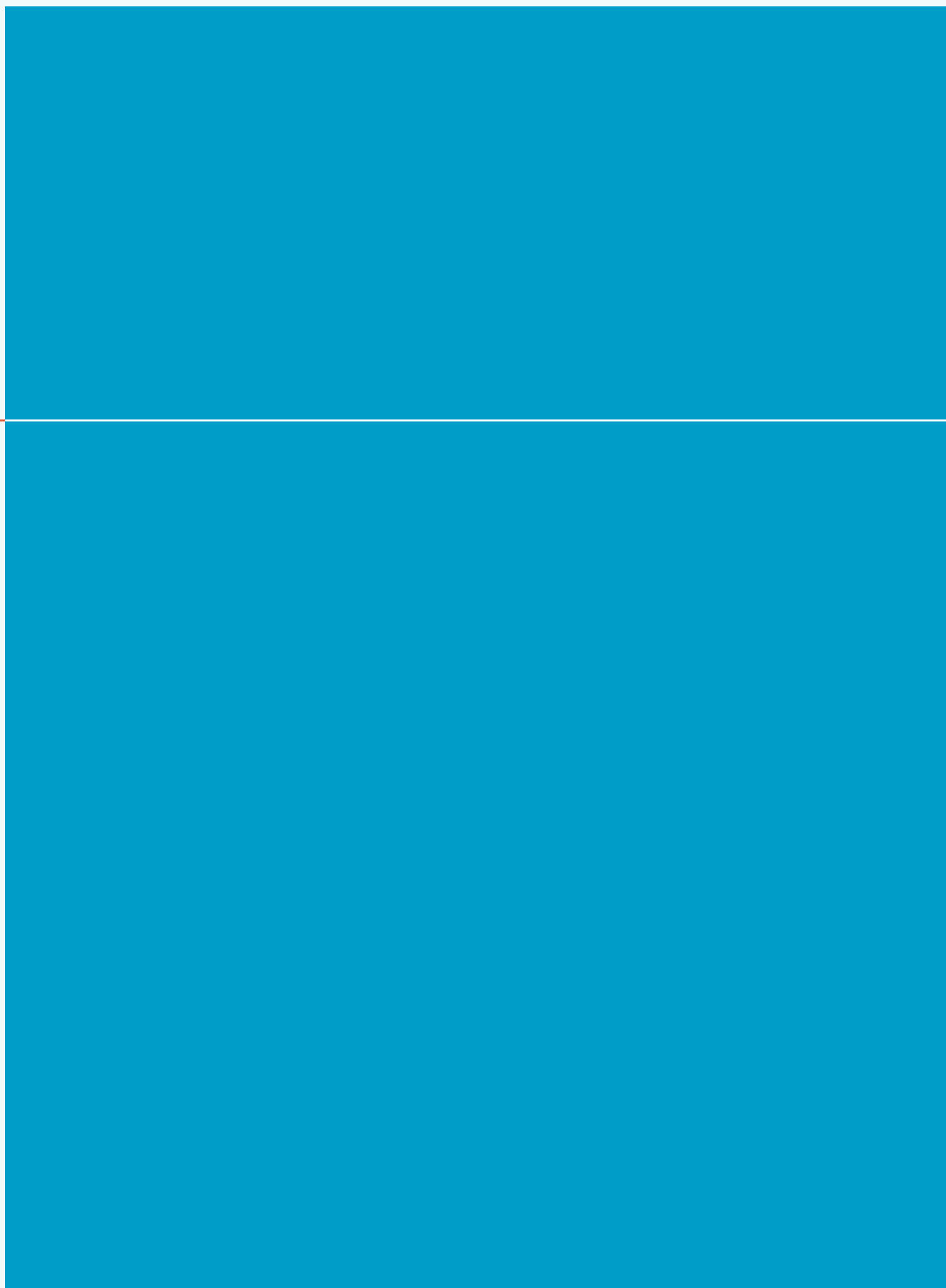




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FINANCIAL STATEMENTS





INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Shareholders of
Compañía Minera Doña Inés de Collahuasi SCM

We have audited the accompanying balance sheets of Compañía Minera Doña Inés de Collahuasi SCM as of December 31, 2007 and 2006 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 Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Chile. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such financial statements present fairly, in all material respects, the financial position of Compañía Minera Doña Inés de Collahuasi SCM as of December 31, 2007 and 2006 and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in Chile.

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

The Deloitte signature is written in a black, cursive script font.

February 26, 2008

BALANCE SHEETS AT DECEMBER 31, 2007 AND 2006

(In millions of United States dollars - US\$ million)

	2007 US\$ million	2006 US\$ million
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	92.7	168.1
Accounts receivable	514.3	216.6
Inventories (Note 3)	153.1	101.1
Other current assets	85.1	35.7
Total current assets	845.2	521.5
FIXED ASSETS:		
Land and buildings	937.5	935.8
Machinery and equipment	1,174.6	1,141.3
Preoperating expenses	765.6	765.6
Other fixed assets	37.0	37.3
Construction in progress	191	47.9
Accumulated depreciation and amortization	(1,132.8)	(1,007.8)
Total fixed assets, net	1,972.9	1,920.1
OTHER ASSETS:		
Others (Note 7)	60.7	55.2
Total other assets	60.7	55.2
TOTAL ASSETS	2,878.8	2,496.8

The accompanying notes are an integral part of these financial statements

	2007 US\$ million	2006 US\$ million
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	164.3	98.8
Income tax payable (Note 6 a)	3.9	208.9
Short term portion of long - term unsecured loans (Note 5)	92.8	92.6
Short term portion of long - term shareholder loans (Note 5)	15.6	15.3
Short term portion of long - term supplier credit (Note 5)	33.9	33.4
Short term finance leases	2.1	2.1
Other current liabilities	28.4	21.8
Total current liabilities	341.0	472.9
LONG - TERM LIABILITIES:		
Unsecured loans (Note 5)	274.6	366.1
Shareholder loans (Note 5)	76.4	76.4
Supplier credit (Note 5)	167.1	167.1
Long term finance leases	9.0	10.2
Other long - term liabilities (Note 4)	43.6	38.3
Deferred taxes (Note 6b)	230.9	234.5
Total long - term liabilities	801.6	892.6
SHAREHOLDERS' EQUITY (Note 8):		
Shareholders' equity	626.7	626.7
Reserves	(185.0)	(185.0)
Other reserves	(1.3)	(1.3)
Retained earnings:		
Retained earnings	690.9	1,159.8
Dividends	(1,220.0)	(2,260.0)
Net income for the year	1,824.9	1,791.1
Total shareholders' equity	1,736.2	1,131.3
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	2,878.8	2,496.8

**STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006**

(In millions of United States dollars - US\$ million)

	2007 US\$ million	2006 US\$ million
REVENUE	3,228.3	3,200.9
COST OF SALES	(922.2)	(910.0)
EXPLORATION AND OTHER OPERATING EXPENSES	(23.4)	(57.8)
OPERATING PROFIT	2,282.7	2,233.1
NON OPERATING INCOME (EXPENSE):		
Interest expense on unsecured loans	(25.8)	(29.7)
Interest expense on subordinated loans	(18.9)	(18.2)
Other interest income (expense), net	9.6	16.1
Other non operating income (expense), net	(6.1)	5.4
Total non-operating loss	(41.2)	(26.4)
INCOME BEFORE INCOME TAX	2,241.5	2,206.7
INCOME TAX (Note 6c)	(416.6)	(415.6)
NET INCOME FOR THE YEAR	1,824.9	1,791.1

The accompanying notes are an integral part of these financial statements

**STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006**

(In millions of United States dollars - US\$ million)

	2007 US\$ million	2006 US\$ million
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income for the year	1,824.9	1,791.1
Charges to income that do not represent cash flows:		
Depreciation and amortization	128.6	148.2
Loss on sales of fixed assets	0.1	(0.2)
Deferred taxes	(3.6)	(5.2)
Mark to market provision	25.2	134.9
Other provisions	(5.6)	2.3
Decrease (increase) in assets:		
Accounts receivable	(322.9)	(78.6)
Inventories	(52.3)	24.0
Other assets	(55.2)	9.0
Increase (decrease) in liabilities:		
Accounts payable	65.6	8.6
Other liabilities	17.1	5.2
Interest payable	(0.1)	
Income taxes payable	(205.0)	77.7
Net cash provided by operating activities	1,416.8	2,117.0
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of fixed assets	(181.0)	(56.5)
Sale of fixed assets	0.2	0.1
Net cash used in investing activities	(180.8)	(56.4)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repayment of unsecured loans	(91.4)	(91.3)
Dividends paid	(1,220.0)	(2,260.0)
Net cash used in financing activities	(1,311.4)	(2,351.3)
NET NEGATIVE CASH FLOWS FOR THE YEAR	(75.4)	(290.7)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	168.1	458.8
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	92.7	168.1
SUPPLEMENTARY INFORMATION:		
Fixed assets acquired under finance lease		12.2
Interest paid	45.1	46.4
Interest received	10.6	17.0

The accompanying notes are an integral part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS AT DECEMBER 31, 2007 AND 2006

(In millions of United States dollars – US\$ million)

I. SUMMARY OF ACCOUNTING PRINCIPLES

The financial statements of Compañía Minera Doña Inés de Collahuasi SCM have been prepared in accordance with accounting principles generally accepted in Chile, consistently applied.

The financial statements for the period ended December 31, 2007 are presented in comparison to those of the same period in 2006.

The principal accounting policies followed by the Company are summarized below.

a. Accounting in foreign currency - The Company has been authorized by the Chilean tax authorities to keep its accounting records in United States dollars, its functional currency.

b. Foreign currency - Assets and liabilities denominated in foreign currency other than US dollars are stated at the year-end rates. The rate for the Chilean peso at December 31, 2007 is Ch\$496.89 for US\$1 (2006: Ch\$532.39 for US\$1).

The exchange rate variations for the various currencies during the year resulted in a net exchange loss against the US dollar of US\$7.6 million (2006: gain of US\$5.0 million), which is shown in other non operating income (expense).

c. Revenue recognition and valuation - Revenues are recognized when the rights and obligations of ownership pass to the buyer.

Sales for which the final price will become known after the date of the balance sheet are valued, in aggregate, at the lower of the provisional price at which such sales are invoiced and the market price at the balance sheet date.

d. Cash and cash equivalents - Cash and cash equivalents include cash balances in banks and time deposits with original maturities of three months or less and are stated at cost plus accrued interest.

e. Valuation of inventories - Inventories of materials, products in process, finished products and spare parts are valued at the lower of average cost or net realizable value. Ore stockpiles are valued on a copper content basis.

Materials, spares and ore inventories that are not anticipated to be consumed during the 12 month period following the balance sheet date are classified in the long-term under Other Assets.

f. Deferred stripping cost - Mining costs incurred in excess of those corresponding to the average life-of-mine, waste to ore stripping ratio, are deferred.

g. Fixed assets - Property, plant and equipment and related capitalized development and pre-production expenditures are recorded at cost. Repairs and maintenance are charged to earnings. Major repairs and improvements are capitalized.

During 2007, the Company changed the depreciation method of fixed assets related to ore processing plants changing their useful lives and adopting as such the ore to be processed in the next 25 years in accordance with the current mining plan. The impact on income as a result of the change of this accounting estimate is US\$20.5 million, as a lower charge to income compared to the previous method.

Capitalized development expenditures, pre-production expenditures and other fixed assets are amortized on a unit of production, copper content basis.

h. Exploration cost - Exploration costs incurred prior to establishing that a property has economically recoverable reserves are charged to earnings.

i. Severance indemnities - The Company accrues a liability for the severance indemnity that has been agreed with its employees. The accrual is stated using the actuarial method using a discount rate of 6% p.a.. This does not differ significantly from the net present value method.

j. Income taxes and deferred taxes - Income taxes are determined on the basis of the net taxable income calculated for tax purposes. The Company records deferred income taxes for all temporary differences between the book and tax values of assets and liabilities, in accordance with Technical Bulletin No.60 and complements of the Chilean Institute of Accountants.

Similarly, the Company has recorded deferred taxes arising from temporary differences between the accounting and taxable base, as a result of determining the Taxable Operating Income (RIO) for calculating the specific tax on mining.

k. Reclamation provision - A provision for mine closure is charged to earnings for the mine closure cost. The provision is estimated on the basis of the discounted expected future cost of mine closure activities using a discount rate of 6% p.a..

l. Reclassifications - For comparative purposes, some items have been reclassified in the financial statements at December 31, 2006.

2. ACCOUNTING CHANGE

During 2007, the Company changed the depreciation method of fixed assets related to ore processing plants changing their useful lives and adopting as such the ore to be processed in the next 25 years in accordance with the current mining plan. The impact on income as a result of the change of this accounting estimate is US\$20.5 million, as a lower charge to income compared to the previous method.

In 2006 there were no changes in the application of accounting policies generally accepted in Chile.

3. INVENTORIES

Inventories consist of the following:

	2007 US\$ million	2006 US\$ million
Raw materials (Ore stockpiles)	34.7	27.9
Products in process	38.3	15.4
Finished products	14.8	20.9
Materials and spare parts	65.3	36.9
Total	153.1	101.1

4. OTHER LONG-TERM LIABILITIES

Other long-term liabilities consist of the following:

	2007 US\$ million	2006 US\$ million
Severance indemnities	17.4	14.1
Mine closure	23.6	21.3
Stamp tax provision	2.5	2.5
Others	0.1	0.4
Total	43.6	38.3

5. LONG - TERM LIABILITIES

As of December 31, 2007 and 2006, the detail of long-term liabilities is the following:

		Maturity between:		Total 2007 US\$ million	Total 2006 US\$ million
		0-1 year US\$ million	After 1-year US\$ million		
Unsecured Loans	(See note a)				
Syndicated loan (7 commercial banks)		47.8	142.5	190.3	238.1
Kreditanstalt für Wiederaufbau (Germany)		25.1	74.3	99.4	124.1
Export Development Canadá (Canada)		19.9	57.8	77.7	96.5
Subtotal		92.8	274.6	367.4	458.7
	(See note b)				
Falconbridge Capital Markets Ltd.		6.9	33.6	40.5	40.4
Inversiones Minorco Chile S.A.		2.0	10.1	12.1	12.1
Anglo American Finance S.A.		4.8	23.5	28.3	28.2
Cofco Ltd.		1.9	9.2	11.1	11.0
Subtotal		15.6	76.4	92.0	91.7
Supplier Credit	(See note c)				
Minbridge Ltd.		33.9	167.1	201.0	200.5
Total		142.3	518.1	660.4	750.9

a. In December 2004, the Company refinanced senior loans and replacement senior loans with: Bank Syndicate (US\$332.5 million), Kreditanstalt für Wiederaufbau (US\$173.3 million) and Export Development Canada (US\$134.8 million). The principal of the loans is repayable in successive, semiannual installments commencing on June 2005 and continuing until December 2011. The principal installments due within one year are presented as "short-term portion of long-term unsecured loans" in the balance sheet. Interest on these loans is accrued and paid every six months on the basis of the 180-day LIBOR rate plus a variable margin.

b. The Company entered into these loan agreements (US\$178.8 million) with the shareholders in 1999, considering successive, semiannual installments commencing on December 2004 and continuing until June 2009. A re-structuring of the terms and conditions of the loans took place on June 14, 2007. As a result, the repayment of the loans was re-scheduled commencing on June 2008 and continuing until December 2013. Interest on these loans is computed on the basis of the 180-day LIBOR rate plus a margin.

c. A re-structuring of the loans took place on June 14, 2007. As a result, the repayment of the loans was re-scheduled commencing on June 2008 and continuing until December 2013. Interest on these loans is computed on the basis of the 180-day LIBOR rate plus a margin.

6. INCOME TAXES, DEFERRED TAXES AND SPECIFIC TAX ON MINING

a. Income taxes

In 2007 and 2006, the Company has tax profit amounting to approximately US\$2,198 million and US\$2,197 million, respectively.

Income tax payable is summarized as follows:

	2007 US\$ million	2006 US\$ million
Provision for income tax	373.6	373.5
Provisional monthly payments	(415.8)	(213.4)
Specific tax on mining	46.1	48.8
Total	3.9	208.9

b. Deferred taxes

At December 31, 2007 and 2006, the detail of accumulated balances for deferred taxes is as follows:

	2007 US\$ million	2006 US\$ million
Depreciation and amortization	(267.7)	(262.5)
Other	36.8	28.0
Total long term deferred tax liability	(230.9)	(234.5)

The breakdown of charges for income tax is as follows:

	Charges / (credits) to income	
	2007 US\$ million	2006 US\$ million
Tax expenses:		
Provision for income tax for the year	373.6	373.5
Specific tax on mining for the year	46.1	48.8
Tax expense adjustment, prior year	0.5	(1.5)
Deferred taxes:		
Deferred taxes variation for the year	(3.6)	(5.2)
Total charge to income	416.6	415.6

7. OTHER ASSETS

Other assets consist of the following:

	2007 US\$ million	2006 US\$ million
Housing programme receivables	6.8	4.4
Accounts receivable from employees and deferred bonuses	15.6	1.0
Materials and spare parts	5.0	15.3
Raw materials (ore stockpiles)	31.2	32.1
Others	2.1	2.4
Total	60.7	55.2

8. SHAREHOLDERS' EQUITY

a. The changes in shareholders' equity accounts were as follows:

	Retained earnings						
	Share capital US\$ million	Reserves US\$ million	Other reserves US\$ million	Retained earnings US\$ million	Dividends Paid US\$ million	Net income for the year US\$ million	Total Equity US\$ million
Balances December 31, 2005	626.7	(185.0)	(1.3)	1,150.4	(730.3)	739.7	1,600.2
Transfer				9.4	730.3	(739.7)	
Dividends paid					(2,260.0)		(2,260.0)
Net income for the year						1,791.1	1,791.1
Balances December 31, 2006	626.7	(185.0)	(1.3)	1,159.8	(2,260.0)	1,791.1	1,131.3
Transfer				(468.9)	2,260.0	(1,791.1)	
Dividends paid					(1,220.0)		(1,220.0)
Net income for the year						1,824.9	1,824.9
Balances December 31, 2007	626.7	(185.0)	(1.3)	690.9	(1,220.0)	1,824.9	1,736.2

In Extraordinary Shareholders Meetings held on March 29, August 10, October 19 and December 13, 2007 dividend payments of US\$140 million, US\$280 million, US\$480 million and US\$320 million, were approved, respectively.

In Extraordinary Shareholders Meetings held on January 23, April 11, June 14, July 24, October 20 and December 20, 2006 dividend payments of US\$150 million, US\$540 million, US\$370 million, US\$300 million, US\$700 million and US\$200 million were approved, respectively.

b. The Company's shareholders at each year-end are as follows:

	Number of shares	
	2007	2006
Falconbridge Chile S.A. (A series)		4,000
Xstrata Copper Chile S.A.	4,000	
Xstrata Inversiones Chile Ltda.	4,833	4,833
Inversiones Minorco Chile S.A. (A series)	8,833	8,833
Japan Collahuasi Resources B.V. (B series)	2,409	2,409
Total	20,075	20,075

9. TRANSACTIONS AND BALANCES WITH RELATED COMPANIES

The detail of the balances with the shareholders and with companies related to the shareholders is as follows:

	2007 MMUS\$	2006 MMUS\$
Short-term accounts receivable (sales of concentrates)	204.8	101.0
Long-term accounts receivable	0.8	0.7
Long-term shareholder loans, short term portion (see Note 5b)	15.6	15.3
Long-term shareholder loans (see Note 5b)	76.4	76.4
Long-term supplier credits, short term portion (see Note 5c)	33.9	33.4
Long-term supplier credits (see Note 5c)	167.1	167.1

The long-term supplier credits balances shown above include accrued interest.

During 2007, sales of copper cathodes and concentrates to related companies totaled US\$1,220.7 million (US\$1,155 million in 2006).

10. CONTINGENCIES, GUARANTEES AND COMMITMENTS

a. The Company has committed to sell 1,031,000 tonnes of copper concentrate a year under medium and long-term contracts.

b. The Company has provided guarantee notes to the Chilean State for US\$6.0 million to cover eventual environmental damages caused by the extraction operations.

11. SUBSEQUENT EVENTS

Between January 1 and February 26, 2008, date of these financial statements, no significant events have occurred that would affect said financial statements.

Papel

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