

MINERA MICHILLA S.A.
ANAUDITED FINANCIAL STATEMENTS
FOR THE FIRST QUARTER ENDED 31 MARCH 2009 AND 2008

(TRANSLATION FROM SPANISH VERSION TO BE
FILED WITH SUPERINTENDENCIA DE VALORES Y SEGUROS
DE CHILE 28TH MAY 2009)

MINERA MICHILLA S.A.**BALANCE SHEETS AT MARCH 31, 2009 AND 2008**
(In thousands of US dollars -ThUS\$)

ASSETS	2009 ThUS\$	2008 ThUS\$
CURRENT ASSETS:		
Cash at bank and in hand	3,388	382
Time deposits	17,403	62,810
Marketable securities	5,769	4,435
Trade debtors	11,622	33,399
Sundry debtors	1,016	9,307
Accounts receivable from related companies	157	2,670
Refundable taxes	11,512	3,544
Inventories	21,958	23,795
Prepaid expenses	868	478
Deferred taxes	951	537
Other current assets	12	16
Total current assets	74,656	141,373
FIXED ASSETS:		
Mining properties	13,622	13,622
Construction and infrastructure	76,481	71,359
Machinery and equipment	86,063	77,668
Other fixed assets	108,032	107,991
Technical revaluation of fixed assets	4,104	4,104
Accumulated depreciation and amortization	(249,620)	(230,499)
Impairment of fixed assets	(36,853)	
Write-off fixed assets	(1,829)	
Total fixed assets net	-	44,245
OTHERS:		
Investments in other companies	59	92
Long term debtors	15	16
Deferred taxes	2,764	1,852
Others	270	255
Total other assets	3,108	2,215
TOTAL ASSETS	77,764	187,833

The accompanying notes form an integral part of these financial statements

LIABILITIES AND SHAREHOLDERS' EQUITY	2009 ThUS\$	2008 ThUS\$
CURRENT LIABILITIES:		
Accounts payable	8,152	14,052
Sundry creditors		49
Accounts payable to related companies	2,170	2,057
Accruals and withholdings	9,653	23,736
Income tax		8,482
	<u>19,975</u>	<u>48,376</u>
LONG TERM LIABILITIES:		
Accruals	<u>8,782</u>	<u>9,883</u>
SHAREHOLDERS' EQUITY:		
Paid-in capital	78,422	78,422
Reserve for fixed asset technical revaluation	219	219
Retained earnings	34,146	126,825
Interim dividends	(70,000)	(109,000)
Net income for the period	<u>6,220</u>	<u>33,108</u>
Total shareholders' equity	<u>49,007</u>	<u>129,574</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	<u><u>77,764</u></u>	<u><u>187,833</u></u>

MINERA MICHILLA S.A.**STATEMENTS OF INCOME
FOR THE THREE MONTH PERIODS ENDED MARCH 31, 2009 AND 2008
(In thousands of US dollars -ThUS\$)**

	2009 MUS\$	2008 MUS\$
OPERATING REVENUE	40,467	93,857
OPERATING COSTS	<u>(34,482)</u>	<u>(47,489)</u>
OPERATING MARGIN	5,985	46,368
ADMINISTRATIVE AND SELLING EXPENSES	<u>(3,937)</u>	<u>(7,252)</u>
OPERATING INCOME	<u>2,048</u>	<u>39,116</u>
OTHER INCOME (EXPENSES):		
Financial income	76	504
Other income	5,203	504
Financial expenses	(14)	(18)
Other expenses	(1,855)	(39)
Exchange differences	<u>2,074</u>	<u>1,470</u>
OTHER INCOME	<u>5,484</u>	<u>2,421</u>
INCOME BEFORE INCOME TAX	7,532	41,537
INCOME TAX	<u>(1,312)</u>	<u>(8,429)</u>
NET INCOME FOR THE PERIOD	<u><u>6,220</u></u>	<u><u>33,108</u></u>

The accompanying notes form an integral part of these financial statements

MINERA MICHILLA S.A.**STATEMENTS OF CASH FLOWS**

FOR THE THREE MONTH PERIODS ENDED MARCH 31, 2009 AND 2008

(In thousands of US dollars -ThUS\$)

	2009	2008
	MUS\$	MUS\$
RECONCILIATION BETWEEN NET CASH FLOW FROM OPERATING ACTIVITIES AND NET INCOME FOR THE PERIOD:		
Net income for the period	6,220	33,108
Gain on sale of assets:		
Gain on sale of assets		(24)
Charges (credits) to income that do not represent cash flows:		
Depreciation		3,124
Amortization		3,076
Write-offs and accruals	1,757	641
Exchange differences	(2,074)	(1,470)
Other (credits) charges to income that do not represent cash flows	27	(394)
Decrease (increase) in assets affecting cash flow:		
Trade debtors	(4,699)	(11,752)
Inventories	(5,334)	(7,483)
Deferred taxes	337	28
Other assets	13,806	514
Increase (decrease) in liabilities affecting cash flow:		
Accounts payable and sundry creditors	(20,248)	14,349
Value added tax and other similar taxes payable	2,083	248
Deferred taxes	98	(488)
Net cash provided (used) by operating activities	<u>(8,027)</u>	<u>33,477</u>
CASH FLOW FROM INVESTMENT ACTIVITIES:		
Sale of fixed assets		24
Purchase of fixed assets	(2,135)	(7,419)
Other loans to related companies		(1,558)
Net cash used in investment activities	<u>(2,135)</u>	<u>(8,953)</u>
NET (NEGATIVE) POSITIVE CASH FLOW FOR THE PERIOD	(10,162)	24,524
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	<u>36,722</u>	<u>43,103</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u><u>26,560</u></u>	<u><u>67,627</u></u>

The accompanying notes form an integral part of these financial statements

MINERA MICHILLA S.A.

NOTES TO THE FINANCIAL STATEMENTS

(In thousand 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 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 March 31, 2008 and 2008 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.

The assets and liabilities in Chilean pesos were translated into US dollars at the Exchange rate that was current at period end of Ch\$583.26 per US\$1 (March 31, 2008: \$437.71 per US\$1).

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

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

e. Allowance 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 period 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 are not legally owned by the Company and therefore, it cannot freely dispose of these assets until it exercises its purchase option.

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.

At year-end 2008, the company recorded a ThCh\$36,853 provision with charge to other non-operating expenses for impairment of its fixed assets, based on the revaluation of its current mining plan.

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

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

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 rate.

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 the 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 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.

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 - For comparative purposes, certain reclassifications have been made in the financial statements at March 31, 2008.

3. TIME DEPOSITS

The detail is as follows:

	Currency	2009 ThUS\$	2008 ThUS\$
Time deposits overseas	US\$		62,810
Time deposits local	US\$	<u>17,403</u>	<u> </u>
Total		<u><u>17,403</u></u>	<u><u>62,810</u></u>

4. TRADE DEBTORS

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

	2009 ThUS\$	2008 ThUS\$
Europe	1,834	18,370
Asia Pacific	9,777	12,969
Latin American	<u>11</u>	<u>2,060</u>
Total	<u><u>11,622</u></u>	<u><u>33,399</u></u>

5. INVENTORIES

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

	2009 ThUS\$	2008 ThUS\$
Products in process	10,054	11,356
Supplies and materials	7,506	7,387
Finished products	<u>4,398</u>	<u>5,052</u>
Total	<u><u>21,958</u></u>	<u><u>23,795</u></u>

6. FIXED ASSETS

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

	2009 ThUS\$	2008 ThUS\$
Mining properties	<u>13,622</u>	<u>13,622</u>
Construction and infrastructure	<u>76,481</u>	<u>71,359</u>
Machinery and equipment	<u>86,063</u>	<u>77,668</u>
Investments in development and prospecting	102,444	91,045
Furniture and fixtures, equipment	3,948	3,940
Works in progress		10,287
Leased assets		1,182
Other fixed assets	<u>1,640</u>	<u>1,537</u>
Total other fixed assets	108,032	107,991
Fixed asset technical revaluation	<u>4,104</u>	<u>4,104</u>
Total fixed assets - gross	<u>288,302</u>	<u>274,744</u>
Accumulated depreciation	(146,724)	(134,621)
Depreciation for the period		(3,124)
Increased value of accumulated depreciation as a result of technical revaluation of fixed assets	(4,104)	(4,104)
Accumulated amortization	(98,792)	(85,574)
Amortization for the period		<u>(3,076)</u>
Total accumulated depreciation	(249,620)	(230,499)
Impairment of fixed assets	(36,853)	
Write-off fixed assets	<u>(1,829)</u>	
Total fixed assets - net	<u><u>-</u></u>	<u><u>44,245</u></u>

7. ACCOUNTS PAYABLE

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

	2009 ThUS\$	2008 ThUS\$
Invoices payable	8,054	13,920
Withholdings to contractors	81	109
Others	17	23
	<u> </u>	<u> </u>
Total	<u>8,152</u>	<u>14,052</u>

8. SUNDRY CREDITORS

The detail of this item is as follows:

	2009 ThUS\$	2008 ThUS\$
Leasing obligations	<u> </u>	<u>49</u>
Total	<u> </u>	<u>49</u>

The leasing obligations correspond to machinery 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:

	Type of relationship	2009 ThUS\$	2008 ThUS\$
Receivables			
Minera El Tesoro	Indirect	95	1,974
Antofagasta Minerals S.A.	Shareholder	61	23
Minera Los Pelambres	Indirect		22
Madeco S.A.	Indirect		650
Antofagasta Railway Agencia en Chile	Indirect	1	1
Total		<u>157</u>	<u>2,670</u>
Payables			
Antofagasta Minerals S.A.	Shareholder	2,009	1,158
Antofagasta Railway Agencia en Chile	Indirect	84	250
Madeco S.A.	Indirect	2	
Minera El Tesoro	Indirect	75	649
Total		<u>2,170</u>	<u>2,057</u>

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

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

Company	Relationship	Transaction	2009		2008	
			Amount of transaction ThUS\$	Effect on income charge (credit) ThUS\$	Amount of transaction ThUS\$	Effect on income charge (credit) ThUS\$
Antofagasta Minerals S.A.	Shareholder	Administrative services	357	300	357	300
		Expense refunds	950	798	1,211	1,018
		Recovery of expenses	50			
		Rental income			31	(31)
Antofagasta Railway Agencia en Chile	Indirect	Transport services	411	346	625	525
		Recovery of expenses	2		2	
Minera Los Pelambres	Indirect	Rental income			63	(63)
Madeco S.A.	Indirect	Copper sales			850	(333)
		Purchase of materials	1	1		
Minera El Tesoro	Indirect	Sale of materials	375	(315)	1,653	1,389
		Purchase of materials	797	670	92	77
		Sea Terminal service	223	(188)	308	(259)
Banco de Chile	Indirect	Time deposits	21,620			

10. ACCRUALS AND WITHHOLDINGS

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

	2009 ThUS\$	2008 ThUS\$
Monthly expenses accrual	589	2,116
Sundry US dollar accrual	7,151	15,266
Staff vacations accrual	940	1,008
Futures market accrual		1,679
Withholdings payable	<u>973</u>	<u>3,667</u>
Total	<u><u>9,653</u></u>	<u><u>23,736</u></u>
Long term:		
Mine closure	1,692	1,692
Severance indemnity	<u>7,090</u>	<u>8,191</u>
Total	<u><u>8,782</u></u>	<u><u>9,883</u></u>

11. INCOME TAX AND DEFERRED TAXES

a. Refundable taxes

The balance at each period-end is as follows:

	2009 ThUS\$	2008 ThUS\$
VAT Recoverable	1,700	2,654
Income tax accrual, net of credits	9,812	
Mining licenses		<u>890</u>
Total	<u><u>11,512</u></u>	<u><u>3,544</u></u>

b. Income tax

The First Category Income Tax provision at March 31, 2009, was ThUS\$844 (ThUS\$7,199 in March 2008), calculated in conformity with the Income Tax Law.

The specific mining tax provision was ThUS\$32 (ThUS\$1,687 in March 2008).

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

	2009 ThUS\$	2008 ThUS\$
Income tax accrual	(17,109)	(34,119)
Specific mining tax accrual	(3,365)	(4,844)
Provisional monthly payments	14,588	22,688
Provisional monthly specific mining tax payments	5,755	7,551
Sence training expenses and others	131	242
	<u> </u>	<u> </u>
Total	<u> - </u>	<u> (8,482) </u>

c. Deferred taxes

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

	2009			2008		
	Asset		Liability	Asset		Liability
	Short term	Long term	Long term	Short term	Long term	Long term
Temporary differences	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$
Inventories	543			308		
Fixed asset depreciation		204				620
Vacation provision	160			171		
Provision for mine closure costs		1,416			1,588	
Provision for leasing and others	248	164		58	164	
Others		980			720	
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total deferred taxes	<u> 951 </u>	<u> 2,764 </u>	<u> </u>	<u> 537 </u>	<u> 2,472 </u>	<u> 620 </u>

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

	2009 ThUS\$	2008 ThUS\$
Current deferred tax assets	<u>951</u>	<u>537</u>
Total current assets	<u><u>951</u></u>	<u><u>537</u></u>
Long term deferred tax assets	2,764	2,472
Long term deferred tax liabilities	<u> </u>	<u>(620)</u>
Total net long term asset	<u><u>2,764</u></u>	<u><u>1,852</u></u>

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

	2009 ThUS\$	2008 ThUS\$
Current tax expense		
Income tax	(844)	(7,199)
Additional tax, special Tax Law Art. 21 Income Tax Law	(1)	(3)
Specific mining tax	(32)	(1,687)
Deferred taxes		
Effect of the variation of assets and liabilities from deferred taxes	(435)	420
Effect of specific mining tax	<u> </u>	<u>40</u>
Total net charge to income	<u><u>(1,312)</u></u>	<u><u>(8,429)</u></u>

12. SHAREHOLDERS' EQUITY

The following are the equity movements during the periods:

	Paid-in capital ThUS\$	Reserve for technical revaluation ThUS\$	Retained earnings ThUS\$	Interim dividend ThUS\$	Net income for the period ThUS\$	Total ThUS\$
Balance at January 1, 2008	78,422	219		(109,000)	126,825	96,466
Transfer 2007 net income			126,825		(126,825)	-
Net income for the period					33,108	33,108
Balance at March 31, 2008	78,422	219	126,825	(109,000)	33,108	129,574
	Paid-in capital ThUS\$	Reserve for technical revaluation ThUS\$	Retained earnings ThUS\$	Interim dividend ThUS\$	Net income for the period ThUS\$	Total ThUS\$
Balance at January 1, 2009	78,422	219		(70,000)	34,146	42,787
Transfer 2008 net income			34,146		(34,146)	-
Net income for the period					6,220	6,220
Balance at March 31, 2009	78,422	219	34,146	(70,000)	6,220	49,007

In the Ordinary General Shareholders Meeting held on April 25, 2008, the shareholders in attendance unanimously agreed to approve and ratify the Board of Directors decision to pay a US\$65 million dividend with charge to 2007 net income, at US\$2.479079997 per share, b) approve a dividend payment with charge to 2007 net income of US\$44 million, at US\$1.678146460 per share, and c) approve a final dividend payment of US\$17,824,565.23, at US\$0.679823433 per share, with charge to 2007 net income, which must be placed at the shareholders disposal from April 30, 2008 onward.

As a result, the dividend paid by the Company to the shareholders with charge to 2007 net income is US\$126,824,565.23.

The extraordinary Board Meeting held on April 4, 2008, unanimously agreed to distribute an interim dividend of US\$35 million, at the rate of US\$1.334889229 per share, with charge to 2008 net income, which was paid to the shareholders from June 5, 2008, onward.

The Board Meeting N°313 of August 25, 2008, unanimously agreed to distribute an interim dividend of US\$35 million, at the rate of US\$1.334889229 per share, with charge to 2008 net income, which was paid to the shareholders on September 30, 2008.

As a result of the value of the impairment adjustment to fixed assets, indicated in Note N°6, net income at December 31, 2008, is lower than the amount of interim dividends paid during 2008.

13. OTHER INCOME AND EXPENSES

a. Other income:

	2009 ThUS\$	2008 ThUS\$
Rental income	85	136
Gain on sale of fixed assets		24
Sea Terminal service	148	215
Indemnization from 2007 earthquake	4,965	
Other income	5	129
	<u>5,203</u>	<u>504</u>
Total	<u><u>5,203</u></u>	<u><u>504</u></u>

b. Other expenses:

	2009 ThUS\$	2008 ThUS\$
Write-off assets-earthquake	1,828	
Other expenses	27	39
	<u>1,855</u>	<u>39</u>
Total	<u><u>1,855</u></u>	<u><u>39</u></u>

14. FUTURE OPERATIONS AND OPTIONS

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

a. Outstanding positions at March 31, 2009:

At March 31, 2009 the Company holds Min-Max options for 17,800 MT, with monthly maturities, from April to December, 2009. These options have an average floor of US\$ 1.35 per pound of fine copper, and an average cap of US\$1.72 per pound of fine copper, and futures for 4,600 tons maturing from April 2009 to January 2010, with a fixed price of US\$1.54.

b. Outstanding positions at March 31, 2008:

At March 31, 2008 the Company holds Min-Max options for 18,300 MT, with monthly maturities, from April to December, 2008. These options have an average floor of US\$2.77 per pound of fine copper, and an average cap of US\$3.75 per pound of fine copper.

This kind of operation does not pay premium, so there is no cost to be amortized

c. Result of operations that matured during the period:

2009	Gain ThUS\$	Loss ThUS\$	Total ThUS\$
Fixed price	<u>5</u>	<u>(1,271)</u>	<u>(1,266)</u>
Total	<u><u>5</u></u>	<u><u>(1,271)</u></u>	<u><u>(1,266)</u></u>
2008	Gain ThUS\$	Loss ThUS\$	Total ThUS\$
Options	<u></u>	<u>(2,279)</u>	<u>(2,279)</u>
Total	<u><u></u></u>	<u><u>(2,279)</u></u>	<u><u>(2,279)</u></u>

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

15. CONTINGENCIES AND COMMITMENTS

As a result of the earthquake on November 14, 2007 the Company recorded a provision for the damages in 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.

On July 25, 2008 the Company received US\$2 million from the insurance company Royal Sun Alliance on account of the advance of the payment of damages caused by the earthquake mentioned above.

At February 19, 2009, and having the report issued by the assigned insurance adjuster, Seguros Royal Sun Alliance made the final claim liquidation and determined the payment of a final indemnity for US\$6,078,187.37. Consequently, between March 12 and 24, 2009, the Company received US\$4,078,187.37 as a balance of the total indemnity.

16. SUBSEQUENT EVENTS

Between March 31, 2009, and April 29, 2009, date of issue of these financial statements, as an event of financial character, the Ordinary Shareholders' Meeting held on April 28 agreed unanimously to approve and ratify the decision made by the Board Directors in 2008 regarding the distribution of interim dividends for US\$70,000,000. After the aforementioned, the shareholders' equity is for US\$42,786,982.72. Notwithstanding the above, there are no other events of a financial, or another character significantly affecting balances or interpretation of the current financial statements.

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