Tesoro prepaid the total senior debt.

## 10. ACCRUALS AND WITHHOLDINGS

This detail of this item is as follows:

	<b>2008</b> ThUS\$	<b>2007</b> ThUS\$
<b>Short-term:</b>		
Operations	25,961	19,872
Freight, insurance, export commissions	<u>672</u>	<u>608</u>
Subtotal accruals	26,633	20,480
Withholdings	<u>3,775</u>	<u>7,137</u>
Total short-term	<u><u>30,408</u></u>	<u><u>27,617</u></u>
<b>Long-term:</b>		
Severance indemnity	5,112	4,887
Mine closure	<u>3,385</u>	<u>3,099</u>
Total long-term	<u><u>8,497</u></u>	<u><u>7,986</u></u>

## 11. INCOME TAX AND DEFERRED TAXES

The balance of recoverable taxes is as follows:

	<b>2008</b> ThUS\$	<b>2007</b> ThUS\$
<b>Current assets:</b>		
VAT Credit (net)	7,223	4,214
Monthly provisional payments (net)	13,806	
Other monthly and annual refundable credits	<u>1,538</u>	<u>712</u>
Total short-term	<u><u>22,567</u></u>	<u><u>4,926</u></u>
<b>Other assets:</b>		
Additional tax for technical advisory services	830	1,020
Long-term tax credits	<u>713</u>	<u>86</u>
Total long-term	<u><u>1,543</u></u>	<u><u>1,106</u></u>

Short-term recoverable taxes include the provisional monthly payment balance, net of first category tax and specific mining tax.

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

### a. Income tax and deferred taxes

The provision for first category income tax at December 31, 2008, is calculated based on net taxable income of ThUS\$194,400 (ThUS\$405,718 in 2007), determined in agreement with the Income Law. The Company provided for mining specific tax provision, calculated on the basis of operating taxable income of ThUS\$263,950 (ThUS\$402,600 in 2007).

In 2008, 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.

	<b>2008</b>	<b>2007</b>
	ThUS\$	ThUS\$
Income tax provision for the year	33,048	68,972
Specific mining tax provision	10,558	8,052
Monthly provisional payments - First category tax	(33,048)	(58,231)
Monthly provisional payments - Specific mining tax	(10,558)	(14,819)
Other credits	-	(315)
	<u>-</u>	<u>(315)</u>
Total income tax payable	<u>-</u>	<u>3,659</u>

### b. Deferred taxes

At December 31, 2008 and 2007, the detail of accumulated balances of assets and liabilities from deferred taxes is as follows:

	<b>2008</b>				<b>2007</b>			
	<b>Assets</b>		<b>Liabilities</b>		<b>Assets</b>		<b>Liabilities</b>	
	<b>Short term</b>	<b>Long term</b>	<b>Short term</b>	<b>Long term</b>	<b>Short term</b>	<b>Long term</b>	<b>Short term</b>	<b>Long term</b>
	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$
<b>Temporary differences</b>								
Vacation accrual	273				233			
Bonus accrual	488				964			
Severance indemnity		475				451		
Accrual for mine closure, net		450				386		
Finance leases		74				2		
Accruals and others	138	62			84	260	223	
Indirect manufacturing costs			1,234				1,453	
Fixed assets				26,693				24,482
Preoperating expenses				26,419				10,812
Specific mining tax			43	353	23	147		
	<u>899</u>	<u>1,061</u>	<u>1,277</u>	<u>53,465</u>	<u>1,304</u>	<u>1,246</u>	<u>1,676</u>	<u>35,294</u>
Balance at December 31	<u>899</u>	<u>1,061</u>	<u>1,277</u>	<u>53,465</u>	<u>1,304</u>	<u>1,246</u>	<u>1,676</u>	<u>35,294</u>

The net balances of short-term deferred taxes of ThUS\$378 (ThUS\$372 in 2007), and long-term deferred taxes for ThUS\$52,404 (ThUS\$34,048 in 2007), 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>2008</b>	<b>2007</b>
	ThUS\$	ThUS\$
<b>Current tax expense:</b>		
Income tax	33,048	68,972
Surplus provision for prior year income tax	(220)	(829)
Specific mining tax	10,558	8,052
Surplus provision for prior year specific mining tax	(73)	(171)
Exchange differences	4,062	(610)
<b>Deferred taxes:</b>		
Changes in deferred taxes	<u>18,362</u>	<u>2,232</u>
Total	<u><u>65,737</u></u>	<u><u>77,646</u></u>

## 12. COPPER PRICE FUTURES CONTRACTS

### a. Copper Price futures contracts

In 2007 and 2008, various contracts for future COMEX price base sales and future LME price base purchases were entered into for 6,000 and 5,000 tons, respectively. 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.

#### Outstanding operations at December 31, 2008:

Product	Institution	Date		Quantity MT	Price of the transaction	
		Subscription	Maturity		Sale of Futures Comex US\$/Ton	Purchase of Futures LME US\$/Ton
<b>2008</b>						
Copper	Koch	05-10-2007	03-02-2009	<u>500</u>	7,975	7,950
				<b>500</b>		
<b>2009</b>						
Copper	Calyon	19-06-2008	02-02-2010	3,000	8,003	7,966
Copper	Calyon	26-06-2008	02-02-2010	<u>3,000</u>	8,157	8,117
				<b>6,000</b>		

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

The contracts entered into in 2008 are 500 metric tons of copper per month for Calyon, from February 2009.

**b. Options**

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

**Open operations at December 31, 2008**

Product	Institution	Date		Remaining Quantity MT	Options	
		Suscription	Annual Maturity		Put US\$/Ton	Call US\$/Ton
<b>2009:</b>						
Copper	J. Aron & Co.	11-04-2007	31-12-2009	3,600	4,850	8,310
Copper	JP Morgan	12-04-2007	31-12-2009	3,600	4,850	8,270
Copper	BNP Paribas	05-04-2007	31-12-2009	7,200	4,630	8,270
Copper	J. Aron & Co.	17-04-2007	31-12-2009	3,600	4,850	8,735
Copper	J. Aron & Co.	17-04-2007	31-12-2009	3,600	5,295	7,940
Copper	JP Morgan	23-04-2007	31-12-2009	3,000	5,295	7,950
Copper	Triland Metals	02-05-2007	31-12-2009	3,000	5,295	8,245
				<b><u>27,600</u></b>		

During January, the Company entered into new contracts in order to hedge 7,850 tons in 2009, starting in February.

Operations:

Product	Institution	Date		Remaining quantity MT	Fixed price US\$/Ton
		Suscription	Annual Maturity		
<b>2009:</b>					
Cobre	JP Morgan	09-01-2009	30-04-2009	3,000	3,310
Cobre	JP Morgan	09-01-2009	28-02-2009	500	3,335
Cobre	BNP	13-01-2009	30-04-2009	2,400	3,315
Cobre	Calyon	15-01-2009	30-04-2009	1,950	3,315
				<b><u>7,850</u></b>	

### 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, 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
<b>Balance at December 31, 2007</b>	<b>90,995</b>	<b>401,139</b>	<b>339,511</b>	<b>831,645</b>
Balance at January 1, 2008	90,995	401,139	339,511	831,645
Transfer of income		339,511	(339,511)	
Dividends		(228,973)		(228,973)
Net income for the year			247,296	247,296
<b>Balance at December 31, 2008</b>	<b>90,995</b>	<b>511,677</b>	<b>247,296</b>	<b>849,968</b>

- b. In extraordinary Shareholders Meeting held on July 24, 2008, it was unanimously agreed to distribute final dividends of US\$228,973,420.00, at the rate of US\$2,516.36, which was paid to the shareholders from July 25, 2008 onward.
- c. At December 31, 2008, the paid-in capital of the Company is represented by 90,995 no-par value shares. The equity ownership is as follows:

	<b>N° of shares</b>	<b>Ownership %</b>
Antofagasta Minerals S.A.	28,209	31
Compañía Contractual Minera Leonor	35,488	39
Sierra Gorda Mining Investment B V	27,298	30
<b>Total</b>	<b>90,995</b>	<b>100</b>

On August 20, 2008, Antofagasta Minerals S.A. sold 27,298.314 shares to Sierra Gorda Mining Investment BV.

#### 14. BALANCES AND TRANSACTIONS WITH RELATED COMPANIES

##### a. Accounts receivable - short-term

<b>Company</b>	<b>Relationship</b>	<b>2008</b> ThUS\$	<b>2007</b> ThUS\$
Antofagasta Minerals S.A.	Parent	224	17
Minera Esperanza	Indirect	344	76
Minera Michilla S.A.	Indirect	1,416	556
Minera los Pelambres	Indirect		20
Aguas de Antofagasta S.A.	Indirect		6
Total		<u>1,984</u>	<u>675</u>

##### b. Accounts receivable - long-term:

<b>Company</b>	<b>Relationship</b>	<b>2008</b> ThUS\$	<b>2007</b> ThUS\$
Minera Esperanza	Indirect	<u>90,000</u>	<u></u>

On April 21, 2008, Minera Esperanza and Minera El Tesoro signed a mineral sale purchase agreement. The object of this contract is the sale of oxide ore obtained by Minera Esepranza as a result of its prestripping process. Minera El Tesoro paid ThUS\$90,000 as an advance payment for the sale of the ore, which should occur during the second half of 2010.

##### c. Accounts payable - short-term:

<b>Company</b>	<b>Relationship</b>	<b>2008</b> ThUS\$	<b>2007</b> ThUS\$
Antofagasta Minerals S.A.	Parent	(67)	214
Minera Michilla S.A.	Indirect	290	925
Aguas de Antofagasta S.A.	Indirect	85	75
Transportes Integrados S.A.	Indirect		72
Antofagasta Railway Company Plc. (Agencia en Chile)	Indirect	<u>1,053</u>	<u>1,093</u>
Total		<u>1,361</u>	<u>2,379</u>

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

#### d. Transactions with related parties

Significant transactions with related parties during 2008 and 2007 are the following:

Company	Relationship	Transaction	2008		2007	
			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.	Parent	Administrative services	2,467	2,073	2,555	2,147
		Reimbursement of expenses	16		70	
		Payment of dividend	139,673			
		AMSA project services	402	(338)	235	(99)
		Compra pertenencias y derechos	200,510			
Compañía Contractural Minera Leonor	Shareholder	Royalties	13,005	13,005	13,299	13,299
		Final dividend	89,300			
Minera Michilla S.A.	Indirect	Purchase of supplies	5,398		1,540	
		Sale of supplies	4,694		3,223	(35)
		Lease of terminal	597	502	890	748
		Miscellaneous	3		9	
Minera Esperanza	Indirect	Sundry services	1,357	(1,137)	82	(69)
		Prepayment of ore purchase	90,000			
Minera Los Pelambres	Indirect	Outsourcing services	200	168	267	171
		Sale of supplies	89	(75)	20	
Antofagasta Railway Company Plc. (Agencia en Chile)	Indirect	Transportation	14,040	11,798	10,887	9,149
		Miscellaneous			51	51
Aguas de Antofagasta S.A.	Indirect	Water	926	85	295	69
		Sale of supplies			6	3
Banco de Chile	Indirect	Bank expenses	96	81	32	27
		Loans	123,387	(395)	65,871	(222)
Artikos	Indirect	Administrative services	44	37	35	29
Adriático	Indirect	Office rental	72	72	76	76
Madeco	Indirect	Supplies	131	110	277	233
Other related	Indirect	Sundry expenses	509	428	90	76

## 15. OTHER INCOME AND EXPENSES

At December 31, the detail is as follows:

	<b>2008</b> ThUS\$	<b>2007</b> ThUS\$
<b>Other income:</b>		
Sales and extraordinary services	1,844	2,246
Indemnities received	136	90
	<u>1,980</u>	<u>2,336</u>
<b>Total</b>	<u><u>1,980</u></u>	<u><u>2,336</u></u>
<b>Other expenses:</b>		
Claimed fixed assets write - off		1,526
Fixed assets write - off		875
Cost of sales and extraordinary services	729	
Donations	1,199	
Housing loan write- off	184	
Others	9	618
	<u>2,121</u>	<u>3,019</u>
<b>Total</b>	<u><u>2,121</u></u>	<u><u>3,019</u></u>

## 16. CONTINGENCIES, COMMITMENTS AND GUARANTEES

- a. The Company has deposits in guarantee for ThUS\$31 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 foreign advisory services for ThUS\$830, case number 7889-2004, which is in the second instance in the court of appeal. It also has a dispute for a ThUS\$26 reimbursement, where the Court, on appeal, annulled the proceedings based on the illegality of the designation and consequent incompetence of the Tax Judge; these proceedings will revert 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.
- d. On April 29, 2008, the Company jointly with other companies of the mining sector entered into an electric generation supporting contract with Gas Atacama Generación S.A. in the Norte Grande Interconnected System, in force from March 1, 2008, to December 31, 2011. The expense will accrue based on the participating companies' consumption, with Minera El Tesoro being responsible for covering an amount not exceeding US\$17.8 million over the whole period.

## 17. SUBSEQUENT EVENTS

Between January 1 and 29, 2009, the date of issue of these financial statements, there have been no other subsequent events that could significantly affect the balances or interpretation of these financial statements.

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