

**MINERA MICHILLA S.A.**  
UNAUDITED FINANCIAL STATEMENTS  
FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2010 AND 2009

(TRANSLATION FROM SPANISH VERSION TO BE  
FILED WITH SUPERINTENDENCIA DE VALORES Y SEGUROS  
DE CHILE 25<sup>TH</sup> NOVEMBER 2010)

**MINERA MICHILLA S.A.**BALANCE SHEETS AT SEPTEMBER 30, 2010 AND 2009  
(In thousands of US dollars -ThUS\$)

<b>ASSETS</b>	<b>2010</b> ThUS\$	<b>2009</b> ThUS\$
<b>CURRENT ASSETS:</b>		
Cash at bank and in hand	182	1,545
Time deposits	48,622	35,415
Marketable securities	3,526	4,706
Trade debtors	22,745	6,912
Sundry debtors	2,650	1,165
Accounts receivable from related companies	1,345	43
Inventories	25,296	26,828
Recoverable taxes	3,292	5,756
Prepaid expenses	1,597	1,082
Deferred taxes	952	919
Other current assets	11	12
<b>Total current assets</b>	<b>110,218</b>	<b>84,383</b>
<b>FIXED ASSETS:</b>		
Mining properties	13,622	13,622
Construction and infrastructure	77,800	77,738
Machinery and equipment	87,569	85,080
Other fixed assets	131,061	125,958
Technical revaluation of fixed assets	4,104	4,104
Accumulated depreciation and amortization	(260,506)	(252,677)
Fixed asset write - offs	(32,344)	(38,255)
<b>Total fixed assets, net</b>	<b>21,306</b>	<b>15,570</b>
<b>OTHERS:</b>		
Investments in other companies	57	76
Deferred taxes	7,447	7,393
Others	416	286
<b>Total other assets</b>	<b>7,920</b>	<b>7,755</b>
<b>TOTAL ASSETS</b>	<b>139,444</b>	<b>107,708</b>

The accompanying notes form an integral part of these financial statements

<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>2010</b> ThUS\$	<b>2009</b> ThUS\$
<b>CURRENT LIABILITIES:</b>		
Accounts payable	23,554	16,063
Sundry creditors	380	1,463
Accounts payable to related companies	1,630	831
Accruals and withholdings	15,439	9,296
Dividends payable	2	1
Income tax payable	<u>1,776</u>	<u>          </u>
Total current liabilities	<u>42,781</u>	<u>27,654</u>
<b>LONG TERM LIABILITIES:</b>		
Sundry creditors		380
Accruals	<u>23,261</u>	<u>20,968</u>
Total long-term liabilities	<u>23,261</u>	<u>21,348</u>
<b>SHAREHOLDERS' EQUITY:</b>		
Paid-in capital	42,568	42,568
Reserve for fixed asset technical revaluation	219	219
Net income for the period	<u>30,615</u>	<u>15,919</u>
Total shareholders' equity	<u>73,402</u>	<u>58,706</u>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<u><u>139,444</u></u>	<u><u>107,708</u></u>

**MINERA MICHILLA S.A.****STATEMENTS OF INCOME  
FOR THE NINE - MONTH PERIODS ENDED SEPTEMBER 30, 2010 AND 2009  
(In thousands of US dollars -ThUS\$)**

	<b>2010</b> ThUS\$	<b>2009</b> ThUS\$
OPERATING REVENUE	171,769	119,813
OPERATING COSTS	<u>(121,907)</u>	<u>(100,034)</u>
OPERATING MARGIN	49,862	19,779
ADMINISTRATIVE AND SELLING EXPENSES	<u>(13,186)</u>	<u>(11,639)</u>
OPERATING INCOME	<u>36,676</u>	<u>8,140</u>
OTHER INCOME (EXPENSES):		
Financial income	287	165
Other income	2,212	6,387
Financial expenses	(224)	(88)
Other expenses	(132)	(1,856)
Exchange differences	<u>1,345</u>	<u>(201)</u>
OTHER INCOME (EXPENSES)	<u>3,488</u>	<u>4,407</u>
INCOME BEFORE INCOME TAX	40,164	12,547
INCOME TAX	<u>(9,549)</u>	<u>3,372</u>
NET INCOME FOR THE PERIOD	<u><u>30,615</u></u>	<u><u>15,919</u></u>

The accompanying notes form an integral part of these financial statements

**MINERA MICHILLA S.A.**

## STATEMENTS OF CASH FLOWS

FOR THE NINE - MONTH PERIODS ENDED SEPTEMBER 30, 2010 AND 2009

(In thousands of US dollars -ThUS\$)

	<b>2010</b>	<b>2009</b>
	ThUS\$	ThUS\$
<b>CASH FLOW FROM OPERATING ACTIVITIES:</b>		
Net income for the period	30,615	15,919
Gain of sale of assets	(1,290)	(630)
Charges (credit) to income which do not represent cash flows:		
Depreciation	1,753	234
Amortization	4,862	4,094
Write-offs and accruals	1,536	494
Exchange differences	(1,345)	201
Other charges to income that do not represent cash flows	25	658
Decrease (increase) in operational assets:		
Trade debtors - net	(5,861)	12
Accounts receivable from related companies, net	(1,155)	
Inventories	940	(10,204)
Deferred taxes	71	369
Other assets	8,775	17,638
Increase (decrease) in operational liabilities:		
Accounts payable, accruals and withholdings	6,005	(12,127)
Accounts payable to related companies	1,410	
Value added tax and other similar taxes payable	(176)	1,872
Deferred taxes	_____	(4,531)
Net cash provided by operating activities	<u>46,165</u>	<u>13,999</u>
<b>CASH FLOW FROM INVESTING ACTIVITIES:</b>		
Purchase of fixed assets	<u>(11,517)</u>	<u>(9,055)</u>
Net cash used in investing activities	<u>(11,517)</u>	<u>(9,055)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Payment of dividends	<u>(22,533)</u>	_____
Net cash used in financing activities	<u>(22,533)</u>	-
TOTAL POSITIVE CASH FLOW FOR THE PERIOD	12,115	4,944
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>52,330</u></u>	<u><u>41,666</u></u>
<b>ADDITIONAL INFORMATION:</b>		
Fixed assets decommissioning cost	_____	<u><u>10,918</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 by deed dated at May 29, 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 interim statements for the nine-month periods to September 30, 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\$483.65 per US\$1 (September 30, 2009: \$550.36 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 write offs, 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, and presents them in long – liabilities under the Accruals item.

**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 signed forward exchange contracts with financial institutions to hedge changes in the US dollar of its future cash requirements in Chilean pesos.

Both copper derivative contracts and forward exchange contracts have been 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:

	<b>Currency</b>	<b>2010</b> ThUS\$	<b>2009</b> ThUS\$
Local time deposits	US\$	<u>48,622</u>	<u>35,415</u>
Total		<u><u>48,622</u></u>	<u><u>35,415</u></u>

### 4. TRADE DEBTORS

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

	<b>2010</b> ThUS\$	<b>2009</b> ThUS\$
Europe	4,604	78
Asia Pacific	17,401	4,782
North America		2,045
Latin America	<u>740</u>	<u>7</u>
Total	<u><u>22,745</u></u>	<u><u>6,912</u></u>

### 5. INVENTORIES

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

	<b>2010</b> ThUS\$	<b>2009</b> ThUS\$
Products in process	15,545	12,621
Supplies and materials	4,737	5,882
Finished products	<u>5,014</u>	<u>8,325</u>
Total	<u><u>25,296</u></u>	<u><u>26,828</u></u>

## 6. FIXED ASSETS

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

	<b>2010</b> ThUS\$	<b>2009</b> ThUS\$
<b>Mining properties</b>	<u>13,622</u>	<u>13,622</u>
<b>Construction and infrastructure</b>	<u>77,800</u>	<u>77,738</u>
<b>Machinery and equipment</b>	<u>87,569</u>	<u>85,080</u>
<b>Other fixed assets:</b>		
Investments in development and prospecting	99,304	96,049
Furniture and fixtures, equipment	3,948	3,948
Works in progress	13,926	11,335
Leased assets (b)	2,426	2,426
Other fixed assets	<u>11,457</u>	<u>12,200</u>
Total other fixed assets	131,061	125,958
<b>Fixed asset technical revaluation</b>	<u>4,104</u>	<u>4,104</u>
Total fixed assets - gross	<u>314,156</u>	<u>306,502</u>
Accumulated depreciation	(150,996)	(145,453)
Depreciation for the period	(1,753)	(234)
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>(4,861)</u>	<u>(4,094)</u>
<b>Total accumulated depreciation and amortization</b>	(260,506)	(252,677)
Fixed asset write offs (a)	<u>(32,344)</u>	<u>(38,255)</u>
Total fixed assets - net	<u><u>21,306</u></u>	<u><u>15,570</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 September 30, 2010, the ThUS\$32,344 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 of strategic spare parts consumption.

(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:

	<b>2010</b> ThUS\$	<b>2009</b> ThUS\$
Invoices payable	21,546	14,089
Creditors for imports	798	507
Withholdings to contractors	1,178	1,450
Others	32	17
Total	<u>23,554</u>	<u>16,063</u>

## 8. BALANCES AND TRANSACTIONS WITH RELATED COMPANIES

a. Accounts receivable from/payable to related companies:

	<b>Type of relationship</b>	<b>2010</b> ThUS\$	<b>2009</b> ThUS\$
<b>Receivables - short term</b>			
Antofagasta Minerals S.A.	Shareholder		3
Antofagasta Railway Company & Co. (Agency in Chile)	Indirect	1	1
Minera El Tesoro	Indirect		8
Madeco Brass Mill	Indirect	10	
Minera Antucoya	Indirect	1,132	
Minera Esperanza	Indirect	202	31
Total		<u>1,345</u>	<u>43</u>
<b>Payables - short term</b>			
Antofagasta Minerals S.A.	Shareholder	1,282	124
Antofagasta Railway Company & Co. (Agency in Chile)	Indirect	232	64
Madeco Brass Mill	Indirect	11	12
Minera El Tesoro	Indirect		631
Servicios de Transportes Integrados Ltda.	Indirect	105	
Total		<u>1,630</u>	<u>831</u>

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	2,346	1,971	1,071	900
		Expense refunds			917	
		Rental expenses-income	89	74	111	(93)
		Administrative expenses	54	45		
		Payment of dividends	16,715			
		Recovery of expenses			79	67
Antofagasta Railway & Company PLC. (Agency in Chile)	Indirect	Transport services	988	830	961	808
		Recovery of expenses	7		6	
Minera Esperanza	Indirect	Administrative services	277	(233)	121	101
		Others	130	(110)		
		Sale of land and equipment	1,421	(1,290)		
Madeco Brass Mill	Indirect	Copper sales	1,955	(857)	1773	(356)
		Purchase of materials	10	9		
Minera El Tesoro	Indirect	Sale of materials	847		1,578	
		Purchase of materials	808		4,488	
		Sea Terminal service	316	(266)	581	(489)
		Others			5	
Servicios de Transportes Integrados Ltda	Indirect	Transport service	937	787		
Minera Antucoya	Indirect	Administrative services	1,128	948		
Banco de Chile	Indirect	Time deposits	63,510	(32)	36,600	(11)

## 9. ACCRUALS AND WITHHOLDINGS

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

	2010 ThUS\$	2009 ThUS\$
Monthly expenses accrual	813	661
Sundry US dollar accrual:		
Provisional for major repairs	420	
Withholdings payable	2,373	1,380
Provision purchase of materials	8,600	5,619
Staff vacations accrual	1,437	1,148
Withholdings payable	<u>1,796</u>	<u>488</u>
Total	<u>15,439</u>	<u>9,296</u>
<b>Long term:</b>		
Mine closure	13,184	12,954
Severance indemnity	<u>10,077</u>	<u>8,014</u>
Total	<u>23,261</u>	<u>20,968</u>

## 10. INCOME TAX AND DEFERRED TAXES

### a. Recoverable taxes

The balance at each period-end is as follows:

	<b>2010</b> ThUS\$	<b>2009</b> ThUS\$
VAT Recoverable	2,475	1,912
Mining License	817	
Provisional monthly payments		3,520
Other refundable taxes		324
	<u>3,292</u>	<u>5,756</u>
Total	<u><u>3,292</u></u>	<u><u>5,756</u></u>

### b. Income tax

At September 30, 2010, the Company has made an Income Tax provision of ThUS\$5,642 (ThUS\$126 in September 2009), calculated in conformity with the Income Tax Law.

The specific mining tax provision was ThUS\$3,514 (ThUS\$706 in September 2009).

At September 30, 2010 the calculated Income Tax provision is presented in income tax payable in current liabilities net of monthly provisional payments, training credits, and other credits.

At September 30, 2009 the calculated Income Tax provision is presented in recoverable taxes in current assets net of monthly provisional payments, training credits, and other credits.

	<b>2010</b> ThUS\$	<b>2009</b> ThUS\$
Income tax accrual the period	(5,642)	(126)
Additional tax, special Tax Law Art. 21 Income Tax Law	(6)	(5)
Specific mining tax accrual	(3,514)	(706)
Provisional monthly payments	4,651	131
Provisional monthly specific mining tax payments	2,581	639
Sence training expenses and others	154	67
	<u>(1,776)</u>	<u>-</u>
Total	<u><u>(1,776)</u></u>	<u><u>-</u></u>

### c. Deferred taxes

At September 30 of each period, the detail of the accumulated balances for deferred taxes is as follows:

	2010		2009		Liabilities
	Asset		Asset		
	Short term	Long term	Short term	Long term	
	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$
<b>Temporary differences</b>					
Provision for obsolete supplies	568		445		
Depreciation of fixed asset		2,514			2,186
Provision for vacations	288		195		
Provision for mine closure costs		3,388		2,317	
Provision for leasing and others	96	179	279	229	
Provision for write - off of fixed assets				6,265	
Others		1,366		768	
Total deferred taxes	952	7,447	919	9,579	2,186

At September 30, 2010 and 2009, the net balances of long- term of deferred taxes are presented in Other Assets.

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\$
<b>Current tax expense</b>		
Income tax	(5,642)	(126)
Additional tax, special Tax Law Art. 21 Income Tax Law	(6)	(5)
Specific mining tax	(3,514)	(706)
(Deficit) surplus of prior year income tax	(316)	47
<b>Deferred taxes</b>		
Effect of the variation of assets and liabilities from deferred taxes	21	4,374
Effect of specific mining tax	(92)	(212)
Total net (charge) credit to income	(9,549)	3,372

On July 31, 2010 the Upper House of the Chilean Congress approved the Law N°20,455 for National Reconstruction. Such law establishes a transitory increase in the income tax rate for fiscal years 2011 and 2012 (at 20% and 18.5% respectively).

The effects of the aforementioned law on deferred taxes have been included in the current period.

## 11. SHAREHOLDERS' EQUITY

The following are the equity movements during the periods:

	<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 period</b> ThUS\$	<b>Total</b> ThUS\$
Balance at January 1, 2009	78,422	219		(70,000)	34,146	42,787
Transfer 2008 net income (a)	(35,854)			70,000	(34,146)	
Net income for the period					15,919	15,919
Balance at September 30, 2009	<u>42,568</u>	<u>219</u>			<u>15,919</u>	<u>58,706</u>
Balance at January 1, 2010	42,568	219			22,533	65,320
Transfer 2009 net income			22,533		(22,533)	
Final dividend (b)			(22,533)			(22,533)
Net income for the period					30,615	30,615
Balance at September 30, 2010	<u>42,568</u>	<u>219</u>			<u>30,615</u>	<u>73,402</u>

- (a) Because of the fixed asset write-off 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, 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\$35 million, 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.

- (b) In the Ordinary Shareholders Meeting held on April 30, 2010, the assisting shareholders unanimously agreed to distribute a final dividend of US\$ 22,532,556, 27, with charge to 2009 net income, which was paid to the shareholders on May, 12, 2010.

## 12. OTHER INCOME AND EXPENSES

### a. Other income:

	<b>2010</b> ThUS\$	<b>2009</b> ThUS\$
Net income from sale of fixed assets	1,290	630
Rental income	451	371
Water sales	128	
Indemnity by drilling machine	111	
Sea Terminal service	102	311
Income from 2007 earthquake insurance		4,965
Other income	130	110
	<u>2,212</u>	<u>6,387</u>
Total	<u>2,212</u>	<u>6,387</u>

### b. Other expenses:

	<b>2010</b> ThUS\$	<b>2009</b> ThUS\$
Loss from 2007, earthquake		1,828
Donation to Teleton Foundation	107	
Other expenses	25	28
	<u>132</u>	<u>1,856</u>
Total	<u>132</u>	<u>1,856</u>

## 13. FUTURE OPERATIONS AND OPTIONS

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

### a. Outstanding positions at September 30, 2010:

At September 30, 2010, the Company holds Min-Max options for 58,125 MT, with monthly maturities from October 2010 to December, 2012. These options have an average floor of US\$2.98 and an average cap of US\$3.76 per pound of fine copper.

The mark to market of these min- max contracts implies an unrealized loss of ThUS\$33,311.

At September 30, 2010 the Company has futures Contracts (price-setting) for 2,400 MT, with monthly maturities from October to December 2010, at fixed price of US\$2.01 per pound of fine copper.

The mark to market of these futures contracts implies an unrealized loss of ThUS\$8,888.

At September 30, 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:

Counterpart	Type of operation	Maturity date	Term	Exchange Rate Ch\$	Amount ThUS\$	Deferred Gain (loss) ThUS\$
Banco Estado	Expected transaction	10-05-2010	242	543.3	4,800	592
					<u>4,800</u>	<u>592</u>

#### b. Outstanding positions at September 30, 2009:

At September 30, 2009, the Company holds Min-Max options for 29,175 MT, and price-setting futures contracts with monthly maturities, from October 2009 to December 2010. These options have an average floor of US\$1.74 and a cap of US\$2.22 per pound of fine copper.

At September 30, 2009, the Company has Futures Contracts (price-setting) for 10,400 MT, with maturities for 200MT from October to December 2009 at a fixed price of US\$1.60; 1,000 MT in January 2010 at a fixed price of US\$1.93; and 800 MT from February to December 2010 at a fixed price of US\$2.01.

#### Open operations at September 30, 2009

At September 30, 2009 the Company has a price forward contract (COMEX / LME switch trading) for 330 MT, maturing in October 2009, with an average fixed COMEX price of US\$6,470, and an average LME price of US\$6,472 for MT of fine copper.

#### c. Result of operations that matured during the period:

September 30, 2010	Gain ThUS\$	Loss ThUS\$	Total ThUS\$
Price - Setting Contracts		(32,059)	(32,059)
Options		(20,510)	(20,510)
Total	-	(52,569)	(52,569)
<b>September 30, 2009</b>	<b>Gain ThUS\$</b>	<b>Loss ThUS\$</b>	<b>Total ThUS\$</b>
Price - Setting Contracts	5		5
Options		(24,043)	(24,043)
Total	5	(24,043)	(24,038)

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

#### 14. SUBSEQUENT EVENTS

On October 21, 2010, Law N° 20.469 was published, introducing changes to the methodology of calculating the rate for the mining income tax. The purpose of the Law is to capture the impact of higher international mineral commodities prices for the larger producers. The new rates are based not on amount of production, but on a sliding scale according to the “Mining Operational Margin”. Mining Operational Margin is defined as the ratio between Taxable Operational Mining Income and the Mining Revenue, multiplied by 100.

As already mentioned, the new rates do not apply to Minera Michilla S.A., since the company enjoys, until December 2017, an invariability regime granted under Decree Law Nr. 600. However, as established by Law 20.469, the company may voluntarily waive its current invariability for three years, from 2010 until 2012, becoming subject to effective tax rates between 4% and 9% during such period. From 2013 until 2017, the company would recover its original invariability regime with a fixed rate of 4%. In return for such waiver, the company would be entitled to six years of additional invariability of the new regime, with rates ranging between 5% and 14%, from 2018 until 2023. In addition, the company could also request to include under its own tax regime any “connected projects” that it may identify. The company has until January 4, 2011, to decide whether it voluntarily waives for three years its current invariability in order to qualify for the corresponding incentives contained in the law.

At the date of publication of these financial statements, Minera Michilla S.A. has not yet made the decision to apply to the new regime.

Between October 1, 2010 and the date of issuance of these financial statements, no other significant events have taken place that could materially affect them.

\* \* \* \* \*