COMPAÑIA MINERA DEL PACIFICO S.A.

ANNUAL REPORT 2004

cesmec

CERTIFICADO DE APROBACION DE SISTEMA DE GESTION AMBIENTAL

CESMEC LTDA., Centro de Estudios, Medición y Certificación de Calidad, certifica que el Sistema de Gestión Ambiental de:

CIA. MINERA DEL PACIFICO S.A.
PLANTA DE PELLETS

ubicada en:

Camino Rol C46 Huasco–Guacolda, Kilómetro 3,9

ha sido auditado y aprobado de acuerdo con la norma:

NCh – ISO 14001.Of 97

El alcance de la certificación es el siguiente:

Recepción, almacenamiento, molienda, concentración, peletización y embarque de minerales de hierro y pellets

Fecha de Otorgamiento	: 03 de Agosto de 2004
Vigencia del Certificado	: 03 de Agosto de 2007
Certificado CESMEC Nº	: **SCE-329**

Edwin Party Dubois
Gerente de Certificación

CESMEC LTDA. Av. Marathon 2595, Macul, Santiago-Chile

Romeral Low Grade Project, Processing Plant construction

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DIRECTORS AND EXECUTIVES

BOARD OF DIRECTORS

Chairman of the Board:
JAIME ARBILDUA
Civil Engineer
R.UT.4.299.066-K

Vice-Chairman:
EDUARDO FREI
Lawyer
R.U.T.: 4.883.266-0

Directors:
GUILLERMO ALDONEY
Vice-Admiral (R)
R.U.T.: 1.915.999-K

ANDRES BUSTOS
Commercial Engineer
R.U.T.: 4.710.888-8

JAIME CHARLES
Economist
R.U.T.: 5.812.044-8

EXECUTIVES

President:
SERGIO VERDUGO
Industrial Civil Engineer
R.U.T.: 5.316.689-K

Vice-President, Finance & Administration:
STUARDO ERAZO
Commercial Engineer
R.U.T.: 5.280.773-5

Vice-President, Legal Services:
RICARDO ROZAS
Lawyer
R.U.T.: 4.529.968-6

Vice-President, Technical:
ERICK WEBER
Chemical Civil Engineer
R.U.T.6.708.980-4

Vice-President, Commercial:
ARTURO WENZEL
Commercial Engineer
R.U.T.: 7.375.668-K

Manager, El Romeral Mines:
VASCO LARRAECHEA
Engineer
R.U.T.: 5.54615

Manager, Huasco Valley:
DANIEL PAREDES
Mechanic Civil Engineer
R.U.T.: 5.807.323-7

LETTER FROM THE BOARD CHAIRMAN

To our Shareholders,

On behalf of the Board of Directors, I am pleased to submit the Twenty Third Annual Report and Financial Statements covering the accounting period between January 1st and December 31st, 2004.

In 2004 the iron ore international market continued being influenced by the dynamism shown by the steel industry. Indeed, it is estimated that this year the world raw steel production will show a 9% increase regarding last year. Therefore, this will be the first time in the history of steel industry that production will exceed 1 billion tons, mainly due to the active role played by the Chinese market. This resulted in a strong demand for raw materials used in iron production, which meant a significant rise in our products' price. In this favorable scenario our commercial strategy was focused on preferring long term commitments, while maximizing profits obtained from spot sales.

In 2004, production from mining operations and the Pellets Plant exceeded the previous year by 119 thousand long tons. The Pellets Plant showed a 1.7% decrease in production when compared to 2003, while production of pellet chips and pellets for H&L direct reduction increased by 30.5% and 24.9% respectively in relation to 2003. The production of pellets for Midrex direct reduction decreased by 46.3% since the sale of pellets for H&L direct reduction was preferred. Pellet feed production decreased by 22.9% and self-fluxing pellet production by 10.8%. The Romeral Mines increased their production by 223 thousand long tons, representing an 11.6% rise in relation to 2003. Fine and lumps production showed a 144.6% and a 5.4% rise, respectively, while pellets feed production fell by 3.7%. The Algarrobo Mines produced 295 thousand long tons of lumps.

The decrease in pellet production was due to an interruption of operations to perform major repair. This was partially offset by an improved use of facilities.

As in 2003, the company continued developing exploration tasks and assessing the mining property in order to enable an optimization of our installed capacity and to develop new projects.

A ThUS$25,544 profit was obtained in 2004. In addition, the company reported a positive ThUS$29,360 balance in cash flow results, with a ThUS$47,911 EBITDA. The above was possible due to efforts made by the personnel in order to optimize the use of resources, keep a good relation with costumers and continue with an effective implementation of a cost control and expense reduction policy, always seeking an optimization in the use of facilities.

For the Board of Directors I lead, it is a pleasure to inform that as of August 3rd, 2004 the Quality Assessment, Measurement and Certification Center (CESMEC) certified that the Environmental Management System implemented in the Huasco Pellet Plant complies with the ISO 14001 standard. In addition, in June the General Director of the Maritime Territory and Merchant Navy issued a certificate indicating that the ports Guacolda II in Huasco and Guayacan in Coquimbo fulfill the requirements under the Ship and Port Facilities Protection International Code (I.S.P.S. Code).

Regarding our share in other companies, we report that our subsidiaries and affiliates continued normally developing their business. The results obtained by Compañía Minera Huasco S.A. are worth highlighting. This company - in addition to fully paying its principal and subordinated debts - showed a profit of ThUS$39,758 in this period.

Regarding the labor environment, a permanent good relation with union leaders and workers was observed. A collective bargaining agreement was completed in advance with the personnel of Valle del Huasco in late March 2004; the relevant covenants will be in effect from October 2004 to September 2006.

The Shareholders will find details on the Company's position in the year 2004 and the performance of the Company's Management in this Annual Report and the Financial Statements that have been attached hereto.

Finally, the Board of Directors is grateful to all those who contributed with their effort and dedication to obtain the above mentioned results, especially the Company's staff.

Jaime Arbildua
Chairman of the Board

HISTORICAL SUMMARY

Compañía Minera del Pacífico S.A. was formed up in 1981 following a new organic restructuring of Compañía de Acero del Pacífico S.A., today CAP S.A., converting the latter into an Investment Corporation and placing its production and service activities in subsidiary companies with operating independence and management responsibility.

Compañía Minera del Pacífico S.A., CMP, is the owner and operator of the ore deposits that formerly belonged to CAP S.A.

These deposits comprise; "El Algarrobo", bought by CAP S.A. in 1959 from the Dutch firm Mijnen N.V.; "El Romeral", bought in 1971 from Bethlehem Iron Mines Co., and other iron deposits located in the country's Second, Third and Fourth Regions.

Compañía Minera del Pacífico S.A. was incorporated as an independent company under a public deed containing the by-laws, signed before Santiago's Notary Félix Jara, in substitution of Eduardo González, on December 15, 1981.

An extract of that document was registered in the La Serena Trade Register on December 16, 1981, in folio 294 Nº 145, and published in the Official Gazette of December 21, 1981.

CAPITAL STOCK, SHARES AND OWNERSHIP

The Capital Stock - as agreed in the Special Shareholders' Meeting held on September 30, 1994 - amounts to US$ 214,813,815.70 legal currency of the United States of America, and is divided into 3,521,126 shares of no par value, and held by the following shareholders:

Shareholder	R.U.T	Nº of shares	Percentage
CAP S.A.	91.297.000-0	3,521,108	99.9994888
Guillermo Bruna Contreras	4.138.881-1	5	0.0001420
Carlos Ruiz de Gamboa Gómez	1.312.404-3	5	0.0001420
José Villalba Pernas	4.098.289-2	4	0.0001136
Jorge Zalaquett Daher	4.339.108-9	4	0.0001136

The paid-in capital as of December 31, 2004 was US$ 214,813,815.70

CORPORATE OBJECTIVES

The main objectives of the company are:

To evaluate, develop and mine ore deposits, process and sell its products; develop complementary, derivative, secondary and supply businesses in raw materials, inputs or services, or those related directly or indirectly to these objects; offer geological and mining research, engineering, mechanical and industrial maintenance, construction and earth-moving services; create and form companies for carrying out any of these objects.

SUBSIDIARIES AND ASSOCIATES

- **Pacific Ores and Trading N.V.:**

  A foreign company established in Willemstad, Curacao, Netherlands Antilles.

  Its main object is to act as a sales agent for CMP. Its Paid-In Capital is US$11,173 held entirely by CMP.

  The Board of Directors is formed up by Sergio Verdugo (Chairman), Stuardo Erazo and Ricardo Rozas. Its President is Mr. Adrianus Maas, who is a resident of Willemstad, Curacao.

  This subsidiary holds 100% of the shares in the Dutch company Pacific Ores and Trading B.V.

- **Sociedad de Ingeniería y Movimientos de Tierra del Pacífico Ltda. (IMOPAC Ltda.):**

  Founded by public deed dated February 3, 1988 before the La Serena Notary Carlos Medina.

  Its main objects are to mine its own or third party ore deposits; carry out all kinds of engineering and earth-moving work, provide engineering, geological and mining project studies for itself or third parties; and provide consultancy services on the matters mentioned or any other related activity, in the domestic market or abroad. Its Paid Capital is Ch$1,103,111,727.

  This company was merged with Empresa de Ingeniería y Movimientos de Tierra Marte Ltda. (EMAR LTDA.) on March 15, 1992 and kept the name of IMOPAC LTDA. Ownership is held by Compañía Minera del Pacífico S.A. 99.8775% and Manganesos Atacama S.A. 0.1225%.

The Board of Administration of this firm is composed of Stuardo Erazo (Chairman), Erick Weber and Daniel Paredes. Its President is Eugenio Espinosa.

- **Compañía Distribuidora de Petróleos del Pacífico Ltda. (PETROPAC Ltda.):**

  Founded under public deed dated August 24, 1989 before La Serena Notary Carlos Medina.

  Its main object is to develop commercial activities related to oil and fuels, especially the trading, import, export, distribution, supply and marketing of all kinds of oils, fuels and their by-products. Also the representation of Chilean or foreign companies and other related activities.

  Its Paid-in Capital is Ch$ 8,000,000, held 99% by Compañía Minera del Pacífico S.A. and 1% by IMOPAC LTDA.

  The Board of Administration is composed of Arturo Wenzel (Executive Chairman), Stuardo Erazo and Daniel Paredes.

- **Compañía Minera Huasco S.A. (CMH S.A.):**

  Formed under public deed dated November 29, 1995 before the Vallenar Notary Hernán Zúñiga.

  Its main object is to study, develop and mine ore deposits and process and trade its products and by-products.

  Its Paid-in Capital is US$21,000,000 and is held 50% by Compañía Minera del Pacífico S.A. and the remaining 50% by MC Inversiones Limitada.

  As of December 31, 2004 the Board of Directors was comprised by Sergio Verdugo (Chairman), Erick Weber and Arturo Wenzel on behalf of CMP and Jun Kinukawa (Vice-Chairman), Isao Kano and Keisuke Hoshino on behalf of MC Inversiones. The President is Eduardo Valdivia.

- **Compañía Minera La Jaula (CMLJ):**

  Incorporated under public deed dated January 23, 1996 before the Vallenar Notary Hernán Zúñiga.

  Its main objects are the prospection, exploration and exploitation of its own mining concessions, and the study, exploration, prospection, development, extraction, mining, production and trading of ores of any kind obtained from the development of its mining deposits.

The Paid-in Capital of this company is US$100,000 held 50% by Compañía Minera del Pacífico S.A. and 50% by MC Inversiones Limitada.

As of December 31, 2004 the Board of Directors was composed of Sergio Verdugo (Chairman) Erick Weber and Arturo Wenzel on behalf of CMP and Jun Kinukawa (Vice-Chairman), Isao Kano and Akihiro Watanabe on behalf of MC Inversiones Limitada. The President is Ricardo Rozas.

- **Compañía Minera Carmen de Andacollo (CDA):**

Its main objects are to study, develop and mine ore deposits and process and trade its products and by-products.

The Paid-in Capital is US$ 23,185,710 and is held by Minera Canada Tungsten Chile Ltda. (59%), Canada Tungsten Cayman Inc. (4%), Compañía Minera del Pacífico S.A. (27%) and ENAMI (10%).

The Board of Directors comprises James W. Gill (Chairman), David Brace, Peter McCarter and Juan Yrarrázaval on behalf of Minera Canada Tungsten Chile Ltda. and Canada Tungsten Cayman Inc., Jaime Charles and Sergio Verdugo on behalf of Compañía Minera del Pacífico S.A., and Fernando Riveri on behalf of ENAMI. The company President is Mr. John Britt Reid.

- **Abastecimientos CAP S.A. (ABCAP S.A.):**

Its main object is to provide procurement and other services to companies belonging to the CAP Group, but it may also attend to third parties and carry on business for its own account.

Its Paid-in Capital amounts to US$3,500,000, and is held by Compañía Minera del Pacífico S.A. and Compañía Siderúrgica Huachipato S.A., each with 25%, and CAP S.A. with the remaining 50%.

The Board of Directors is composed of Gonzalo Rojas (Chairman), Cristián Cifuentes and Marcelo Chacón. The President is Mr. Victor Díaz.

PROPERTIES AND REAL ESTATE

Compañía Minera del Pacífico S.A. owns mining and maritime concessions, industrial and port facilities, fixed and mobile equipment, land and buildings. It also owns water distribution, concessions and rights of way necessary for its business.

The main properties can be grouped as follows:

1. Ore deposits being mined :

El Algarrobo: Located in the 3rd Region, this mine supplies iron pre-concentrates to the Huasco Pellets Plant. Its reserves amount to 7.7 million metric tons with an average grade of 51.99% iron.

El Romeral: Located in the 4th Region, this deposit supplies fines, lumps and pellets feed to the domestic and foreign markets. Its proven reserves are 17.6 million metric tons with an average iron content of 47.3% for high grade ores and 73 million metric tons with an average iron content of 26% for low grade mineral.

El Tofo : Located in the 4th Region, its reserves are 8 million metric tons with an average iron content of 37.0%.and 2 million metric tons with an average iron content of 45%.

2. Other iron-ore deposits:

Los Colorados District: So-called due to its proximity to Los Colorados Mine, with reserves amounting to 73 million metric tons. It includes the Chañar Quemado, Sositas and Coquimbana prospects.

Algarrobo District: So-called due to its relative proximity to El Algarrobo Mine and comprising various low grade and low magnetic ore-bodies totaling an estimated 130 million metric tons of resources. Included in this group are Alcaparra D, Charaña, Algarrobo Este, Ojos de Agua and Domeyko II.

El Romeral Low Grade: Deposit adjoining the high-grade ore-body of El Romeral Mine, with estimated resources of 152 million metric tons.

Cerro Negro Norte: A vein-form deposit that outcrops on the surface along 1,500 meters with a 200 meter thickness, located 60 km. North of Copiapó. It has magnetic resources of 223 million tons and non-magnetic resources of 39 million tons.

Pleito-Cristales District: Related to a series of ore deposits of intense oxidation and low grade, with some areas of high magnetic grade vein-form structures and having 145 million metric tons of total resources.

El Laco: Located in the 2nd Region, prepared to produce lumps and fines and with estimated resources of 224 million metric tons.

3. Industrial Facilities:

Huasco Valley (3rd Region) and II Region

- “El Algarrobito” dry magnetic Crushing and Concentrating Plant with a processing capacity of 1.2 million tons of ore annually.
- “Los Colorados” dry magnetic Crushing and Concentrating Plant with a processing capacity of 1.5 million tons of ore annually.
- Huasco wet magnetic Crushing and Concentrating Plant with a processing capacity of 5.8 million tons of ore annually.
- Pellets Plant with a current capacity for producing 4.7 million metric tons of pellets and other iron products annually.
- “El Laco” Crushing and Screening Plant with a capacity for processing 50,000 tons monthly.

Elqui Valley (4th Region)

- El Romeral wet magnetic Crushing and Concentrating Plant with the capacity to process 4 million tons of concentrates per year.

- El Romeral wet magnetic Grinding and Concentrating Plant with a processing capacity of 1.2 million tons of pellets feed annually.

4. Port Facilities:

Guacolda II mechanized port: Installations for attending ships of up to 315 meters length, 22 meters draught and 55 meters beam.

Guayacán mechanized port: Installations for attending ships of up to 315 meters length, 16.2 meters draught and 50 meters beam.

Ore Piling, Guayacán Port

5. Railways:

- 86 km. of railway between El Algarrobo Mines and the Huasco Pellets Plant.
- 14 km. of railway between Los Colorados Mines and Km.765 of FERRONOR S.A.'s North Railway Network (Llano La Jaula section).
- 38 km. of railway between El Romeral Mines and the Guayacán mechanized port.
- Locomotives, sidings, equipment and railway infrastructure for transporting the Company's products.

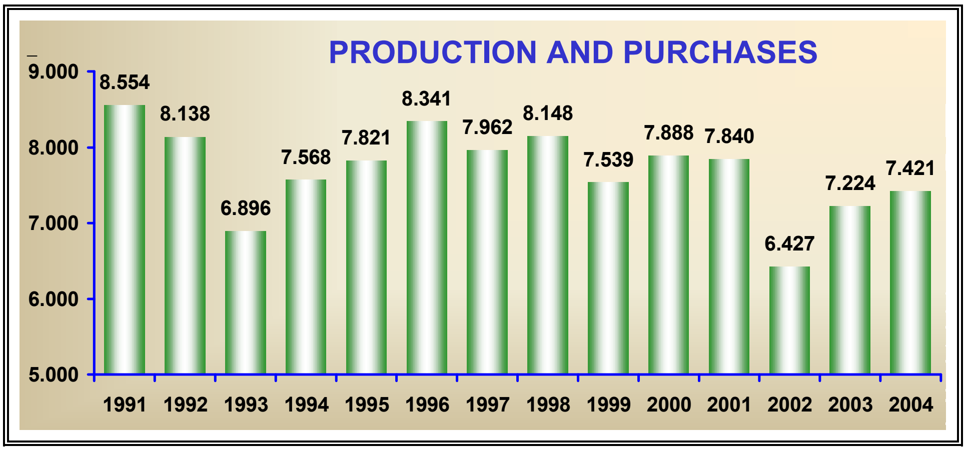
6. Equipment:

Rotary and percussion drillers, shovels and cranes, motor graders, loaders, bulldozers, heavy trucks, transporting, piling and ore recovery machinery, locomotives, railway tip wagons, light vehicles for carrying cargo and people, machines, tools, generating units, compressors and others.

ACTIVITIES AND BUSINESS

PRODUCTION AND PURCHASES:

CMP's production in 2004 was 7,421 thousand long tons, 5,181 thousand of which came from the Huasco Valley and 2,138 thousand from the Elqui Valley. In addition, 102 thousand long tons were purchased from third parties.



In 2004, overall production was 1.7% higher than in 2003, i.e. an increase of 119 thousand long tons. This is the result of 223 thousand long tons of production increase from Elqui Valley and 104 thousand long tons of reduced production from the Huasco Valley.

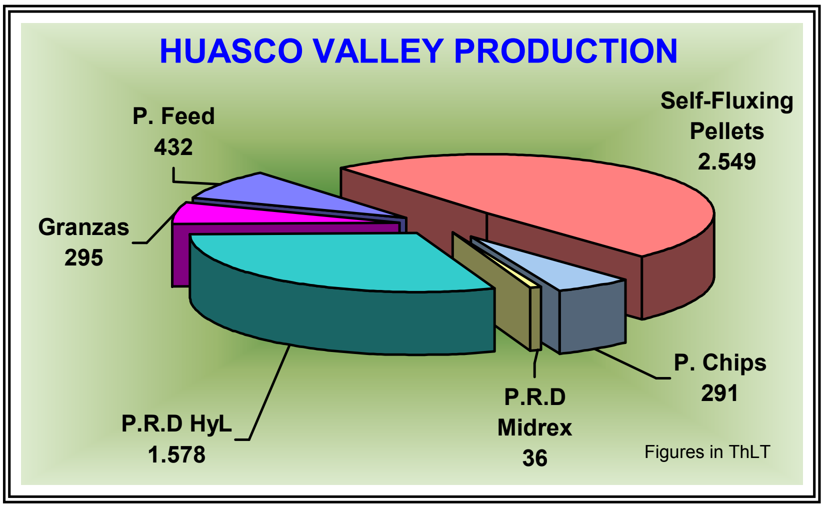
The following chart shows comparative production figures:

			VARIATION	
	2004	**2003**	**ThLT**	**%**
TOTAL CMP	**7,421**	**7,224**	**197**	**2.7**
TOTAL PRODUCTION	**7,319**	**7,200**	**119**	**1.7**
HUASCO VALLEY	**5,181**	**5,285**	**(104)**	**(2.0)**
Self-fluxing Pellet	2,549	2,859	(310)	(10.8)
Direct Reduction P. (H&L)	1,578	1,263	315	24.9
Direct Reduction P.(midrex)	36	67	(31)	(46.3)
Pellets Feed	432	560	(128)	(22.9)
Pellets Chip	291	223	68	30.5
Lumps (Algarrobo)	295	313	(18)	(5.8)
ELQUI VALLEY	**2,138**	**1,915**	**223**	**11.6**
Lumps	706	670	36	5.4
Fines	384	157	227	144.6
Pellet Feed	1,048	1,088	(40)	(3.7)
TOTAL PURCHASED	**102**	**24**	**78**	**325**

The situation by facility was as follows:

HUASCO VALLEY: PELLETS PLANT, EL ALGARROBO MINES AND GUACOLDA II PORT

The Huasco Valley pellets plant operated for a time equivalent to 339,65 effective days in 2004 and achieved an aggregate production of 4,886 thousand long tons. This includes 2,549 thousand long tons of self-fluxing pellets, 1,578 thousand long tons of pellets for H&L direct reduction, 36 thousand long tons of pellets for Midrex direct reduction, 291 thousand long tons of pellet chips and 432 thousand long tons of pellets feed.



In 2004 production was lower than in 2003 because the plant had to operations for Major Repair during 2004. The production rate was 518.9 metric tons per hour average.

In operating terms, 5,739 thousand long tons of pre-concentrate were fed to the crushers. Concentrates production at the crushers was 4,739 thousand long tons.

The Company maintained its contract with IMOPAC Ltda. during the year to mine the El Algarrobo Deposits. The affiliate company processed the ores at the El Algarrobito Grinding and Concentrating Plant owned by CMP. Total production achieved by IMOPAC Ltda. was 295 thousand long tons of lumps. A total of 3,901 thousand long tons of material had to be removed to obtain this production.

The ISPS Certificate is received at Guacolda II Port

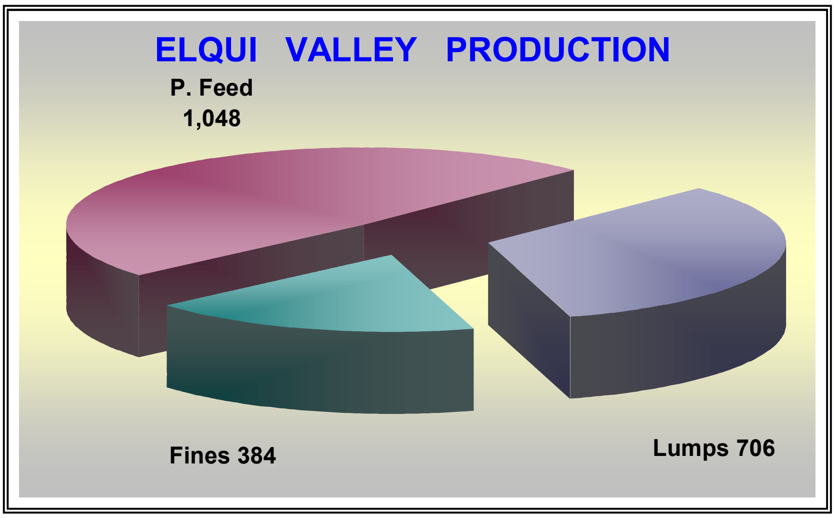
The railroad linking the El Algarrobo Deposits with the pellets plant was managed by the company FERRONOR, which carried a total of 282 thousand long tons.

Guacolda II Port attended to 75 ships, 40 of which were for export shipments and 35 for shipments to Compañía Siderúrgica Huachipato S.A.

ELQUI VALLEY: EL ROMERAL MINES AND GUAYACAN PORT

Elqui Valley production in 2004 was 2,138 thousand long tons of ore in El Romeral Mines, 706 thousand of which were lumps, 384 thousand were fines and 1,048 thousand long tons were pellets feed.

The amount mined from the Romeral Deposits represented removing 8,325 thousand long tons of material, which resulted in the production of 4,286 thousand long tons of lumps and fines in the concentrating plant and 1,247 thousand long tons of feed for the crushing plant to produce pellets feed.



The railroad between the El Romeral Mines and Guayacán port moved 2,128 thousand long tons of ore: 705 thousand long tons of lumps; 376 thousand long tons of fines; and 1,047 thousand long tons of pellets feed.

Guayacán port attended 38 ships of which 17 sailed to foreign ports and 21 to Compañía Siderúrgica Huachipato S.A.

MARKETING

The preliminary statistics published by the International Iron and Steel Institute estimate that in 2004 the world production of crude steel will exceed 1 billion tons for the first time ever in the history of the Steel Industry, representing a 9% increase while compared with the world production of crude steel in 2003.

China led, once again, this growth with a crude steel production exceeding 260 million tons, representing a 20 % increase regarding last year.

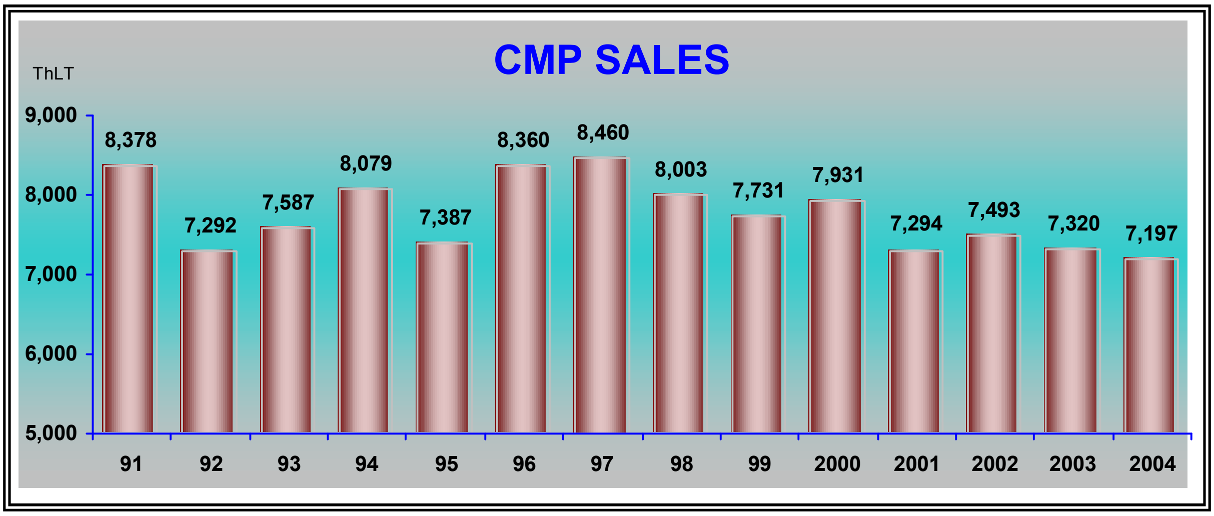
On the other hand, in 2004 the seaborne iron ore trade will skirt the 575 million tons, 54 million tons more than the amount transported in 2003. This greater dynamism is mainly explained by the active role played by China in the international commodity markets, necessary to sustain its outstanding economic growth both in general terms and regarding its steel industry in particular.

In this favourable international scenario, the Company developed its Commercial Strategy based on fulfilling its long term commitments and trying to maximize the profits from the few shipments delivered to spot markets.

Guacolda II Port

In 2004, CMP's total sales volume was 7,197 thousand long tons, representing a decrease of 123 thousand long tons, compared to 2003.

Export sales were 1,613 thousand long tons and domestic sales 5,584 thousand long tons.



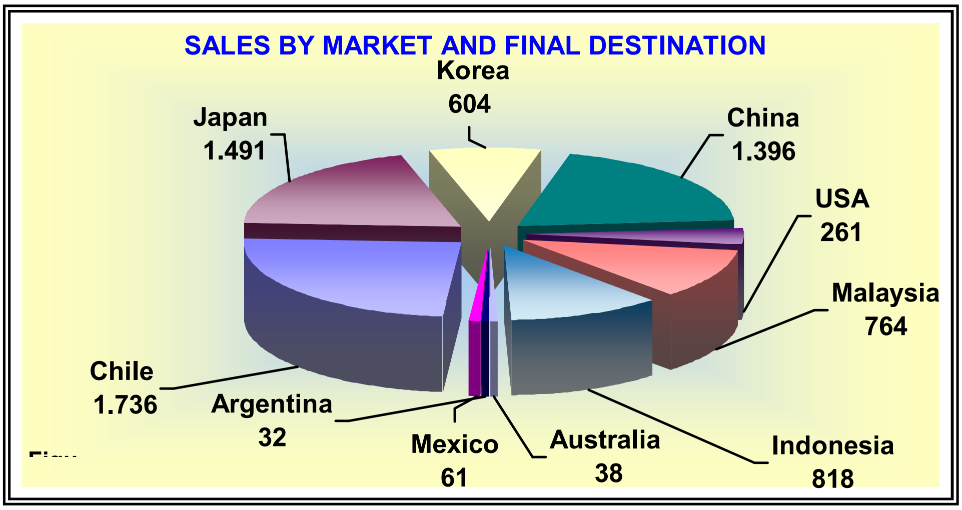
Exports therefore represented 22% of total sales and sales to the domestic market accounted for the remaining 78%. The latter includes sales to CMH S.A., 78% of which is finally exported.

The following table compares 2004 and 2003 sales:

			VARIATION	
	2004	**2003**	**ThLT**	**%**
TOTAL CMP	**7,197**	**7,320**	**(123)**	**(1.7)**
HUASCO VALLEY	**5,134**	**5,262**	**(128)**	**(2.4)**
Export market	192	604	(412)	(68.2)
Domestic market	4,942	4,658	284	6.1
ELQUI VALLEY	**1,961**	**2,034**	**(73)**	**(3.6)**
Export market	1,335	1,435	(100)	(7.0)
Domestic market	626	599	27	4.5
PURCHASE/SALE	**102**	**24**	**78**	**325.0**
Export market	86	24	62	258.3
Domestic market	16	--	16	--

As mentioned in the Annual Report for 1998, as from July 1st, 1998 all the pellets produced in Huasco Valley is sold to CMH S.A. In fact, CMP sold 4,942 thousand long tons to Compañia Minera Huasco S.A., 1,094 of which were after sold by this affiliate company to Compañía Siderúrgica Huachipato S.A.

In 2004 CMP's products were finally supplied to 10 different markets:



Chile, with **Compañía Siderúrgica Huachipato S.A**.; Japan, with the costumers **JFE Steel Corporation, Kobe Steel Corporation** and **Nisshin Steel Corporation Ltd.;** Korea, with **Posco;** Indonesia, with **PT Krakatau Steel;** USA, with **Reiss Viking, Universal Minerals Inc.** and **Shawcor Pipe Protection;** Malaysia, with **Perwaja Steel Sdn. Bhd.;** China, with the costumers, **Jinan Iron & Steel Group Co., Hangzhou Iron & Steel** and **Xinyu Iron & Steel Works;** Australia, with **Reiss Viking;** Argentina with **Acindar Industria Argentina de Aceros S.A.** and Mexico with **Bredero Shaw Mexico S.A. de C.V.**

The following table compares final-market shares for 2004, 2003 and 2002:

Market Percent Share	2004	2003	2002
Chile	24.1	20.5	19.7
Japan	20.7	20.4	31.2
Korea	8.4	8.8	12.6
Indonesia	11.4	7.9	7.6
United States of America	3.6	4.2	4.3
Malaysia	10.6	8.9	3.5
China	19.3	28.0	20.6
Peru	0.9	---	--
Australia	0.5	0.5	0.5
Argentina	0.5	0.8	---

Regarding the product portfolio, self-fluxing pellets continued to be the leading product, followed in volume terms by HyL direct reduction pellets, pellet feed and lumps from Romeral Mine. These four products represent 88% of shipments. The sales of fines, pellet chips, and lumps (coming from Algarrobo) are in fifth, sixth and seventh place respectively; the sales of direct reduction midrex pellets are in last place.

Sales by product (Percent)	2003	2003	2002
Fines	5.4	3.6	4.8
Lumps (Algarrobo)	2.7	3.2	--
Lumps (Romeral)	9.4	9.1	9.5
Self - fluxing Pellet	36.4	39.3	46.6
Pellet Chips	3.7	4.7	2.6
Pellet Feed	20.0	22.5	25.5
Direct reduction Pellets (HyL)	22.0	16.7	11.0
Direct reduction Pellets (Midrex)	0.4	0.9	--

OTHER OPERATING ACTIVITIES

The Company has continued to carry out different activities through its subsidiaries and its associate companies.

IMOPAC LTDA. carried out the following:

- Imopac continued to work in Chile's Third Region in 2004 at the El Algarrobo Iron Deposits and the Pellets Plant. Its production totaled 295 thousand long tons of lumps at Algarrobo Mines. Loading and transportation tasks were developed at the Pellets Plant.

- In addition, Imopac continued the mining the limestone deposit at the Guarello Island in 2004 and supplied this raw material to CSH.

- Geological surveys and drilling work, support and guarding services were also provided to CMP's operations.

The subsidiary **PETROPAC LTDA.** carried out the following:

- It sold 62,439 metric tones of fuel oil, representing a 19% rise compared to the previous year. Also, it sold 481 m^3. of diesel oil, with an increase of 8% in relation to 2003.

- All the fuels traded were purchased from domestic refineries.

- Sales of oils to related companies represented 6.5% of total sales.

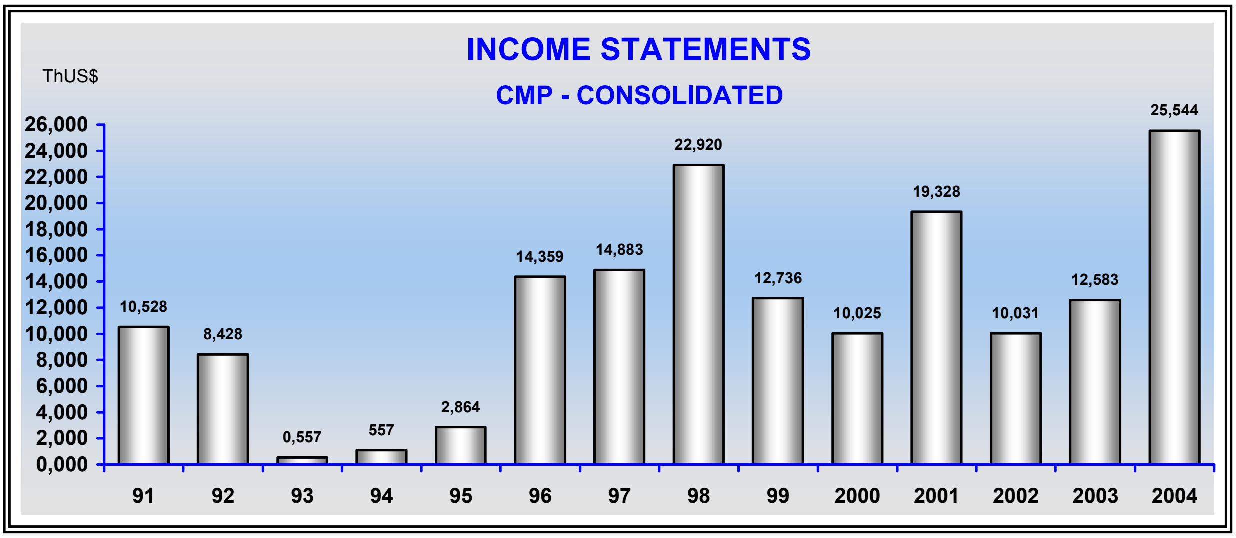
The following were some of the activities of the associate company **CMH S.A.**:

- Technical, financial, management and commercial assistance continue to be provided under a management agreement signed between the CMP and CMH S.A. in January 1996.

- Compañía Minera Huasco S.A. began operations on July 1st, 1998. Since then, CMP S.A. buys all its iron ore pre-concentrates from that company and sells it back its pellets production.

FINANCIAL ACTIVITIES

CMP S.A. produced an operating income in 2004 of ThUS$15,480, an increase of ThUS$7,572 regarding the 2003 income.



Net income was ThUS$25,544, representing an increase of 103% in relation to the previous year.

The Company generated a positive net cash flow from its operating activities of ThUS$40,502 in 2004, which - after deducting the net cash flows from financing and investment activities - produced a negative net total flow for the year of ThUS$297. This, added to the opening balance of cash and cash equivalents of U$2,404,000, produced a year-end balance of cash and cash equivalents of ThUS$2,107.

This implied that the current ratio for 2004 was 3.25; in the period ended of December 31st, 2003 this index was 3.35.

Cash results for the year 2004 allowed CMP to pay a total dividend of ThUS$8,808, representing 70% of the net income obtained in 2003 and leaving a balance in its favor with its parent company of ThUS$48,884. The results obtained, the dividends paid and the balance in favor show the effectiveness of the cost control and expense reduction policy that has continuously being implemented in the Company in recent years.

EBITDA for 2004 was ThUS$47,911; this figure exceeds by ThUS$11,279 the results obtained in 2003.

DIVIDEND POLICY:

The Company's dividend policy is to distribute 70% of the net income for each year and to pay interim dividends whenever the Board shall decide. The results of this policy are shown below:

		2004	2003	2002
PRIOR YEAR'S INCOME	**ThUS$**	**12,583**	**10,031**	**19,328**
To Reserves and Retained Earnings:		30.0%	30.0%	30.0%
PERCENT TO BE DISTRIBUTED AS DIVIDENDS		70.0%	**70.0%**	**70.0%**
70% IN DOLLARS	ThUS$	8,808	7,022	13,530
EXTRAORDINARY DIVIDEND FROM RETAINED EARNINGS	ThUS$	---	----	13,470
TOTAL DIVIDEND PAID IN	ThUS$	8,808	7,022	27,000
DIVIDEND PER SHARE	(U$/share)	2.5	1.99	7.67

HUMAN RESOURCES

NUMBER OF PERSONNEL:

As of December 31, 2004, the Company's permanent staff numbered 939 workers, 13 fewer than in 2003.

	2004	2003	Difference
Total	**899**	**910**	**(11)**
Executives	94	93	(1)
Personnel	805	817	(12)

Apprentices	40	42	(2)

LABOR RELATIONS

The company's relations with its workers - represented by Union's Leaders - was characterized by a highly communicative and cooperative attitude, since the unions' heads were in permanent contact with the Top Managers, the relevant division Executives and the manager of the Human Resources department.

Collective Bargaining sessions were held in advance in March with the three Labor Unions performing in Huasco Valley. The relevant Collective Agreements were signed with each Union, covering from October 1°, 2004 to September 30, 2006.

The leaders of the Association of Iron, Steel and Related and Connected Activities were elected in May.

The leaders of the El Romeral Mines Labor Union, Labor Union N°2 of the Pellets Plant and Vallenar offices were renewed in 2004; their positions will last for the next two years.

WELFARE:

CMP, in line with its constant policy for improving the quality of life for its workers and their families, is continuously organizing activities within this important objective.

Loans were granted during the year for the acquisition, maintenance and repair of homes. 86.9% of CMP's personnel now have their own homes. Work continued during 2004 in the maintenance of offices, refectories and on-site services. Recreational sporting activities were also encouraged; occupational health treatment was permanently available to workers, and curative medical facilities to their families.

TRAINING AND DEVELOPMENT:

Work training activities were basically directed to contributing to the Company's objectives, providing the support elements required for optimizing employee performance

In 2004 training activities were addressed to all the organization levels. Seminars, Workshops and Courses were developed with in-house and external lecturers. Training was aimed at improving employees' competence and knowledge and meeting the company's goals and objectives, with a special focus on reinforcing a preventive culture and technical competence on mining equipment operation and maintenance.

During 2004, training covered 329 programs with 801 participants, totaling 138,198 man/hours of technical training.

ACCIDENT PREVENTION

Accident prevention activities continued to be focused on achieving lower work accident rates and a proper loss control.

SUSTAINABLE DEVELOPMENT AND ENVIRONMENT

The environment management program of Compañía Minera del Pacífico S.A. is based on guidelines given by the parent company (CAP S.A.) in its corporate environmental management policies.

With such a purpose, CMP continued with a high level of activities around the environmental management in each one of its tasks, giving execution to the plans and defined programs for the period and prioritizing those subject to legal and/or strategic environmental regulations for the Company:

- On January 13th, 2004 the IV Region Environmental Commission (COREMA IV Region), issued a favorable resolution on the Environmental Impact Statement of the "Low Grade Ore Treatment in Romeral" project.
- In Exempt Resolution N° 44 dated April 28th, the Regional Environmental Commission of Coquimbo favorably evaluated the "Environmental Impact Statement on the Iron Ore Industrial Recovery from Piles and Landslides in El Tofo" project prepared by CMP. This project is associated with the development of ore supply sources for the El Romeral Mines.
- On June 3-4th, as part of the World Environmental Day organized by the III Region Environmental Commission, CMP participated - as has turned usual - in the Environmental Expo presented in the Main Square of Copiapó.
- The harvest was completed in the plot called *Parcela Los Olivos de Bellavista* located in Huasco Bajo on June 15th, 2004. The 2004 agricultural period culminated with this activity where an aggregate of 13,972 Kg of olives were obtained. This is a good result for a low production year according to the two-year cycle shown by this species. The subsequent milling and oil extraction process was finished on June 25th, with a total of 2,004 liters of final non-refined product.
- The CESMEC issued a document dated August 3rd certifying that the Environmental Management System being operated in the Pellets Plant fulfills the NCh ISO 14,001 Official 97 Standard of the National Standardizing Institute (*Instituto Nacional de Normalización*). As it is publicly known, CESMEC is a company with renowned

- reputation in the country and has been certified for this standard by the Chilean Standardizing Institute (*Instituto Chileno de Normalización – INN*).
  Because this represents a very significant recognition, future plans include a public ceremony to deliver the certificate to CMP, with the presence of local authorities.

- The "2003 Environmental Report" of CMP S.A. began to be distributed among government authorities and interested parties on August 18th. This document has been published for five successive years and its contents highlight the various activities aimed at managing the Environment, thus accounting for the importance allocated by the Company to this aspect of management.

- The "Managers' Revision" included in CMP's Environmental Management System was completed in September. This time, the comprehensive review especially covered the areas of the Pellet Plant and Guayacán Port.

- The "Training Course for Internal Environmental Auditors" included in the ISO 14,001 Environmental Management System was held in Vallenar in December, with the participation of personnel from CMH, IMOPAC and CMP.

- The lecture "Flowering and Alternate Bearing in Olive Trees" was delivered on December 21st, 2004 by Dr. Tomás Cooper from the University of Chile. The olive growers of the Huasco Valley and authorities from the INIA Vallenar attended the lecture and subsequent "Country Day" at the orchard *Los Olivos de Bellavista*.

TOP MANAGEMENT

SHAREHOLDERS' MEETINGS

Regular Shareholders' Meeting:

The Company's regular shareholders' meeting was held on April 16, 2004. The following main resolutions were agreed upon:

1. The Annual Report and Financial Statements for the year 2003 were approved.

2. The dividend policy was agreed, whereby 70% of annual net income would be distributed to shareholders. It was also agreed to pay interim dividends during 2004 whenever the board decides, provided that the year profit makes this possible.

3. Deloitte was appointed as the Company's external auditors.

4. The directors' remuneration was determined.

Special Shareholders' Meetings:

In a Special Meeting held on February 12th, 2004 the Shareholders decided to provide CAP S.A. with the Company's unconditional, irrevocable, joint and several guarantee, to ensure payment of all the obligations contracted by the parent company in one or more actions under credit agreements for up to U$17,000,000 with the Bank Kredirëditanstalt Für Wiederaufbau.

BOARD ACTIVITIES:

Fifteen board meetings were held in 2004.

DIRECTORS' REMUNERATION:

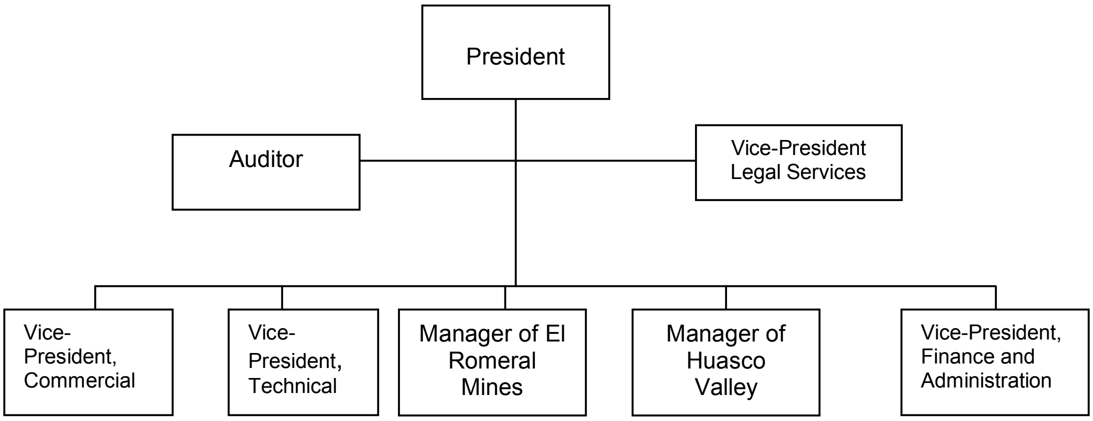
The detail of remuneration paid to the company's directors is as follows:

	2004	2003
Attendance fees (ThUS$)	12	11

MANAGEMENT REMUNERATION:

This is paid by the parent company CAP S.A.

MANAGEMENT:



STATEMENT OF RESPONSIBILITY

In conformance with General Regulation 129 issued by the Chilean Securities and Exchange Commission, the Company's Directors and its President unanimously subscribe, under oath, their responsibility for the truthfulness of the information contained in this Annual Report.

Jaime Arbildua
Chairman of the Board

Eduardo Frei
Vice-Chairman

Guillermo Aldonei
Director

Andrés Bustos
Director

Jaime Charles
Director

Sergio Verdugo
President

FINANCIAL STATEMENTS

Deloitte.

INDEPENDENT AUDITORS REPORT

To the Shareholders of
Compañía Minera del Pacífico S.A.

We have audited the consolidated balance sheets of Compañía Minera del Pacífico S.A. and subsidiaries and the individual balance sheets of Compañía Minera del Pacífico S.A. as of December 31, 2004 and 2003 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 the Company's management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion. In our opinion, such financial statements present fairly, in all material respects, the consolidated financial position of the Group and the financial position of Compañía Minera del Pacífico S.A. as of December 31, 2004 and 2003 and the respective results of their operations and their cash flows for the years then ended, in conformity with accounting principles generally accepted in Chile.

The notes to the accompanying financial statements have been derived from the notes to the financial statements filed with the Securities and Insurance Commission, on which we have issued our auditors' report on this same date. The accompanying notes exclude only additional information required by that regulator that is not necessary for an adequate understanding of the financial statements.
The accompanying financial statements have been translated into English for the convenience of readers outside Chile.

Deloitte

January 19, 2005

R. Espinoza

Roberto Espinoza

COMPAÑIA MINERA DEL PACIFICO S.A. AND AFFILIATES

BALANCE SHEETS

AS OF DECEMBER 31, 2004 AND 2003
(in thousands of U.S. dollars -ThUS$)

	CONSOLIDATED		INDIVIDUAL	
	2004	**2003**	**2004**	**2003**
	ThUS$	ThUS$	ThUS$	ThUS$
ASSETS				
CURRENT ASSETS:				
Cash	2,107	2,404	346	366
Trade debtors	12,945	14,498	2,481	1,230
Trade notes receivable	1	1	1	1
Other accounts receivable	1,929	1,519	1,901	1,444
Accounts receivable from related companies	56,338	28,036	58,246	34,134
Inventories	27,917	24,337	27,730	24,203
Refundable taxes	676	3,164	690	2,789
Prepaid expenses	1,348	1,157	1,345	1,151
Deferred Tax receivable	207	---	161	---
Other current assets	366	110	333	107
Total current assets	**103,834**	**75,226**	**93,234**	**65,425**
FIXED ASSETS:				
Land	1,681	1,647	1,681	1,647
Buildings and infrastructure	145,137	145,057	145,062	145,068
Machinery and equipment	494,204	485,815	492,497	484,252
Construction in progress and other fixed assets	30,458	20,594	30,429	20,565
Technical revaluation	(37,445)	(37,458)	(37,445)	(37,458)
Total	634,035	615,655	632,224	614,074
Cumulative depreciation	(482,968)	(463,630)	(481,247)	(462,036)
Net fixed assets	**151,067**	**152,025**	**150,977**	**152,038**
OTHER ASSETS:				
Investments in related companies	55,777	33,898	58,996	36,539
Long-term debtors	1,944	1,895	1,944	1,895
Due from related companies	---	9,626	---	9,626
Others	1,694	2,501	1,694	2,501
Total other assets	**59,415**	**47,920**	**62,634**	**50,561**
TOTAL ASSETS	**314,316**	**275,171**	**306,845**	**268,024**

The accompanying notes are an integral part of these financial statements

	CONSOLIDATED		INDIVIDUAL	
	2004	**2003**	**2004**	**2003**
LIABILITIES AND SHAREHOLDERS' EQUITY	ThUS$	ThUS$	ThUS$	ThUS$
CURRENT LIABILITIES:				
Short-term bank borrowings				
Accounts payable	19,607	10,529	16,540	7,809
Other accounts payable	368	675	368	675
Due to related companies	7,452	6,741	3,500	2,711
Provisions	2,870	2,371	2,506	2,023
Withholdings	466	2,005	337	1,918
Income tax	1,143	---	1,186	---
Deferred tax liabilities	---	115	---	154
Total current liabilities	**31,906**	**22,436**	**24,437**	**15,290**
LONG-TERM LIABILITIES:				
Other liabilities	307	669	307	669
Provisions	17,433	13,818	17,433	13,818
Deferred tax liabilities	1,234	879	1,234	879
Other long-term liabilities	10,210	1,007	10,210	1,007
Total long-term liabilities	**29,184**	**16,373**	**29,184**	**16,373**
MINORITY INTEREST	**2**	**1**	**----**	**----**
SHAREHOLDERS' EQUITY:				
Paid-in capital	214,814	214,814	214,814	214,814
Reserves	615	488	615	488
Retained earnings:				
Cumulative	12,251	8,476	12,251	8,476
For the year	25,544	12,583	25,544	12,583
Total shareholders' equity	**253,224**	**236,361**	**253,224**	**236,361**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**314,316**	**275,171**	**306,845**	**268,024**

COMPAÑIA MINERA DEL PACIFICO S.A. AND AFFILIATES

STATEMENTS OF INCOME

FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003
(in thousands of U.S. dollars -ThUS$)

	CONSOLIDATED		INDIVIDUAL	
	2004	2003	2004	2003
	ThUS$	ThUS$	ThUS$	ThUS$
SALES	**186,803**	**170,699**	**170,284**	**156,590**
COST OF SALES	**(166,112)**	**(158,335)**	**(150,282)**	**(144,347)**
OPERATING MARGIN	**20,691**	**12,364**	**20,002**	**12,243**
OVERHEAD EXPENSES	**(5,211)**	**(4,456)**	**(6,113)**	**(5,347)**
OPERATING INCOME	**15,480**	**7,908**	**13,889**	**6,896**
OTHER INCOME (EXPENSES):				
Financial income	1,804	1,834	1,800	1,826
Equity in earnings of related companies	22,501	12,864	23,359	13,384
Other income	1,506	1,681	1,963	2,121
Equity in losses of related company	---	---	---	(485)
Financial expenses	(63)	(569)	(86)	(617)
Other expenses	(9,436)	(5,720)	(9,394	(5,655)
Exchange difference	(1,810)	(3,188)	(1,653)	(2,612)
Other income - net	**14,502**	**6,902**	**15,989**	**(7,962)**
INCOME BEFORE INCOME TAXES	**29,982**	**14,810**	**29,878**	**14,858**
INCOME TAXES	**(4,438)**	**(2,227)**	**(4,334)**	**(2,275)**
NET INCOME BEFORE MINORITY INTEREST	**25,544**	**12,583)**	**25,544**	**12,583**
MINORITY INTEREST	**---**	**---**	**---**	**---**
NET INCOME FOR THE YEAR	**25,544**	**12,583**	**25,544**	**12,583**

The accompanying notes are an integral part of these financial statements

COMPAÑIA MINERA DEL PACIFICO S.A. AND AFFILIATES

STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2004 AND 2003
(in thousands of U.S. dollars -ThUS$)

	CONSOLIDATED		INDIVIDUAL	
	2004	2003	2004	2003
	ThUS$	ThUS$	ThUS$	ThUS$
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash received from customers	298,810	252,269	196,705	159,010
Financial income received	69	4,749	67	4,749
Dividends and other distributions received	172	90	579	1,172
Other income received	---	1,000	---	1,000
Cash paid to suppliers and employees	(251,774)	(230,250)	(140,611)	(131,687)
Interest paid	(63)	(205)	(63)	(202)
Income taxes paid	(3,526)	(6,126)	(3,868)	(5,611)
Other expenses paid	---	---	(9,660)	(11,719)
V.A.T. and other similar taxes paid	(3,186)	(3,398)	(2,419)	(2,870)
Net cash provided by operating activities	**40,502**	**18,129**	**40,730**	**13,842**
CASH FLOWS FROM FINANCING ACTIVITIES:				
Proceeds from banks loans	---	12,435	---	10,329
Loans documented from related companies	---	7,547	---	7,547
Dividends paid	(8,808	(7,022)	(8,808)	(7,022)
Payment of loans	---	(21,532)	---	(16,368)
Other disbursements for financing activities	---	(14,549)	---	(14,549)
Net cash used in financing activities	**(8,808)**	**(23,121)**	**(8,808)**	**(20,063)**
CASH FLOWS FROM INVESTING ACTIVITES:				
Proceeds from sales of fixed assets	96	295	96	289
Collection of other loans from related companies	14,325	5,386	14,325	5,386
Other investment income	1,654	4,131	1,654	4,131
Purchase of fixed assets	(19,433)	(3,295)	(19,384)	(3,264)
Other loans to related companies	(28,522)	---	(28,522)	---
Other disbursements for investments	(111)	(105)	(111)	(105)
Net cash provided by (used in) investing activities	**(31,991)**	**6,412**	**(31,942)**	**6,437**
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(297)**	**1,420**	**(20)**	**216**
CASH AT BEGINNING OF YEAR	**2,404)**	**984**	**366**	**150**
CASH AT END OF YEAR	**2,107**	**2,404**	**346**	**366**

(Continued)

COMPAÑIA MINERA DEL PACIFICO S.A. AND AFFILIATES

STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2004 AND 2003
(in thousands of U.S. dollars -ThUS$)

	CONSOLIDATED		INDIVIDUAL	
	2004	**2003**	**2004**	**2003**
	ThUS$	ThUS$	ThUS$	ThUS$
RECONCILIATION OF NET INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:				
Net income for the year	**25,544**	**12,583**	**25,544**	**12,583**
Gain on sale of assets:				
Gain on sale of fixed assets	(170)	(289)	(167)	(289)
Charges (credits) to income not representing cash flows:				
Depreciation for the year	19,670	23,087	19,634	23,032
Equity in earnings of related companies	(22,501)	(12,864)	(23,359)	(13,384)
Equity in losses of related companies	---	---	---	---
Net exchange difference	1,810	3,188	1,653	485
Other credits to income not representing cash flows	(18.658)	(18.346)	(15.771)	2,612
Other charges to income not representing cash flows	14,593	9,544	23,107	(15,689)
				17,768
Decrease (increase) in assets, affecting cash flows:				
Trade accounts receivable	1,192	(2,416)	(1,757)	642
Inventory	(1,932)	1,540	(1,888)	1,556
Other assets	635	1,222	(10,141)	(8,800)
Net increase (decrease) in liabilities, affecting cash flows:				
Accounts payable related to operations	20,271	47	23,939	(6,300)
Income taxes payable	1,434	(556)	1,387	(405)
Other accounts payable related to non-operating income	63	(199)	64	(200)
Value-added tax and other similar taxes payable	(1,449)	1,588	(1,515)	1,515
Loss of minority interest	-	1	-	-
NET CASH PROVIDED BY OPERATING ACTIVITIES	**40,502**	**18,129**	**40,730**	**13,842**

The accompanying notes are an integral part of these financial statements

(Concluded)

COMPAÑIA MINERA DEL PACIFICO S.A. AND AFFILIATES

SIMPLIFIED NOTES TO THE FINANCIAL STATEMENTS

(In thousands of U.S. dollars -ThUS$)

In the Management's opinion, these notes provide sufficient information, but in less detail than that contained in the individual and consolidated financial statements, filed with the Securities and Exchange Commission (the "Commission") and with the Stock Exchanges, where they are publicly available. Such additional information is also available at the Company's offices during the 15-day -period prior to the Shareholders' Meeting.

1. RECORDING IN THE SECURITIES REGISTRY

The Company is included in the Securities and Exchange Commission's Securities List under N°489 and is therefore supervised by this Commission.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. **Accounting period** – The consolidated and individual financial statements include the period between January 1 and December 31, 2004 and 2003.

b. **Basis of preparation** - The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in Chile and with standards stipulated by the Commission. The subsidiaries abroad are controlled under Chilean GAAP and are recorded in US dollars according to standards established in Technical Bulletin N°64 of the Chilean Institute of Accountants.

The individual financial statements have been prepared in accordance with accounting principles generally accepted in Chile and with instructions of the Commission, except for the investments in subsidiaries, which are stated using the equity method of accounting and, therefore, have not been consolidated. This basis of accounting does not modify net income for the year or the Company's equity.

The individual financial statements are issued only for the purpose of making an individual analysis of the Company and, accordingly, should be read together with the consolidated financial statements, which are required by accounting principles generally accepted in Chile.

c. **Basis of presentation** - The Company prepares its financial statements in United States dollars. The financial statements of foreign subsidiaries are translated into U.S. dollars in accordance with generally accepted accounting principles.
The financial statements of the Chilean subsidiaries are prepared in constant Chilean pesos and are translated into U.S. dollars at the year-end exchange rate.

d. Basis of consolidation – The consolidated financial statements include assets, liabilities, income and cash flows of the Parent company and subsidiaries. The amounts and effect of transactions among consolidated companies have been eliminated and the participation of minority investors has been recognized and presented as minority interest.

The consolidated group comprises Compañía Minera del Pacífico S.A. (the "Company") and the following direct and indirect subsidiaries:

	% Holding	
	Direct	**Indirect**
Direct subsidiaries:		
Sociedad de Ingeniería y Movimientos de Tierra del Pacífico Limitada (IMOPAC)	99,8775	
Compañía Distribuidora de Petróleos del Pacífico Limitada (PETROPAC)	99,0000	1,0000
Pacific Ores and Trading Curacao N.V.	100,0000	
Indirect subsidiary:		
Pacific Ores and Trading B.V.	100,0000	

e. Basis of conversion - Assets and liabilities in currencies other than US dollars are converted at the corresponding exchange rate at year-end: Ch$557.40 for 1 US$ at December 31,2004 ($593.80 in 2003).

f. Inventories - Inventories are generally stated at full absorption costing method, as follows:

- Mineral products, at average production cost or at purchase cost.
- Raw materials, supplies in warehouse and fuel, at average purchase cost.
- Supplies in transit, at purchase cost.

The provision for obsolete materials corresponds to spare parts and other remaining materials.

The cost of inventories does not exceed their net realizable values.

g. Estimate of uncollectible accounts - The Company has the policy of establishing a provision for the total amount of accounts under judiciary collection and establishing specific and global provisions for outstanding accounts with a risk of uncollectibility based on age of balances. The administration of the Company thinks that there is no risk of having uncollectiblea ccounts with no provision.

h. Fixed assets - Fixed assets are stated at purchase cost or technical revaluation value, as appropriate, and include interest incurred during the construction period and major renewals and improvements. Maintenance and repair expenses are charged to income.

i. Depreciation of fixed assets - Fixed assets are depreciated using the straight-line method over the estimated useful lifespan of the assets. For the Pellets Plant, such depreciation is adjusted on the basis of production levels, between 70% and 120% of the straight-line normal depreciation for assets belonging to the Pellets Plant.

j. Leased assets - Assets acquired under finance leasing agreements are accounted for as acquisitions of fixed assets, recording the sum of lease installments as a liability and interest on the accrual basis. The assets are not legally owned by the Company, therefore until it exercises the purchase option the Company cannot freely dispose of them.

k. Investments in related companies - Investments in related companies are recorded using the equity method of accounting. Investments in local companies that have their accounting records in Chilean pesos are translated into US dollars at the year-end exchange rate

L. Mining properties - Disbursements that relate to mining properties, legal mining companies and contractual mining companies that are not exploiting their properties are charged to income.

m. Exploration expenses - Expenses incurred in prospecting for minerals or mines are charged to income.

n. Income tax and deferred taxes - The Company calculates the First Category income tax provision based on the taxable income according to stipulations of the Income Tax Law.

Deferred taxes on temporary differences, tax loss and other events creating differences between the accounting and tax basis of assets and liabilities are recorded following Technical Bulletins N°60 and complementary of the Chilean Institute of Accountants.

ñ. Severance indemnities - Severance indemnities established in collective agreements signed with employees are stated at the present value of the accrued cost of the benefit, discounted at 6% and considering an average future service of 7.5 years.

In 2004, the Company modified the discount rate for the provision for severance indemnity from 8% to 6% (Note 3).

o. Sales revenue - Recorded revenue corresponds to mining products delivered at year-end, valued according to the corresponding sales contracts and/or sales notes.

p. Software - Computer programs have been developed by the Company and the relevant cost is charged to income.

q. Research and development expenses - The expenses for research and development other than expenses incurred for development and mining prospecting are charged to income. No significant disbursements have been made in the last five years for research and development.

r. Vacations - The cost is recorded as an expense on the accrual basis.

s. Statements of cash flows –The net cash provided by operating activities represents the net cash received during the year from operations that affect the Company's income.

3. ACCOUNTING CHANGES

In 2004, the Company modified the discount rate used in calculating the provision for severance indemnity, reducing it from 8% to 6%, to adjust it to market values. The effect of the change at the beginning of 2004 is ThUS$1,289 and is accounted for in other current assets and other long-term assets and will be amortized in the estimated term of the future employee service period. The increased cost in the period for this item is ThUS$152, which is included in cost of sales.

Except for the above, the accounting principles described in note 2 were applied uniformly during the period January-December, 2004 and 2003.

4. INVENTORIES

Inventories comprise:

	CONSOLIDATED		INDIVIDUAL	
	2004 ThUS$	2003 ThUS$	2004 ThUS$	2003 ThUS$
Mining products	12,688	9,310	12,688	9,310
Raw materials	2,021	2,141	2,021	2,141
Supplies	15,893	13,566	15,621	13,352
Provision for surplus material	(2,685)	(680)	(2,600)	(600)
Totals	27,917	24,337	27,730	24,203

5. BALANCES AND TRANSACTIONS WITH RELATED COMPANIES

a. **Related companies** - In addition to CAP S.A., the Parent Company, and the subsidiaries mentioned in Note 2, the following related companies had balances or transactions with the Company:

Subsidiaries of CAP S.A.:
- Compañía Siderúrgica Huachipato S.A.
- Abastecimientos CAP S.A.
- Manganesos Atacama S.A.

Investees:
- Compañía Minera Carmen de Andacollo
- Compañía Minera Huasco S.A.
- S.C.M. Compañía Minera La Jaula

b. **Investments and accounts receivable and payable** - Investments in related companies and balances due from and due to related companies are shown in the consolidated and individual balance sheets.

The account receivable with Compañía Minera Carmen de Andacollo accrues interest at LIBOR plus a spread.

The account receivable with Compañía Minera Huasco S.A. accrues interest at LIBOR plus a spread.

c. **Financing from Parent Company** - The Parent Company centralizes cash management under mandates from its subsidiaries, providing funds according to their financing and operating needs.

During the period from January to December 2004, the Company had balances in its favor in the current account with CAP S.A., at an average interest rate of 1.42%.

During the period from January to December 2003, the Company had balances in its favor in the current account with CAP S.A., at an average interests rate of 1.23%.

d. Principal transactions with related companies:

	CONSOLIDATED		INDIVIDUAL	
	2004 ThUS$	**2003** ThUS$	**2004** ThUS$	**2003** ThUS$
Credits to income:				
Interest	954	1,116	954	1,116
Sales of mining products	122,530	111,064	122,530	111,064
Sales of supplies and services	17,865	14,795	14,480	11,752
Sale of other products	---	44	---	---
Refund of expenses	573	450	573	450
Other income	377	24	377	24
Charges to income:				
Interest	---	---	23	48
Overhead expenses	1,543	1,438	1,543	1,438
Commission paid for intermediation in purchases of spare parts and supplies	935	1,021	935	910
Commissions for sale of minerals	---	---	976	1,005
Purchase service	247	226	247	226
Purchases of services	---	---	7,890	7,609
Purchases of products	---	---	863	653
Transportation Services	415	761	415	761
Supplies and fuel	177	2	---	---
Other transactions:				
Purchases of raw materials, supplies and fuel	3,241	2,057	3,241	2,057
Supplies and others transferred at cost	---	---	2,413	2,452
Remittances received	---	7,002	189	7,002
Remittances sent	28,522	---	38,371	11,719
Capital reduction	1,654	5,000	1,650	5,000
Purchases of minerals	45,908	45,292	45,908	45,292

6. LONG-TERM LIABILITIES

Long-term liabilities as of December 31, 2004 mature as follows:

	CONSOLIDATED ThUS$	INDIVIDUAL ThUS$
2006	12,011	12,011
2007	7,766	7,766
2008	3,622	3,622
2009 and after	5,785	5,785
Totals	29,184	29,184

7. SEVERANCE INDEMNITIES

Changes in long-term accrual for severance indemnities are as follows:

	CONSOLIDATED		INDIVIDUAL	
	2004 ThUS$	**2003** ThUS$	**2004** ThUS$	**2003** ThUS$
Balances as of January 1st	11,588	9,239	11,588	9,239
Effect for change in discount rate at the beginning of the period	1,289	-----	1,289	-----
Provision for the year	1,753	2,488	1,753	2,488
Payments and transfers to current liabilities	(681)	(2,081)	(681)	(2,081)
Exchange difference	757	1,942	757	1,942
Balances as of December 31st	14,706	11,588	14,706	11,588

8. INCOME TAXES AND DEFERRED TAXES

a. Income tax provision

The detail of the provision for income taxes for the Company and its subsidiaries is as follows:

	CONSOLIDATED		INDIVIDUAL	
	2004	2003	2004	2003
	ThUS$	ThUS$	ThUS$	ThUS$
Income tax	(4,377)	(1,852)	(4,270)	(1,810)
Special article 21 tax	(23)	(20)	(23)	(20)
Estimated monthly payments	3,014	4,753	2,902	4,446
Taxes refundable for tax losses in affiliate companies	---	88	---	---
Other credits	243	195	205	173
Taxes refundable (payable) – net	(1,143)	3,164	(1,186)	2,789
VAT credit	676	---	690	---

b. Retained taxed profits and credits in favor of shareholders – As of December 31, 2004 and 2003 the Company and its subsidiaries had the following balances:

	CONSOLIDATED		INDIVIDUAL	
	2004	2003	2004	2003
	MUS$	MUS$	MUS$	MUS$
Retained taxed profit with credit	42,504	25,804	42,024	25,709
Retained taxed profit without credit	9,854	9,638	9,854	9,638
Credit in favor of shareholders	8,493	4,795	8,395	4,779

C. Deferred taxes

As of December 31, 2004 and 2003 the cumulative balances of deferred taxes, which are shown in net figures under short and long term liabilities, are as follows:

	CONSOLIDATED								INDIVIDUAL							
	2004				2003				2004				2003			
	Asset		Liability		Asset		Liability		Asset		Liability		Asset		Liability	
Temporary difference	Short term ThUS$	Long term ThUS$	Short term ThUS$	Long term ThUS$	Short Term ThUS$	Long term ThUS$	Short term ThUS$	Long term ThUS$	Short term ThUS$	Long term ThUS$	Short term ThUS$	Long term ThUS$	Short term ThUS$	Long term ThUS$	Short term ThUS$	Long term ThUS$
Vacation provision	125	372			101	299			93	372			75	299		
Provision for employee bonus	159				143				159				143			
Miscellaneous provision	531				101				517				88			
Unearned income		676				741				676				741		
Indirect manufacturing expenses			561				407				561				407	
Depreciation of fixed assets				19,684				21,524				19,684				21,524
Fixed assets under finance leases				66				376				66				376
Lease payable	44	34							44	34						
Severance indemnities				744				886				744				886
Severance indemnities' deferred asset			38	155							38	155				
Stock-pile for producing pellet feed				351				667				351				667
Prepaid expenses				253				205				253				205
Total deferred taxes	859	1,082	599	21,253	345	1040	407	23,658	813	1,082	599	21,253	306	1,040	407	23,658
Complementary accounts - net of amortization	(53)	(686)		(19,623)	(53)	(741)		(22,480)	(53)	(686)		(19,623)	(53)	(741)		(22,480)
Balance December 31	806	396	599	1,63	292	299	407	1,178	760	396	599	1,63	253	299	407	1,178

Income tax expenses for the year are composed as follows:

	CONSOLIDATED		INDIVIDUAL	
	2004	2003	2004	2003
	ThUS$	ThUS$	ThUS$	ThUS$
Current tax expense:				
Income tax	(4,377)	(1,852)	**(4,270)**	(1,810)
Special Article 21 tax	(28)	(20)	**(24)**	(20)
Deferred taxes:				
Deferred tax assets and liabilities for the year	2,769	1,065	**2,762**	1,063
Tax losses carried forward		88		
Amortization of complementary accounts of deferred tax assets and liabilities	2,802	(1,508)	**(2,802)**	(1,508)
Total net charge to income	4,438	(2,227)	**(4,334)**	(2,275)

9. SHAREHOLDERS' EQUITY

The equity accounts show the following changes:

	Paid-in capital ThUS$	**Reserves** ThUS$	**Retained earnings** ThUS$	**Total equity** ThUS$
Balances, January 1, 2003	214,814	(118)	15,498	230,194
Changes in equity of subsidiaries	---	606	---	606
Dividends	---	---	(7,022)	(7,022)
Net income for the year	---	---	12,583	12,583
Balances, December 31, 2003	214,814	488	21,059	236,361
Balances, January 1, 2004	214,814	488	21,059	236,361
Changes in equity of subsidiaries	---	127	---	127
Dividends	---	---	(8,808)	(8,808)
Net income for the year	---	---	25,544	25,544
Balances, December 31, 2004	**214,814**	**615**	**37,795**	**253,224**

a. Paid-in capital - The Company's subscribed and paid-in capital amounts to ThUS$214,814 and is represented by 3,521,126 no-par-value shares. Of these, 3,521,108 shares are owned by CAP S.A.

b. Dividend distribution- In compliance with current legislation, at least 30 % of the year's net income must be distributed as cash dividends, unless the shareholders unanimously decide otherwise.

At the Regular Shareholders' Meeting held on April 16, 2004, the shareholders agreed, as a policy, to distribute 70% of the year's net income as dividends and to pay interim dividends in 2004 as approved by the Board, if the Directors deemed it appropriate, provided that the Company had sufficient net income. In accordance with this policy, it was agreed to distribute ThUS$8,808 as final dividends from 2003 income and to allocate the difference of ThUS$ 3,775 to reserves for future capitalization.

At the Regular Shareholders' Meeting held on April 16, 2003, the shareholders agreed, as a policy, to distribute 70% of the year's net income as dividends and to pay interim dividends in 2003 as approved by the Board, if the Directors deemed it appropriate, provided the Company had sufficient net income. In accordance with this policy, it was agreed to distribute ThUS$ 7,022 as final dividends from 2002 income and to allocate the difference of ThUS$ 3,009 to reserves for future capitalization.

c. Other reserves - This reserve results from changes in equity of subsidiaries and investees with accounting records in local currency.

10. CONTINGENCIES AND COMMITMENTS

a. Indirect guarantees:

The detail of indirect guarantees is as follows:

	Debtor		Type of	Assets committed		Balance pending payment at the date of issuance of the financial statements		Release of guarantees		
Creditor of guarantee	Name	Relationship	guarantee	Type	Book value	2004	2003	12.31.05	12.31.06	12.31.07
					ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$
Public (bonds and debentures)	CAP S.A.	Parent	Surety	Equity	253,224	120,959	144,500	61,931	59,028	-
Banco del Estado de Chile	CAP S.A.	Parent	Surety	Equity	253,224	-	14,785	-	-	-
MV Cayman Limited	Cía.Minera Huasco S.A.	Subsidiary	Surety	Equity	253,224	-	8,724	-	-	-
Banco Crédito e Inversiones (PAE)	CAP S.A.	Parent	Surety	Equity	253,224	-	12,336	-	-	-
Corpbanca	CAP S.A.	Parent	Surety	Equity	253,224	2,503	2,503	2,503	-	-
ABN Amro Bank N.V.	CAP S.A.	Parent	Surety	Equity	253,224	150,126	151,323	126	30,000	60,000
KFW (Kreditansalt Fur Wiederanfba)	CAP S.A.	Parent	Surety	Equity	253,224	13,618	-	30	1,696	1,696

b. Pending lawsuits

The Company does not have any pending lawsuits.

c. Other commitments

1. Joint-venture contracts

The Company and MC Inversiones Ltda., a subsidiary of Mitsubishi Corporation, established a joint venture to expand the Los Colorados mine, produce iron pre-concentrates, convert the pre-concentrates into pellets and sell those pellets. Accordingly, the Company sold 50% of the Los Colorados mining and water rights to MC Inversiones Ltda. The Company and MC Investments Ltda. contributed their rights to S.C.M. Compañía Minera La Jaula. During 2000, S.C.M. Compañía Minera La Jaula sold the mining rights to Compañía Minera Huasco S.A. The Company also has a 50% holding in Compañía Minera Huasco S.A., a privately held corporation that will exploit such mining rights. For a ten year period ending in 2008, neither of the parties may assign, transfer, mortgage, charge, pledge or dispose of its shares in the two above mentioned new companies without the prior written consent of the other party.

The project was financed by a loan of ThUS$ 71,700 from Mitsubishi Corporation Group, through MV Cayman Limited. The balance of the credit for

ThUS$26,785 was prepaid in May, 2004. The original maturity date of this loan was November, 2006.

After a twenty year period starting from July 1st, 1998 and when the Company has fully depreciated its pellet plant, Compañía Minera Huasco S.A. shall have the option of retaining the plant.

2. Mineral sales commitments

Mineral sales commitments are valued at year-end prices and relate to contracts signed with both domestic and foreign customers. Such prices are agreed under FOB or CIF terms that are negotiated annually. The average term of the contracts is three years and there are no clauses establishing fines for non-compliance, as these contracts contain options for the volume of minerals that are shipped annually.

The mineral sales commitments, according to the negotiated contracts are:

	2004 ThUS$	**2003** ThUS$
Short-term	138,537	115,410
Long-term	523,142	514,779

3. Other commitments:

	2004 ThUS$	**2003** ThUS$
Purchase orders placed	12,413	10,078
Inventories on consignment	2,409	2,299
Other	153	42

4. Insurance

As of December 31, 2004, the Company has insurance contracts covering fixed assets and other risks of the business for approximately ThUS$ 290,524, and the maximum indemnity amounts to approximately ThUS$ 64,240.

5. Restrictions

The Company does not have any bank restrictions.

11. SUBSEQUENT EVENTS

There have been no events occurring between January 1° and 19th, 2005 that significantly affect these financial statements.

MANAGEMENT´S ANALYSIS OF THE CONSOLIDATED FINANCIAL STATEMENTS

JANUARY - DECEMBER 2004 AND 2003

1, Comparative analysis and explanation of the main trends in the Financial Statements

1.1 Principal Financial Indicators:

		2004	2003
Current ratio	Times	3.25	3.35
Acid test	Times	2.37	2.26
Debt ratio	%	24.12	16.42
Long-term debt/Total debt	%	52.23	57.81
Short-term debt/Total debt	%	47.77	42,19
Financial expense cover	Times	476.90	27,03
Total assets	ThUS$	314,316	275,171
Inventory turnover	Times	13.77	12.86
Inventory permanence	days	26.14	27.99
Sales	ThUS$	186,803	170,699
Cost of sales	ThUS$	166,112	158,335
Operating income	ThUS$	15,480	7,908
Financial expenses	ThUS$	63	569
Non-operating result	ThUS$	14,502	6,902
EBITDA	ThUS$	49,715	38,466
Income (loss) after tax	ThUS$	25,544	12,583
Return on equity	%	11.32	5.67
Return on assets	%	8.67	4.56
Return on operating assets	%	7.63	3.75
Earnings per share	US$	7.25	3.57

a) Liquidity Ratios

The principal liquidity ratios are as follows:

- **Current Ratio:**

The current ratio as of December 31, 2004 decreased with respect to December 31, 2003 because Current Liabilities increased proportionately more than Current Assets, basically in the item accounts payable to third parties.

- **Acid Test:**

The Acid Test as of December 31, 2004 is higher than that of the previous year because the net Current Assets proportionately increased more than Current Liabilities, mainly in accounts receivable from related companies.

b) Debt ratio

- **Debt ratio:**

The debt ratio as of December 31, 2004 is higher than that of December 2003, mainly due to an increase of long term provisions and other liabilities, which is offset by a rise in the net worth, resulting from a higher net income.

- **Short-term and long-term debt/total debt:**

The short-term debt - total debt ratio is lower as of December 31, 2004 than 2003, mainly due to a greater increase in long-term debts, mainly in long-term reserves and other liabilities. The long term – total debt increased because of the same reason.

- **Financial expenses cover:**

The financial expenses cover as of December 2004 is higher than the previous year due to a reduction in the financial burden and an increase in the net income for the year.

c) Activity Indicators

The Company's total assets in ThUS$ are as follows:

	2004	2003
Current Assets	103,834	75,226
Net Fixed Assets	151,067	152,025
Other Assets	59,415	47,920
TOTAL ASSETS	**314,316**	**275,171**

Net additions to fixed assets in 2004 amounted to ThUS$ 18,824.
There were no significant disposals during the year.

- **Inventory Turnover**

Inventory turnover as of December 31, 2004 was higher than the previous year (12.86 to 13.77 times) mainly due to a decrease in average inventories and an increased cost of sales.

- **Inventory permanence**

Inventory permanence as of December 31, 2004 decreased compared to the prior year, mainly due to a decrease in average inventories and the increased cost of sales.

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d) Analysis of the Income Statement and its main items

The result for the year 2004 was a net income of ThUS$ 25,544. In 2003 it was ThUS$ 12,583. The following provides a breakdown of these figures:

	2004	2003
Sales	186,803	170,699
Cost of Sales	(166,112)	(158,335)
Gross Margin	20,691	12,364
Overhead expenses	(5,211)	(4,456)
OPERATING INCOME	**15,480**	**7,908**
Financial Income	1,804	1,834
Income (Loss) from Related Companies	22,501	12,864
Other Non-Operating Income	1,506	1,681
Financial Expenses (less)	(63)	(569)
Other Non-Operating Expenses	(9,436)	(5,720)
Exchange difference	(1,810)	(3,188)
NON-OPERATING RESULT	**14,502**	**6,902**
Income before tax	29,982	14,810
Income tax (less)	(4,438)	(2,227)
Minority interest	---	---
NET INCOME (LOSS) FOR THE YEAR	**25,544**	**12,583**

i) Sales

Sales in 2004 were 109.4% higher than in 2003.

Sales iron ore volumes in 2004 were 7,197 ThLT with an average of price product of US$21.46 per LT.

Sales in 2003 were 7,320 ThLT at an average price product of US$19.67 per LT.

The increase of sales revenues was basically due to a 1.79 US$/TL increase in the price of the product mix, compensated by a lower physical sale volume of 123 MTL

ii) Cost of Sales and Overhead Expenses

The average cost of a ton of sold iron ore in 2004 was US$ 23.08 per LT, while in 2003 the price was US$ 21.63 per LT. The increase was the result of higher sales costs.

Overhead expenses in 2004 were 116.9% of those recorded in 2003.

iii) Operating Income

As a result of the above, operating income in 2004 was ThUS$15,480, 95.8% higher than in 2003.

iv) Financial Expenses

Financial expenses in 2004 fell by ThUS$506 below those of 2003, which represents a 88.93% decrease regarding the previous year.

v) Non-Operating Result

The year 2004 produced a non-operating income of ThUS$14,502, compared to income of ThUS$6,902 in 2003. The difference is mainly because in 2004 there was a higher income from related companies, lower negative exchange differences, lower financial expenses, which were offset by a lower non- financial income and higher non -operating expenses.

vi) EBITDA

EBITDA for 2004 was ThUS$47,911, 30.79% higher than in 2003 when EBITDA was ThUS$36,632.

e) <u>Profitability</u>

- **Return on Equity**

The return on equity showed an increase compared to 2003 (from 5.67% to 11.32%) mainly due to the increase in net income for the year.

- **Return on Assets**

The return on assets also increased compared to 2003 (from 4.56% to 8.67%) mainly due to the increase net income.

- **Return on Operating Assets**

The return on operating assets increased in relation to 2004 (from 3.75% to 7.63%) mainly due to an increase in the operating income for the year and a decrease in average operating assets.

The following items are considered as operating assets:

-Cash and Banks
-Trade accounts receivable
-Notes receivable
-Other accounts receivable
-Inventories
-Recoverable taxes
-Deferred taxes
-Other current assets
- Long-term debtors
- Other long-term assets.
- Total fixed Assets
- Prepaid expenses

- **Earnings per Share**

Earnings per share in 2004 also increased when compared to 2003 due to the above-mentioned increase in net income.

2. Book and Economic Value of Assets and Liabilities

It can be stated that there are no significant differences between the book and economic value of assets. In any event, inventories are valued at a cost that does not exceed their market value. Fixed assets acquired by CAP prior to 1980 were technically reappraised in 1979.

Acquisitions made since 1980 by CAP and since 1982 by CMP are valued at cost and were reappraised as of December 31, 1988. Such technical appraisals were made precisely to show the real residual market value of the fixed assets, this being the amount expressed in US$ at which the fixed assets might be exchanged between a free buyer and a free seller provided that these fixed assets were used in their present location and for the purpose for which they were designed and built. The real residual market value mentioned above does not intend to represent a liquidation value of the property on the open market but the real cost as integrated units, whether to build or acquire them as economic units, in line with their present state of conservation or use.

All the liabilities are valued at their economic value, i.e. principal plus accrued interest at year closing.

3. Iron Ore Markets

In 2004, 21% of the Company's products were shipped to Japanese steel-makers and represented a share of around 3,5% of that market. From the rest of shipments, 19% were shipped to China, 24% to Compañía Siderúrgica Huachipato S.A., 8% to South Korea, 11% to Indonesia, 11% to Malaysia, 4% to USA and 2% to others.

4. Analysis of the Statement of Cash Flows

The Company generated and used net funds in the following areas in 2004:

	ThUS$
Cash flow from operating activities	40,502
Cash flow from financing activities	(8,808)
Cash flow from investment activities	(31,991)
Net total cash flow for the year	**(297)**

The generation and use of funds from operating activities comprise the following:

	ThUS$
Collection of trade receivables	298,810
Financial income received	69
Dividends received	172
Payments to suppliers & personnel	(251,774)
Interest paid	(63)
Income tax paid	(3,526)
VAT & similar payments	(3,186)
Total Generation and Use of Funds	**40,502**

Financing activities show a negative flow of ThUS$8,808, used to pay dividends.

The investment activities show a negative flow of ThUS$31,991 originated from the collection of other loans from related companies by ThUS$14,325, other investment revenues for MUS$1,654 and the sale of a fixed asset for ThUS$96, minus, the acquisition of fixed assets for ThUS$19,433, other loans to related companies for ThUS$28,522 and other investment payments for ThUS$111.

5. Market Risk Analysis

The US dollar/peso exchange rate represents a significant factor in results. It must be pointed out that the Company’s financial statements are recorded in US dollars, as well as the main debts, the entire amount of sales and approximately 54% of operating expenses.

MANAGEMENT'S ANALYSIS OF THE INDIVIDUAL FINANCIAL STATEMENTS

JANUARY - DECEMBER 2004 AND 2003

1. Comparative analysis and explanation of the principal trends in Financial Statements

1.1 Main Financial Indicators.

		2004	2003
Current ratio	Times	3.82	4.28
Acid test	Times	2.67	2.69
Debt ratio	%	21.18	13.40
Long-term debt/Total debt	%	45.57	48.29
Short-term debt/Total debt	%	54.43	51.71
Financial expense cover	Times	348.42	25.08
Total assets	ThUS$	306,845	268,024
Inventory turnover	Times	12.46	11.72
Inventory permanence	days	28.89	30.71
Sales	ThUS$	170,284	156,590
Cost of sales	ThUS$	150,282	144,347
Operating income	ThUS$	13,889	6,896
Financial expenses	ThUS$	86	617
Non-operating income	ThUS$	15,989	7,962
EBITDA	ThUS$	49,598	38,507
Income (loss) after tax	ThUS$	25,544	12,583
Return on equity	%	11.32	5.67
Return on assets	%	8.89	4.68
Return on operating assets	%	7.36	3.51
Earnings per share	US$	7.25	3.57

a) Liquidity Ratios

- **Current Ratio:**

  As of December 31, 2004 the current ratio is lower than that of December 31, 2003, because Current Liabilities proportionately increased more than Current Assets, mainly accounts payable to third parties.

- **Acid Test:**

  The Acid Ratio as of December 2004 is slightly lower that the December 2003 ratio, since the Current Liabilities proportionately increased more than the Net Current Assets, mainly Accounts Payable to Third Parties.

b) Debt Ratios

- **Debt Ratio**

  The debt ratio as of December 31, 2004 is lower than in December 2003 mainly due to an increase in provisions and other long-term liabilities, which was offset by an increase in equity resulting from a net income rise.

- **Short term and long- term debt/total debt.**

  The short term debt to total debt ratio is lower in 2004 than in 2003, mainly because the long term debt increment was higher, mainly provisions and other long term debts, than the short term debt increase, while the long term debt – total debt ratio is higher for this same reason.

- **Financial expense cover**

  The financial expense cover in the 2004 period is higher than in year 2003, since net income increased and financial burden decreased.

c) **<u>Activity Indicators</u>**

The Company's total assets in ThUS$ are as follows:

2004	**2003**	
Current Assets	93,234	65,425
Net Fixed Assets	150,977	152,038
Other Assets	62,634	50,561
TOTAL ASSETS	**306,845**	**268,024**

Net additions to Fixed Assets in 2003 were ThUS$ 18,588.
There were no significant disposals during the year.

- **Inventory Turnover**

Inventory turnover was higher in the 2004 than in the 2003 period (11.72 to 12.46 times) principally due to a decrease in average inventories and an increase in cost of sales.

- **Inventory permanence**

In 2004 inventory permanence is lower than in 2003, mainly because there was a reduction in average inventories and cost of sales.

d) Analysis of the Income Statement and its main items

The year 2004 showed a net income of ThUS$ 25,544, while in 2003 it was ThUS$ 12,583. The following provides a breakdown of these figures:

	2004	2003
Sales	170,284	156,590
Cost of Sales	(150,282)	(144,347)
Gross Margin	20,002	12,243
Overhead Expenses	(6,113)	(5,347)
OPERATING INCOME	**13,889**	**6,896**
Financial Income	1,800	1,826
Income (Loss) on Investments	----	----
Related Companies	23,359	12,889
Other Non-Operating Income	1,963	2,121
Financial Expenses	(86)	(617)
Other Non-Operating Expenses	(9,394)	(5,655)
Exchange difference	(1,653)	(2,612)
NON-OPERATING RESULT	**15,989**	**7,962**
Income before tax	29,879	14,858
Income tax	(4,334)	(2,275)
NET INCOME (LOSS) FOR THE YEAR	**25,544**	**12,583**

i) Sales

Sales in 2004 were 108.7% of those obtained in 2003.

An aggregate volume of 7,197 ThLT of iron ores was sold in 2004 at an average product-mix price of US$21.46 per LT.

Sales in 2003 were 7,320 ThLT at an average product-mix price of US$19.67 per LT.

The increase in sales revenues was basically because the product mix price increased by U$1,79 per LT, which was offset by a 123,000 LT reduction in the sold volume.

ii) Cost of Sales and Overhead Expenses

The average cost per ton of iron ore sold in 2004 was US$20.88 per LT, while in 2003 this cost was US$19.72 per LT. The increase was the result of higher cost of sales.

In 2004 overhead expenses were 114.3% of those recorded in 2003.

iii) Operating Income

As a result of the above items, operating income in 2004 was ThUS$ 13,889, representing 201.4% of 2003's.

iv) Financial Expenses

Financial expenses in 2004 decreased by ThUS$ 531, an 86.06% reduction regarding the expenses incurred in 2003.

v) Non-Operating Result

In 2004 non-operating income was ThUS$15,989, while in 2003 it was ThUS$7,962. The difference is mainly because in 2004 there was a higher income from investments in related companies, a lower loss from exchange differences and lower financial expenses. This was offset by lower financial revenues, lower non-operating revenues and higher non-operating expenses.

vi) EBITDA

EBITDA for 2004 was ThUS$47,798, 30.31% higher than in 2003 when EBITDA was ThUS$36,681

e) <u>Profitability</u>

- **Return on Equity**

The return on equity increased in relation to 2003 (from 5.67% to 11.32%) mainly due to the increase in net income.

- **Return on Assets**

The return on assets also rose when compared to 2003 (from 4.68% to 8.89%) mainly due to the increase in net income.

- **Return on Operating Assets**

The return on operating assets was higher in relation to 2003 (from 3.51% to 7.36%) mainly due to the increase in operating income and a decrease in the average operating assets held in the period.

The following items are considered as operating assets:

-Cash and Banks
-Trade accounts receivable
-Notes receivable
-Other accounts receivable
-Inventories
-Recoverable taxes
- Deferred taxes
- Other current assets
- Long-term debtors
- Other long-term assets.
- Total fixed assets
- Prepaid expenses

- **Earnings per Share**

Earnings per share in 2004 also increased in relation to 2003 due to the already mentioned increase in net income**.**

2. Books and Economic Value of Assets and Liabilities

It can be stated that there are no significant differences between the book and economic value of assets. In any event, inventories are valued at costs that do not exceed their market value. Fixed assets acquired by CAP prior to 1980 were technically reappraised in 1979.

Acquisitions made since 1980 by CAP and since 1982 by CMP are valued at cost and were reappraised as of December 31, 1988. Such technical appraisals were made precisely to show the real residual market value of the fixed assets, this being the amount expressed in US$ at which the fixed assets might be exchanged between a free buyer and a free seller provided that these fixed assets were used in their present location and for the purpose for which they were designed and built. The real residual market value mentioned above does not intend to represent a liquidation value of the asset on the open market but the real cost as integrated units, whether to build or acquire them as economic units, in line with their present state of conservation or use.

All the liabilities are valued at their economic value, that is to say principal plus accrued interest at the close of the year.

3. Iron Ore Markets

In 2004, 21% of the Company's products were shipped to Japanese steel-makers and represented a share of around 3.5% of that market. From the rest of shipments, 19% were shipped to China, 24% to Compañía Siderúrgica Huachipato S.A., 8% to South Korea, 11% to Indonesia, 11% to Malaysia, 4% to USA and 2% to others.

4. Analysis of the Statement of Cash Flows

The Company generated and used net funds in the following areas in 2004:

	ThUS$
Cash flow from operating activities	40,730
Cash flow from financing activities	(8,808)
Cash flow from investment activities	(31,942)
Net total cash flow for the year	**(20)**

The generation and use of funds from operating activities comprise the following:

	ThUS$
Collection of trade receivables	196,705
Dividends received	579
Financial income received	63
Payments to suppliers & personnel	(140,611)
Interest paid	(3,868)
Income tax paid	(9,660)
VAT & similar payments	(2,419)
Other expenses paid	(9,660)
Total Use of Funds	**40,730**

Financing activities show a US$8,808 negative flow originated by the payment of dividends

Investment activities show a ThUS$31,942 negative flow generated by the collection of other loans from related companies for ThUS$14,325, other investment revenues for ThUS$1,654 and the sale of a fixed asset for ThUS$96;

minus the inclusion of a fixed asset for ThUS$19,384, other loans to related companies for ThUS$28,522 and other investments made for ThUS$111.

5. Market Risk Analysis

A significant element in our results is the US dollar/peso exchange rate. The Company's financial statements are recorded in US dollars, and its principal debts, all its sales and approximately 54% of operating expenses are also in US dollars.

COMPAÑIA MINERA DEL PACIFICO S.A. AND AFFILIATES

CONDENSED BALANCE SHEETS

AS OF DECEMBER 31, 2004 AND 2003
(in thousands of U.S. dollars -ThUS$)

Subsidiaries of CMP S.A.

	Imopac Ltda.		Petropac Ltda.		Pacific Ores & Trading N.V	
	2004	**2003**	**2004**	**2003**	**2004**	**2003**
	MUS$	**MUS$**	**MUS$**	**MUS$**	**MUS$**	**MUS$**
ASSETS						
CURRENT ASSETS						
Cash and banks	22	10	519	843	1,220	1,185
Accounts receivable	32	77	2,194	1,221	8,266	12,045
Related companies	1,808	1,473	334	162	240	303
Inventories	187	134	---	---	---	---
Others	125	422	---	17	47	6
Total current assets	2,174	2,116	3,047	2,243	9,773	13,539
FIXED ASSETS						
Cost	1,721	1,582	---	---	61	60
Others	29	25	---	4	---	
Cumulative depreciation	(1,661)	(1,531)	---	(4)	(60)	(59)
Fixed assets - net	89	76	---	---	1	1
OTHER ASSETS						
Related companies	5	3	---	---	---	---
Long-term accounts receivable	-	-	---	---	---	---
Total other assets	5	3	---	---	---	---
TOTAL ASSETS	**2,268**	**2,195**	**3,047**	**2,243**	**9,774**	**13,540**
LIABILITIES AND SHAREHOLDERS` EQUITY						
CURRENT LIABILITIES						
Accounts payable	487	768	2,541	1,943	39	9
Related companies	---	---	---	---	---	---
Others	394	294	31	---	8,371	12,229
Total current liabilities	**881**	**1,062**	**2,572**	**1,943**	**8,410**	**12,238**
LONG-TERM DEBT						
Related Companies	---	---	---	---	---	---
Others	---	---	---	---	---	---
Total long-term debt	-	-	-	-	-	--
						-
MINORITY INTEREST	-	-	-	-	-	--
SHAREHOLDES` EQUITY	**1,387**	**1,133**	**475**	**300**	**1,364**	**1,302**
TOTAL	**2,268**	**2,195**	**3,047**	**2,243**	**9,774**	**13,540**

COMPAÑIA MINERA DEL PACIFICO S.A. AND AFFILIATES

CONDENSED STATEMENTS OF INCOME

FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

(in thousands of U.S. dollars -ThUS$)

Subsidiaries of CMP S.A.

	Imopac Ltda.		Petropac Ltda.		Pacific Ores & Trading N.V.	
	2004 MUS$	**2003 MUS$**	**2004 MUS$**	**2003 MUS$**	**2004 MUS$**	**2003 MUS$**
Sales	11,812	11,292	13,336	11,008	1,100	1,076
Cost of sales	(11,438)	(11,207)	(12,783)	(10,665)	(671)	(627)
Gross profit	374	85	553	343	429	449
Overhead expenses	(73)	(113)	(279)	(216)	-	-
Operating Income	**301**	**(28)**	**274**	**127**	**429**	**449**
Non-operating income						
Other income	56	61	5	2	9	11
Other Expenses	(171)	(608)	(28)	(33)	---	---
Income before taxes	**186**	**(575)**	**251**	**96**	**438**	**460**
Income taxes	(36)	90	(42)	(16)	(26)	(26)
Minority interest	---	---	---	---	---	---
Extraordinary revenue due to materialization of Cumulative Tax Losses	---	---	---	---	---	---
Net income	**150**	**(485)**	**209**	**80**	**412**	**434**

COMPAÑIA MINERA DEL PACIFICO S.A. AND AFFILIATES

CONDENSED STATEMENTS OF CASH FLOW

FOR THE YEAR ENDED DECEMBER 31, 2004

(in thousands of U.S. dollars)

Subsidiaries of CMP S.A.

	Imopac Ltda.		Petropac Ltda.		Pacific Ores & Trading N.V.	
	2004 MUS$	**2003 MUS$**	**2004 MUS$**	**2003 MUS$**	**2004 MUS$**	**2003 MUS$**
CASH FLOWS FROM OPERATING ACTIVITIES						
Cash received from customers and others	10,469	11,592	14,337	12,305	109,156	92,776
Cash paid to suppliers and others	(10,408)	(10,479)	(14,600)	(11,427)	(108,771)	(89,162)
Net cash provided by operating activities	**61**	**1,113**	**(263)**	**878**	**385**	**3,614**
CASH FLOWS FROM FINANCING ACTIVITIES						
Bank loans	---	---	---	---	---	2,106
Paid loan	---	---	---	---	---	(5,164)
Dividends and others paid	---	(1,087)	(61)	(81)	(350)	(150)
Net cash provided (used) by financing activities	----	**(1,087)**	**(61)**	**(81)**	**(350)**	**(3,208)**
CASH FLOWS FROM INVESTING ACTIVITIES						
Purchase of fixed assets	(49)	(31)	---	---	---	---
Sale of fixed assets	---	6	---	---	---	---
Negative cash flow from investing activities	**(49)**	**(25)**	**---**	**---**	**---**	**---**
Net variation of cash	12	1	(324)	797	35	406
Cash at the beginning of the year	10	9	843	46	1,185	779
CASH AT THE END OF THE YEAR	**22**	**10**	**519**	**843**	**1,220**	**1,185**

SIGNIFICANT EVENTS

JANUARY - DECEMBER 2004

The Annual Report, Balance Sheet, Income Statement, and Cash Flow Statement as of December 31st, 2003 and the relevant complementary notes were approved by the Board of Directors of CMP CORP. in session N° 291, held on January 26th, 2004. In addition, Directors acknowledged and made themselves responsible for all the Financial Reports regarding the 2003 period forwarded to the Securities and Insurance Commission through on-line information delivery systems.

In a Special Meeting held on February 12th, 2004 the Shareholders decided to provide CAP S.A. with the Company's unconditional, irrevocable, joint and several guarantee, to ensure payment of all the obligations contracted by the parent company in one or more actions under credit agreements for up to U$17,000,000, with the Bank Kreditanstalt Für Wiederaufbau.

The 2004 Regular Shareholders' Meeting was held on April 16th, 2004 and the following decisions were agreed upon:

- The 2003 Annual Memory and Financial Statements were approved.
- The dividend policy was agreed, whereby 70% of annual net income would be distributed to shareholders. It was also agreed to pay interim dividends during 2004 whenever the board decides, provided that the year profit makes this possible.
- Deloitte was appointed as the Company's External Auditors for the 2004 period.
- The remuneration of the Board of Directors was determined.

Apart from the above-mentioned facts, no other relevant events occurred during the period in relation to the Company that should be reported under the stipulations of current legislation.