

MINERA MICHILLA S.A.
ANAUDITED FINANCIAL STATEMENTS
FOR THE FIRST QUARTER ENDED 31 MARCH 2010 AND 2009

(TRANSLATION FROM SPANISH VERSION TO BE
FILED WITH SUPERINTENDENCIA DE VALORES Y SEGUROS
DE CHILE 27TH MAY 2010)

MINERA MICHILLA S.A.**BALANCE SHEETS AT MARCH 31, 2010 AND 2009**
(In thousands of US dollars -ThUS\$)

ASSETS	2010 ThUS\$	2009 ThUS\$
CURRENT ASSETS:		
Cash at bank and in hand	1,391	3,388
Time deposits	35,008	17,403
Marketable securities	12,912	5,769
Trade debtors, net	24,067	11,622
Sundry debtors	4,918	1,016
Accounts receivable from related companies	158	157
Refundable taxes	3,236	11,512
Inventories	24,455	21,958
Prepaid expenses	819	868
Deferred taxes	885	951
Other current assets	10	12
Total current assets	107,859	74,656
FIXED ASSETS:		
Mining properties	13,622	13,622
Construction and infrastructure	77,800	76,481
Machinery and equipment	86,453	86,063
Other fixed assets	127,018	108,032
Technical revaluation of fixed assets	4,104	4,104
Accumulated depreciation and amortization	(256,180)	(249,620)
Fixed assets write-off	(33,434)	(38,682)
Total fixed assets, net	19,383	-
OTHERS:		
Investments in other companies	34	59
Long-term debtors	15	15
Deferred taxes	6,705	2,764
Others	384	270
Total other assets	7,138	3,108
TOTAL ASSETS	134,380	77,764

The accompanying notes form an integral part of these financial statements

LIABILITIES AND SHAREHOLDERS' EQUITY	2010 ThUS\$	2009 ThUS\$
CURRENT LIABILITIES:		
Accounts payable	17,983	8,152
Sundry creditors	1,123	
Accounts payable to related companies	359	2,170
Accruals and withholdings	<u>13,393</u>	<u>9,653</u>
Total current liabilities	<u>32,858</u>	<u>19,975</u>
LONG TERM LIABILITIES:		
Accruals	<u>21,835</u>	<u>8,782</u>
SHAREHOLDERS' EQUITY:		
Paid-in capital	42,568	78,422
Reserve for fixed asset technical revaluation	219	219
Retained earnings	22,533	34,146
Interim dividends		(70,000)
Net income for the period	<u>14,367</u>	<u>6,220</u>
Total shareholders' equity	<u>79,687</u>	<u>49,007</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	<u><u>134,380</u></u>	<u><u>77,764</u></u>

MINERA MICHILLA S.A.**STATEMENTS OF INCOME**
FOR THE THREE MONTH PERIODS ENDED MARCH 31, 2010 AND 2009
(In thousands of US dollars -ThUS\$)

	2010	2009
	ThUS\$	ThUS\$
OPERATING REVENUE	59,862	40,467
OPERATING COSTS	<u>(38,095)</u>	<u>(34,482)</u>
OPERATING MARGIN	21,767	5,985
ADMINISTRATIVE AND SELLING EXPENSES	<u>(3,947)</u>	<u>(3,937)</u>
OPERATING INCOME	<u>17,820</u>	<u>2,048</u>
OTHER INCOME (EXPENSES):		
Financial income	84	76
Other income	230	5,203
Financial expenses	(78)	(14)
Other expenses	(137)	(1,855)
Exchange differences	<u>685</u>	<u>2,074</u>
OTHER INCOME - NET	<u>784</u>	<u>5,484</u>
INCOME BEFORE INCOME TAX	18,604	7,532
INCOME TAX	<u>(4,237)</u>	<u>(1,312)</u>
NET INCOME FOR THE PERIOD	<u><u>14,367</u></u>	<u><u>6,220</u></u>

The accompanying notes form an integral part of these financial statements

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

FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2010 AND 2009

(In thousands of US dollars -ThUS\$)

	2010	2009
	ThUS\$	ThUS\$
CASH FLOW FROM OPERATING ACTIVITIES:		
Net income for the period	14,367	6,220
Charges to income that do not represent cash flows:		
Depreciation	549	
Amortization	1,509	
Write-offs and accruals	262	1,757
Exchange differences	(685)	(2,074)
Other charges to income that do not represent cash flows	30	27
Decrease (increase) in operational assets:		
Trade debtors, net	(7,182)	(4,699)
Accounts receivable from related companies	138	811
Inventories	1,781	(5,334)
Deferred taxes	879	435
Other assets	2,419	12,994
Increase (decrease) in operational liabilities:		
Accounts payable and sundry creditors	(1,066)	(19,694)
Accounts payable to related companies	139	(554)
Value added tax and other similar taxes payable	238	2,084
Net cash provided (used in) by operating activities	<u>13,378</u>	<u>(8,027)</u>
CASH FLOW FROM INVESTMENT ACTIVITIES:		
Purchase of fixed assets	<u>(4,282)</u>	<u>(2,135)</u>
Net negative cash used in investment activities	<u>(4,282)</u>	<u>(2,135)</u>
NET POSITIVE (NEGATIVE) CASH FLOW FOR THE PERIOD	9,096	(10,162)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	<u>40,215</u>	<u>36,722</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u><u>49,311</u></u>	<u><u>26,560</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. INCORPORATION NATURE OF THE COMPANY'S OPERATIONS

The Company was incorporated as a Company Limited by deed dated 29 of May of 1959.

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, 2010 and 2009 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 period - end exchange rate of Ch\$524.46 per US\$1 (March 31, 2009: \$583.26 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 the 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.

As is explained more extensively in Note 6, in 2008, due to the reorganization of the mining plan, the Company generated a charge to income from the impairment of its fixed assets.

The costs of the mine development stages correspond to:

- Exploring and prospective drilling of ore deposits.

Costs of 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 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 that 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 2.74% 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 risks and ownership of products are substantially transferred to the buyer.

o. Derivative contracts - The Company has entered into Mix-Max copper derivative contracts and price-setting futures contracts to cover the variation of the price of copper based on LME prices. Additionally, the Company has also signed forward currency purchase and sale contracts with financial institutions to hedge changes in relation to the US dollar of its future cash needs in Chilean pesos.

Both 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 Accountant.

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.

3. TIME DEPOSITS

The detail is as follows:

	Currency	2010 ThUS\$	2009 ThUS\$
Time deposits local	US\$	<u>35,008</u>	<u>17,403</u>
Total		<u><u>35,008</u></u>	<u><u>17,403</u></u>

4. TRADE DEBTORS, NET

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

	2010 ThUS\$	2009 ThUS\$
Europe	4,349	1,834
Asia Pacific	16,637	9,777
North America	3,073	
Latin America	<u>8</u>	<u>11</u>
Total	<u><u>24,067</u></u>	<u><u>11,622</u></u>

5. INVENTORIES

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

	2010 ThUS\$	2009 ThUS\$
Products in process	14,991	10,054
Supplies and materials	4,247	7,506
Finished products	<u>5,217</u>	<u>4,398</u>
Total	<u><u>24,455</u></u>	<u><u>21,958</u></u>

6. FIXED ASSETS

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

	2010 ThUS\$	2009 ThUS\$
Mining properties	<u>13,622</u>	<u>13,622</u>
Construction and infrastructure	<u>77,800</u>	<u>76,481</u>
Machinery and equipment	<u>86,453</u>	<u>86,063</u>
Other fixed assets:		
Investments in development and prospecting	101,122	102,018
Furniture and fixtures, equipment	3,948	3,948
Works in progress	7,329	426
Leased assets (b)	2,426	
Other fixed assets	<u>12,193</u>	<u>1,640</u>
Total other fixed assets	127,018	108,032
Fixed asset technical revaluation	<u>4,104</u>	<u>4,104</u>
Total fixed assets - gross	<u>308,997</u>	<u>288,302</u>
Accumulated depreciation	(151,226)	(146,724)
Depreciation for the period	(549)	
Increased value of accumulated depreciation as a result of technical revaluation of fixed assets	(4,104)	(4,104)
Accumulated amortization	(98,792)	(98,792)
Amortization for the period	<u>(1,509)</u>	
Total accumulated depreciation and amortization	(256,180)	(249,620)
Fixed asset write offs (a)	<u>(33,434)</u>	<u>(38,682)</u>
Total fixed assets - net	<u><u>19,383</u></u>	<u><u>-</u></u>

(a) At the end of 2008, the Company recorded a provision charged to Other expenses for the write-off of its fixed assets for ThUS\$36,853, on the basis of the reevaluation of its mining plan. At March 31, 2010, the ThUS\$33,434 balance includes the reversal of the provision for earthquake damages which was liquidated in 2009 and write-offs from the sale of fixed assets, the closure of projects and consumption of strategic spare parts.

(b) Corresponds to the acquisition of 3 Komatsu HD785-5 trucks, through a finance lease contract with Komatsu Cummins Chile Arrienda S.A., with monthly payments until December 2010, date on which the purchase option will be materialized.

7. ACCOUNTS PAYABLE

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

	2010 ThUS\$	2009 ThUS\$
Invoices payable	17,874	8,054
Withholdings to contractors	78	81
Others	31	17
Total	17,983	8,152

8. BALANCES AND TRANSACTIONS WITH RELATED COMPANIES

a. Accounts receivable from/payable to related companies:

	Type of relationship	2010 ThUS\$	2009 ThUS\$
Receivables - short term			
Antofagasta Minerals S.A.	Shareholder	21	61
Antofagasta Railway & Company Plc. (agency in Chile)	Indirect	1	1
Minera El Tesoro	Indirect	41	95
Minera Esperanza	Indirect	95	
Total		158	157
Payables - short term			
Antofagasta Minerals S.A.	Shareholder	79	2,009
Antofagasta Railway & Company Plc. (agency in Chile)	Indirect	100	84
Madeco Brass Mill	Indirect	28	2
Minera El Tesoro	Indirect		75
Servicios de Transportes Integrados Ltda.	Indirect	152	
Total		359	2,170

The balances receivable and payable are primarily in US dollars and do not accrue interest or indexation.

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

Company	Relationship	Transaction	2010		2009	
			Amount of transaction ThUS\$	Effect on income charge (credit) ThUS\$	Amount of transaction ThUS\$	Effect on income charge (credit) ThUS\$
Antofagasta Minerals S.A.	Parent	Administrative services	475	395	357	300
		Expense refunds			950	798
		Recovery of expenses	1		50	
		Rental expenses	31	26		
		Administrative expenses	23	(19)		
Antofagasta Railway & Company PLC. (agency in Chile)	Indirect	Transport services	213	179	411	346
		Recovery of expenses	2		2	
Madedco Brass Mill	Indirect	Copper sales	651	265		
		Purchase of materials			1	1
Minera El Tesoro	Indirect	Sale of materials	367	(309)	375	(315)
		Purchase of materials	259	217	797	670
		Sea Terminal service	108	(91)	223	(188)
Minera Esperanza	Indirect	Administrative services	95	(79)		
Servicios de Transportes Integrados Ltda	Indirect	Transport service	255	215		
Banco de Chile	Indirect	Time deposits	21,900	(4)	21,620	

9. ACCRUALS AND WITHHOLDINGS

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

	2010 ThUS\$	2009 ThUS\$
Monthly expenses accrual	547	589
Major Maintenances accrual	561	325
Withholdings accrual	1,672	1,810
Sundry US dollar accrual	8,937	5,016
Staff vacations accrual	995	940
Withholdings payable	681	973
Total	13,393	9,653
Long term:		
Mine closure (a)	13,107	1,692
Severance indemnity	8,728	7,090
Total	21,835	8,782

(a) Based on a new study of closure costs, in 2009 the Company updated the provision made for that purpose. This change implied an increase in the provision, which is divided into two concepts. Decommissioning of the fixed assets which generated the recognition of an asset with a value of ThUS\$10.918, and the environmental restoration or remediation cost, which is considered an administrative expense in the period in which it is incurred or accrued and, at March 31, 2010, represents a value of ThUS\$455.

10. INCOME TAX AND DEFERRED TAXES

a. Refundable taxes

The balance at each period-end is as follows:

	2010 ThUS\$	2009 ThUS\$
VAT Recoverable	2,061	1,700
Mining License	753	
Income tax accrual and additional tax, special Tax Law Art. 21 Income Tax Law	(2,960)	(17,109)
Provisional monthly payments	4,051	24,445
Specific mining tax accrual	(2,291)	(3,365)
Provisional monthly specific mining tax payments	1,415	5,755
Sence training expenses and others	207	86
	<u>3,236</u>	<u>11,512</u>
Total	<u>3,236</u>	<u>11,512</u>

b. Income tax

At March 31, 2010, the Company has made an Income Tax provision of ThUS\$2,145 (ThUS\$844 in March 2009), calculated in conformity with the Income Tax Law.

The specific mining tax provision was ThUS\$1,212 (ThUS\$32 in March 2009).

At March 31, 2010 and 2009, the calculated Income Tax provision is presented in refundable taxes in current assets, net of monthly provisional payments, training credits and other credits.

c. Deferred taxes

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

	<u>2010</u>		<u>2009</u>	
	Asset		Asset	
Temporary differences	Short term	Long term	Short term	Long term
	ThUS\$	ThUS\$	ThUS\$	ThUS\$
Provision for obsolete supplies	496		543	
Depreciation of fixed asset		2,397		204
Provision for vacations	169		160	
Provision for mine closure costs		2,750		1,416
Provision for leasing and others	220	164	248	164
Others		1,394		980
	<u>885</u>	<u>6,705</u>	<u>951</u>	<u>2,764</u>
Total deferred taxes	<u>885</u>	<u>6,705</u>	<u>951</u>	<u>2,764</u>

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

	2010	2009
	ThUS\$	ThUS\$
Current tax expense		
Income tax	(2,145)	(844)
Additional tax, special Tax Law Art. 21 Income Tax Law	(1)	(1)
Specific mining tax	(1,212)	(32)
Deferred taxes		
Effect of the variation of assets and liabilities from deferred taxes	(816)	(435)
Effect of specific mining tax	<u>(63)</u>	<u> </u>
Total net charge to income	<u><u>(4,237)</u></u>	<u><u>(1,312)</u></u>

11. SHAREHOLDERS' EQUITY

The following are the equity movements during the periods:

	Paid-in capital	Reserve for technical revaluation	Retained earnings	Interim dividend	Net income for the period	Total
	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	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	<u>78,422</u>	<u>219</u>	<u>34,146</u>	<u>(70,000)</u>	<u>6,220</u>	<u>49,007</u>
Balance at January 1, 2010	42,568	219			22,533	65,320
Transfer 2009 net income			22,533		(22,533)	
Net income for the period					14,367	14,367
Balance at March 31, 2010	<u>42,568</u>	<u>219</u>	<u>22,533</u>		<u>14,367</u>	<u>79,687</u>

Because of the fixed asset write-off that mentioned in Note 6 (a), profits at December 31, 2008 are less than the interim dividends distributed. In this regard, and according to Article 10 of the Ley de Sociedades Anónimas (*Law of Corporations*), Capital and Share Value will be legally modified when the Ordinary Shareholders Meeting approves the balance sheet for the year. Because of this, and according to the Ley de Sociedades Anónimas (*Law of Corporations*), paid – in capital was legally reduced to US\$42,568,327.04.

In the Ordinary Shareholders Meeting held on April 28, 2009, the assisting shareholders unanimously agreed: a) approve and ratify the decision made by the Board, that agreed the distribution to the shareholders of an interim dividend of US\$35million, at the rate of US\$1.334889229 per share with charge to 2008 net income, which was paid on June 05, 2008; b) approve and ratify the decision made by the Board to distribute to the shareholders 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 on September 30, 2008.

12. OTHER INCOME AND EXPENSES

a. Other income:

	2010 ThUS\$	2009 ThUS\$
Rental income	123	85
Sea Terminal service	38	148
Income from 2007 earthquake insurance		4,965
Other income	<u>69</u>	<u>5</u>
Total	<u><u>230</u></u>	<u><u>5,203</u></u>

b. Other expenses:

	2010 ThUS\$	2009 ThUS\$
Loss from 2007, earthquake		1,828
Other expenses	<u>137</u>	<u>27</u>
Total	<u><u>137</u></u>	<u><u>1,855</u></u>

13. FUTURE OPERATIONS AND OPTIONS

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

a. Outstanding positions at March 31, 2010:

At March 31, 2010, the Company holds Min-Max options for 16.550 MT, from April to December, 2010. These options have a floor of US\$1.8678 and a cap of US\$2.3778 per pound of fine copper.

At March 31, 2010 the Company has futures Contracts (price-setting) for 7,200 MT, from April to December 2010, at fixed price of US\$2.0076 per pound of fine copper.

At March 31, 2010, the Company paid ThUS\$3,075 for margin calls, and maintains line of credit and Guarantees with bank for the support of its hedging operations.

At March 31, 2010, the Company has forward currency purchase and sale contracts with various local financial institutions entered into in order to hedge the changes in the exchange rate of future cash needs. The nominal value of the contracts signed by institution is as follows:

Financial institution	ThUS\$
Banco Chile	12,600
Banco Estado	10,200
Banco Santander	<u>5,300</u>
	<u><u>28,100</u></u>

The mark to market of these futures contracts implies an unrealized income of US\$0.9 million.

b. Outstanding positions at March 31, 2009:

At March 31, 2009 the Company has Min-Max fine copper options for 17,800 TM, with monthly maturities for april to december, 2010 These options have a floor of US\$1.35 and cap of US\$1.72 per pound of fine copper, and futures Contracts for 4,600 TM with monthly maturities for april to january, 2010, at fixed price of US\$1.54.

c. Result of operations that matured during the period:

March 31, 2010	Gain ThUS\$	Loss ThUS\$	Total ThUS\$
Price - Setting Contracts Options		(7,507)	(7,507)
	<u> </u>	<u>(11,046)</u>	<u>(11,046)</u>
Total	<u>-</u>	<u>(18,553)</u>	<u>(18,553)</u>
March 31, 2009	Gain ThUS\$	Loss ThUS\$	Total ThUS\$
Price - Setting Contracts	<u>5</u>	<u>(1,271)</u>	<u>(1,266)</u>

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

14. SUBSEQUENT EVENTS

Between April 1, 2010, and the date of issue of these financial statements, there have been no subsequent events that could significantly affect the balances or interpretation of these financial statements.

* * * * *