

MINERA LOS PELAMBRES

UNAUDITED FINANCIAL STATEMENTS
FOR THE FIRST QUARTER ENDED 31 MARCH 2006

(TRANSLATION FROM SPANISH VERSION
FILED WITH SUPERINTENDENCIA DE VALORES Y SEGUROS
DE CHILE ON 25TH MAY 2006)

MINERA LOS PELAMBRES

BALANCE SHEET AT MARCH 31, 2006
(In thousands of US dollars - ThUS\$)

| | ThUS\$ |
|-------------------------------------|-------------------------|
| ASSETS | |
| CURRENT ASSETS | |
| Cash and banks | 318 |
| Time deposits | 764.058 |
| Marketable securities | 16.364 |
| Trade receivables, net | 200.098 |
| Sundry debtors | 43.399 |
| Accounts due from related companies | 39 |
| Inventories, net | 46.216 |
| Refundable taxes | 13.010 |
| Prepaid expenses | 4.596 |
| Deferred taxes | 1.718 |
| Other current assets | 18 |
| Total current assets | <u>1.089.834</u> |
| FIXED ASSETS: | |
| Land | 8.234 |
| Buildings and infrastructure | 820.662 |
| Machinery and equipment | 529.544 |
| Other fixed assets | 316.370 |
| Subtotal | 1.674.810 |
| Accumulated depreciation | <u>(432.593)</u> |
| Total fixed assets - net | <u>1.242.217</u> |
| OTHER ASSETS: | |
| Intangibles, net | 2.978 |
| Pre-operating costs, net | 140.409 |
| Others | 6.014 |
| Total other assets | <u>149.401</u> |
| TOTAL ASSETS | <u><u>2.481.452</u></u> |

The accompanying notes are an integral part of this financial statement

| | ThUS\$ |
|---|-------------------------|
| LIABILITIES AND SHAREHOLDERS' EQUITY | |
| CURRENT LIABILITIES | |
| Long term banks and financial institutions, current portion | 87.146 |
| Accounts payable | 27.208 |
| Sundry creditors | 9 |
| Accounts due to related companies | 589 |
| Accruals | 22.243 |
| Withholdings | 15.898 |
| Income tax payable | <u>97.824</u> |
| Total current liabilities | <u>250.917</u> |
| LONG TERM LIABILITIES: | |
| Banks and financial institutions | 313.829 |
| Accounts due to related companies | 165 |
| Accruals | 10.767 |
| Deferred taxes | 132.423 |
| Others | <u>684</u> |
| Total long-term liabilities | <u>457.868</u> |
| SHAREHOLDERS' EQUITY | |
| Paid-in capital | 373.820 |
| Retained earnings | |
| Accumulated income | 1.081.748 |
| Net income for the period | <u>317.099</u> |
| Total shareholders' equity - net | <u>1.772.667</u> |
| TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY | <u><u>2.481.452</u></u> |

MINERA LOS PELAMBRES

STATEMENT OF INCOME FOR THE PERIOD ENDED MARCH 31, 2006 (In thousands of US dollars - ThUS\$)

| | ThUS\$ |
|----------------------------------|-----------------------|
| REVENUE | 489.999 |
| OPERATING COSTS | <u>(90.404)</u> |
| OPERATING MARGIN | 399.595 |
| ADMINISTRATIVE AND SELLING COSTS | <u>(17.814)</u> |
| OPERATING INCOME | <u>381.781</u> |
| OTHER INCOME (EXPENSES) | |
| Other income | 133 |
| Financial income | 7.061 |
| Financial expenses | (5.411) |
| Other expenses | (210) |
| Exchange differences | <u>2.649</u> |
| Other income - net | <u>4.222</u> |
| INCOME BEFORE INCOME TAX | 386.003 |
| INCOME TAX | <u>(68.904)</u> |
| NET INCOME FOR THE PERIOD | <u><u>317.099</u></u> |

The accompanying notes are an integral part of this financial statement

MINERA LOS PELAMBRESSTATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED MARCH 31, 2006
(In thousands of US dollars - ThUS\$)

| | ThUS\$ |
|--|-----------------------|
| RECONCILIATION BETWEEN NET CASH FLOW PROVIDED BY OPERATING ACTIVITIES AND NET INCOME FOR THE PERIOD | |
| Net income for the period | 317.099 |
| Charges (credit) to income that do not affect cash flows | |
| Depreciation and amortization | 15.138 |
| Accrued interest | 4.559 |
| Gain on sale of fixed assets | (84) |
| Exchange differences | 2.649 |
| Others | 256 |
| (Increase) decrease in assets that affect cash flows | |
| Trade receivables | 26.123 |
| Sundry debtors | 5.156 |
| Accounts due from related companies | (10) |
| Inventories | 1.813 |
| Refundable taxes | (7.979) |
| Other current assets | 1.696 |
| Increase (decrease) in liabilities that affect cash flows | |
| Accounts payable | (11.317) |
| Accounts due to related companies | (518) |
| Accruals | (1.728) |
| Withholdings | (4.453) |
| Income tax payable | 20.961 |
| Unearned income | (1.488) |
| NET CASH FLOW PROVIDED BY OPERATING ACTIVITIES | <u>367.873</u> |
| CASH FLOW FROM INVESTMENT ACTIVITIES | |
| Fixed asset additions, net | (146.118) |
| Write-off of fixed assets | 641 |
| Net cash flow used in investment activities | <u>(145.477)</u> |
| CASH FLOW FROM FINANCING ACTIVITY | |
| Payment of loans | <u>(2.388)</u> |
| Net cash flow used in financing activities | <u>(2.388)</u> |
| NET INCREASE IN CASH AND CASH EQUIVALENT | 220.008 |
| CASH AND CASH EQUIVALENT AT BEGINNING OF PERIOD | <u>560.732</u> |
| CASH AND CASH EQUIVALENT AT END OF PERIOD | <u><u>780.740</u></u> |

The accompanying notes are an integral part of this financial statement

MINERA LOS PELAMBRES

NOTES TO THE FINANCIAL STATEMENTS

(In thousands of United States Dollars – ThUS\$)

1. INCORPORATION OF THE COMPANY

Minera Los Pelambres is a contractual mining company that started operations on June 4, 1996. Its corporate purpose is to explore, develop and exploit its mining properties, principally in order to produce and sell copper concentrate, and to carry out all the business activities associated with the mining industry.

According to the requirements of Law 20.026 on the Specific Mining Tax published in the Official Gazette of 16/06/2005, and the relevant regulations issued by the Superintendence of Securities and Insurance (“SVS”) through its Exempt Resolutions 549 of 23/09/2005 and 39 of 3/02/2006, the Company shall deliver its Quarterly and Audited Annual Financial Statements, and an Annual Report, to the SVS, in the manner and at the time stipulated in such Resolutions. Thus, as a company receiving foreign investments earmarked for developing mining projects, it claimed the rights stipulated in new article 11 Ter of Decree–Law 600 of 1974, setting an invariable 4% rate for the aforementioned Specific Mining Tax for a period of 12 years.

By express provision of the above regulations issued by the SVS, the Financial Statements and Annual Report delivered for operations and transactions taking place as of January 1, 2006, will not be compared with the 2005 fiscal year, this year only, because 2006 is the first year in which the above tax is in force.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. General – The financial statements as of March 31, 2006 have been prepared in accordance with accounting principles generally accepted in Chile.

b. Basis of preparation - The Company keeps its official accounting records in United States dollars (hereinafter US\$) as a result of a special authorization from the Chilean Internal Revenue Service.

Therefore, amounts in Chilean pesos have been converted into US\$, using the observed exchange rate on the date of each transaction. Asset and liability balances for accounts recorded in local currency have been translated into US\$ amounts using the exchange rate of Ch\$526.18 at March 31, 2006.

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

d. Marketable securities - Marketable securities are mutual fund units and foreign investment funds valued at the redemption value of the units at the close of the financial statements.

e. Inventories - In-process and processed ore inventories are stated at weighted average cost in conformity with the method of full absorption of fixed manufacturing overheads, that is including indirect manufacturing overheads and depreciation of fixed assets associated with the Company's production units.

Materials, raw materials, supplies and spare parts in the warehouse are stated at average purchase cost, deducting provisions for technological and financial obsolescence.

The cost of ore inventories does not exceed their net realizable value.

f. Prepaid expenses – Prepaid expenses mainly include the unexpired portion of insurance policies taken-out to cover operating, transportation, civil liability, air and harbor handling risks, with premiums including brokerage commissions.

g. Fixed assets - Fixed assets are stated at purchase cost. Depreciation has been calculated based on the technical production units, for assets subject to depreciation in accordance with adequate technical indicators. For other fixed assets, depreciation is calculated using the straight-line method over the estimated useful life of the assets.

Mining properties are stated at acquisition and/or incorporation cost, as appropriate, and are amortized on the basis of the extraction of proven and provable ore reserves.

Prestripping and preparation and development of the mine relate to the prestripping cost accumulated during the project's construction period and/or its capitalizable expansions or optimizations, and to other geological and mining development costs incurred during the pre-operating stage, including planning, engineering, support equipment, maintenance, and supply costs, etc. necessary to dispose of barren rock and prepare the pit for exploitation. It is amortized based on extraction of proven and provable ore reserves.

h. Pre-operating costs – These are mainly pre-operating costs, including original feasibility studies and others, aimed at enlarging production capacity, as well as costs associated with management and support units incurred during project development. Costs involved in obtaining project financing in the pre-operating phase are also included. These costs are being amortized from a financial standpoint based on extraction of current proven and provable ore reserves.

i. Intangibles – These correspond to other less significant intangibles, such as Water Rights, Easements, Patents and other rights are amortized using the straight-line method over their expected service potential.

j. Derivative contracts – The Company has entered into interest rate collar contracts in order to hedge against Libo rate fluctuations, which were designated as hedges on expected transactions according to local accounting standards.

k. Vacations - The annual cost of employee vacations is charged to income on the accrual basis.

l. Income tax and deferred taxes – The Company calculates its first category income and specific mining tax provisions based on Net Taxable Income and Operating Taxable Income, respectively, calculating them as provided for in the Chilean Income Tax Law.

The effects of deferred taxes for temporary differences, tax losses and other items that create differences between the tax and accounting bases of assets and liabilities are recorded following the standards established by Technical Bulletin No. 60 of the Chilean Institute of Accountants and its supplements.

m. Severance indemnities - The Company accrues the severance indemnity liability at the net present value of the projected benefit, based on current collective contracts and Board of Directors decisions for non-union employees. The severance indemnity liability is presented in long-term liabilities under “Accruals”.

n. Mine closure - The Company provides for mine closure costs and abandonment of installations at net present value, pursuant to corporate regulations stipulated by its controller Antofagasta plc, and legal environmental obligations entered into with government agencies. Such accruals are presented in long-term liabilities under “Accruals”.

o. Cash equivalents – For the purposes of the statement of cash flows, cash includes time deposits and readily realizable financial investments maturing within 90 days, including fixed-income mutual fund units.

p. Revenue - Copper concentrate sales are recognized at shipping dates, net of treatment and refining charges, and valued in conformity with contract clauses used in invoicing, which carry a provisional price. At year end, revenues are adjusted on a “mark to market” basis, when this value is less than the amount provisionally booked, considering for that purpose contract clauses regarding dates for calculating final prices, and using the conservative criterion of adjusting provisional prices to month-end market values. In addition, provision has been made for estimated losses in the arbitration of invoiced amounts.

3. TIME DEPOSITS

The detail of time deposits and financial investments is as follows:

| | Currency | March 2006 ThUS\$ |
|-----------------------------|-----------------|-----------------------------|
| Time deposits abroad | US\$ | <u>689.915</u> |
| Local time deposits | \$ | <u>74.143</u> |
| Total time deposits | | <u><u>764.058</u></u> |

4. MARKETABLE SECURITIES

The detail of investments in mutual funds is as follows:

| | Currency | March 2006 ThUS\$ |
|----------------------------------|-----------------|-----------------------------|
| Mutual funds abroad: | US\$ | <u>244</u> |
| Local mutual funds | \$ | <u>16.120</u> |
| Total investment in mutual funds | | <u><u>16.364</u></u> |

5. TRADE RECEIVABLES

The balance of trade receivables, broken down by geographical area, is as follows:

| | March 2006 ThUS\$ |
|--|-----------------------------|
| Foreign Clients | |
| Europe | 42.796 |
| Asia Pacific | 21.410 |
| Asia Pacific - associated (*) | 101.233 |
| Latin America | 1.095 |
| North America | 10.195 |
| (Mark to Market estimate and content adjustment) | <u>(5.745)</u> |
| Total foreign clients | <u>170.984</u> |
| National clients | <u>29.114</u> |
| Total | <u><u>200.098</u></u> |

(*) Invoicing for sale of ore to foreign customers either directly or indirectly related to Company shareholders, Nippon LP Resources B.V. and MM LP Holding B.V.

6. INVENTORIES

The detail of inventories is as follows:

| | March 2006 ThUS\$ |
|---|-----------------------------|
| Finished products | 5.469 |
| Products in process | 18.128 |
| Materials | 25.221 |
| Provision for obsolescence of materials | <u>(2.602)</u> |
| Total | <u><u>46.216</u></u> |

7. FIXED ASSETS

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

| | March 2006 ThUS\$ |
|---|-----------------------------|
| Land | <u>8.234</u> |
| Buildings and infrastructure: | |
| Buildings and constructions | 591.551 |
| Infrastructure | 214.879 |
| Facilities | <u>14.232</u> |
| Total buildings and infrastructure | <u>820.662</u> |
| Machinery and equipment | |
| Machinery and equipment | 424.377 |
| Furniture and utensils | 3.543 |
| Computer and communications equipment | 17.839 |
| Mobile equipment | 83.495 |
| Vehicles | <u>290</u> |
| Total machinery and equipment | <u>529.544</u> |
| Other fixed assets: | |
| Ongoing works Mauro dam | 187.333 |
| Ongoing projects | 71.570 |
| Mining claims | 12.643 |
| Prestripping | <u>44.824</u> |
| Total other fixed assets | <u>316.370</u> |
| Total fixed assets, gross | <u>1.674.810</u> |
| Accumulated depreciation buildings and infrastructure | (184.318) |
| Amortization claims and prestripping | (11.344) |
| Accumulated depreciation machinery and equipment | <u>(236.931)</u> |
| Total depreciation and accumulated amortization | <u>(432.593)</u> |
| Total fixed assets, net | <u><u>1.242.217</u></u> |

8. LONG-TERM PRE-OPERATING COSTS

As described in Note 2h, these are mainly pre-operating costs incurred prior to the start of operations, Mauro Dam costs, and other minor intangible costs, as follows:

| | March 2006 ThUS\$ |
|--|-----------------------------|
| Cost of initial studies transferred from | |
| Minera el Chacay | 8.487 |
| Support management costs prior to construction phase | 8.204 |
| Construction phase pre-operating costs | 137.912 |
| Start-up costs, construction surplus | 4.957 |
| Losses and gains from activities prior to operation | 8.500 |
| Pre-operating costs initial Mauro Dam studies | 5.138 |
| | <hr/> |
| Total intangibles | 173.198 |
| Accumulated amortization | (32.789) |
| | <hr/> |
| Total intangibles - net | <u>140.409</u> |

9. BANKS AND FINANCIAL INSTITUTIONS

The Company has financing from international institutions expressed in US dollars.

On December 15, 2004, together with paying the installment on the principal plus the respective interest, a prepayment of ThUS\$50,775 was made on the principal, leaving the outstanding debt at ThUS\$460,000. This outstanding debt was fully refinanced by a syndicate of foreign banks headed by Citibank and duly approved and registered with Chile's Central Bank. This loan will be repaid in 12 semi-annual installments, which mature every June 15 and December 15 each year, starting on June 15, 2005.

This refinancing improved the prior loan's interest rate spreads and restrictions, resulting in a considerable saving in financial charges for the Company.

This refinancing meant paying an Up-Front commission of ThUS\$2,070, which was deferred for amortization over the new credit term.

Balances of Loans at March 31, 2006:

| Financial institutions | Interest Rate % | Short term ThUS\$ | Long term ThUS\$ |
|-------------------------------|--------------------------------|----------------------------------|---------------------------------|
| Citibank and others | 4,9275 | 82.228 | 306.667 |
| BBVA Banco Bhif | 5,3750 | <u>4.918</u> | <u>7.162</u> |
| Total | | <u><u>87.146</u></u> | <u><u>313.829</u></u> |

10. ACCOUNTS PAYABLE

This item is broken down as follows:

| | March 2006 ThUS\$ |
|-------------------------------|------------------------------|
| Invoices payable | 20.899 |
| Withholdings from contractors | 5.736 |
| Insurance payable | 181 |
| Others | <u>392</u> |
| Total | <u><u>27.208</u></u> |

11. ACCRUALS

The detail of this item at March 31, 2006 is as follows:

| | March 2006 ThUS\$ |
|-----------------------|-----------------------------|
| Short term: | |
| Contractors | 2.823 |
| Personnel benefits | 5.487 |
| Major maintenance | 10.461 |
| Sundry | <u>3.472</u> |
| Total short term | <u><u>22.243</u></u> |
| Long term: | |
| Severance indemnities | 8.692 |
| Mine closure | <u>2.075</u> |
| Total long term | <u><u>10.767</u></u> |

12. INCOME TAX AND DEFERRED TAXES

Refundable taxes include the following:

| | March 2006 ThUS\$ |
|--|-----------------------------|
| Current assets: | |
| Specific fuel tax | 220 |
| Value added tax | 8.551 |
| Other refundable taxes | <u>4.239</u> |
| Total short term | <u><u>13.010</u></u> |
| Other assets: | |
| Long term tax credits | 252 |
| Additional tax for technical advisory services | <u>4.124</u> |
| Total long term | <u><u>4.376</u></u> |

The long-term refundable tax is included in Other long-term assets along with long-term pre-paid expenses of US\$1,639.

a. First category income and specific mining tax

The provision for first category income tax at March 31, 2006 was 17% of the net taxable income of ThUS\$364,049, calculated as provided for in the Chilean Income Tax Law. The provision for the specific mining tax was 4% of the net operating taxable income of ThUS\$348,465.

The provision for income tax calculated is presented in Income tax payable under current liabilities net of monthly provisional payments, specific mining tax credit, training credits, credits for donations and credits from purchases of fixed assets.

| | March 2006 |
|--|------------------------|
| | ThUS\$ |
| Provision for income tax | (284.007) |
| Specific mining tax | (13.939) |
| Monthly provisional payments | 190.953 |
| Specific mining tax credit | 8.406 |
| Additional tax for technical advisory services | 481 |
| Credits for donations | 94 |
| Refundable training expenses | 158 |
| Credits for purchases of fixed assets | <u>30</u> |
| Income and specific tax payable | <u><u>(97.824)</u></u> |

b. Deferred taxes

At March 31, 2006, the detail of accumulated deferred tax balances is as follows:

| | Deferred taxes | | | |
|--------------------------------------|-----------------------|------------------|--------------------|---------------------|
| | 2006 | | | |
| | Assets | | Liabilities | |
| | Short term | Long term | Short term | Long term |
| | ThUS\$ | ThUS\$ | ThUS\$ | ThUS\$ |
| Provision for variations | 977 | | | |
| Provision for uncollectible accounts | 3 | | | |
| Provision for obsolete materials | 442 | | | |
| Provision for vacations | 355 | | | |
| Provisions for maintenance | 1.772 | | | |
| Pre-payments on shipments | - | | | |
| Severance indemnities | | 1.387 | | |
| Provision for mine closure | | 353 | | |
| Deferred refinancing costs | | | | 279 |
| Other deferred charges | | 74 | | |
| Indirect manufacturing costs | | | 1.831 | |
| Written-off fixed assets | | | | |
| Depreciation of fixed assets | | | | 102.081 |
| Pre-operating expenses | | | | 29.841 |
| Specific mining | | | | 2.036 |
| | | | | <hr/> |
| Total deferred taxes | <hr/> 3.549 | <hr/> 1.814 | <hr/> 1.831 | <hr/> 134.237 <hr/> |

The net asset of ThUS\$1,718 for short-term deferred taxes is presented in current assets. The net liability of ThUS\$132,423 for long-term deferred taxes is presented in long-term liabilities.

The charge to income for income tax and specific mining tax for the period is as follows:

| | March 2006 |
|--|----------------------|
| | ThUS\$ |
| Current tax expense: | |
| Provision for income tax for the period | (61.888) |
| Provision for specific mining tax | (6.969) |
| Deferred taxes: | |
| Variation for the period in deferred taxes | 193 |
| Deferred taxes for specific mining tax | <hr/> (240) |
| Total charge to income | <hr/> <hr/> (68.904) |

13. DERIVATIVE CONTRACTS

Interest rate swaps and collars: These are collar contracts covenanted in the reporting periods. According to Technical Bulletin 57 of the Chilean Institute of Accountants, these were valued at their “Fair Market Value”, as described in Note 2j.

Outstanding positions at March 31, 2006:

| Financial Institution | Instrument | Hedged amount ThUS\$ | Positions closed at 31/03/2006 ThUS\$ (1) | Positions open at 31/03/2006 ThUS\$ | Total unrealized loss ThUS\$ | Floor rate of contract % | Fair value interest % |
|-----------------------|------------|-------------------------|--|---|---------------------------------|-----------------------------|--------------------------|
| Citibank, N.A. | Collar | 30.000 | (119) | - | (119) | 5,4520 | 6,1000 |
| Citibank, N.A. | Collar | 10.000 | (30) | - | (30) | 5,2586 | 6,1000 |
| Citibank, N.A. | Collar | 10.000 | (12) | - | (12) | 4,9000 | 5,9000 |
| Citibank, N.A. | Collar | 20.000 | (34) | - | (34) | 5,0000 | 6,0000 |
| Goldman Sachs | Collar | 20.000 | (33) | - | (33) | 4,9950 | 5,9000 |
| Total positions | | <u>90.000</u> | <u>(227)</u> | <u>-</u> | <u>(227)</u> | | |

(1) ThUS\$132 of the total closed positions of ThUS\$ 227 have been realized at March 31, 2006.

14. SHAREHOLDERS' EQUITY

a. The following summarizes the shareholders' equity movements during the period:

| Concepts | Paid-in capital ThUS\$ | Retained earnings ThUS\$ | Total ThUS\$ |
|-------------------------------|---------------------------------------|---|-------------------------|
| Balances at December 31, 2005 | 373.820 | 1.081.748 | 1.455.568 |
| Net income for the period | | 317.099 | 317.099 |
| | <hr/> | <hr/> | <hr/> |
| Balances at March 31, 2006 | <u><u>373.820</u></u> | <u><u>1.398.847</u></u> | <u><u>1.772.667</u></u> |

b. Shareholdings in the subscribed and paid-in capital at March 31, 2006, after the above equity movements, are as follows:

| Shareholders | Number of shares | Subscribed and paid-in shares | |
|---------------------------|-----------------------------|--|----------------------|
| | | ThUS\$ | % |
| LP Investment Co. Ltd. | 191.379.489 | 191.380 | 51,20 |
| Nippon LP Resources BV | 93.454.920 | 93.455 | 25,00 |
| MM LP Holding BV | 56.072.952 | 56.073 | 15,00 |
| Antofagasta Minerals S.A. | <u>32.912.319</u> | <u>32.912</u> | <u>8,80</u> |
| Total | <u><u>373.819.680</u></u> | <u><u>373.820</u></u> | <u><u>100,00</u></u> |

15. BALANCES AND TRANSACTIONS WITH RELATED COMPANIES

The detail of the balances and transactions with related parties are as follows. Only Antofagasta Minerals S.A. (legal sucesor of Anaconda Chile S.A.), LP Investment Co. Ltd., Nippon LP Resources BV, and MM LP Holding BV, of the related companies detailed are shareholders of the Company. The other enterprises are related to the Company through common ownership.

Situation at March 31, 2006:

| | March 2006 ThUS\$ |
|--|-----------------------------|
| Other income | |
| Profit on sale of assets | 84 |
| Other income | <u>49</u> |
| Total | <u><u>133</u></u> |
| Other expenses | |
| Provision for remission of housing loans | 59 |
| Other expenses | <u>151</u> |
| Total | <u><u>210</u></u> |

16. OTHER NON-OPERATING INCOME AND EXPENSES

The detail of other non-operating income and expenses is as follows:

| | March 2006 ThUS\$ |
|--|-----------------------------|
| Other income | |
| Profit on sale of assets | 84 |
| Other income | <u>49</u> |
| Total | <u><u>133</u></u> |
| Other expenses | |
| Provision for remission of housing loans | 59 |
| Other expenses | <u>151</u> |
| Total | <u><u>210</u></u> |

17. CONTINGENCIES, GUARANTEES AND ENCUMBRANCES

I. Lawsuits:

The Company's Management is aware of legal disputes in which Minera Los Pelambres is either the main or subsidiary defendant, or the plaintiff, which to the best of its knowledge do not significantly affect these financial statements.

II. Encumbrances:

The Company's assets do not recognize any mortgages, encumbrances or prohibitions, except for:

- Precautionary measure prohibiting acts and contracts from being entered into under No. 4 of article 298 of the Civil Code, still not registered in the respective Land, Mines and Industrial Property Registry.

Deferred Customs Duties

The Company estimates that it will pay 100% of deferred customs duties expiring in 2007:

| Maturities | Deferred customs duties ThUS\$ |
|-----------------------------|---|
| 2007 | <u>684</u> |
| Total exemptions Law 18.634 | <u><u>684</u></u> |

III. Other guarantees

Guarantees Given:

- Minera los Pelambres has issued non-endorsable promissory notes to the Chilean Treasury for UTM 3,436,217.38 in its equivalent in local currency. This is equivalent to approximately ThUS\$211,678, which was recovered by the Company in 1998 and 1999 through the mechanism for early refunding of VAT credit stipulated in Supreme Decree 348/75 of the Chilean Ministry of Economy.
- The Company has issued performance bonds worth ThUS\$ 10,501 to the Chilean Ministry of Public Works, Water Board, through banks, as collateral for any possible costs incurred if construction and operation of the Los Quillayes tailings dam were to be abandoned. Such bonds are in force until July 3, 2006

Guarantees Received:

- At this time, the Company holds performance bonds and letters of credit totaling approximately ThUS\$ 83,069 in its name and issued by foreign or local banks, which have been furnished by contractors and suppliers with a view to guaranteeing faithful performance of contracts, and, where equipment is concerned, its quality and proper working order.

IV. Restrictions to operations or limits

The new bank loan contract resulting from the refinancing referred to in Note 9 has considerably fewer restrictions on indebtedness, distribution of dividends and hedge operations, and completely eliminates restrictions on mortgages and chattel mortgages, which were released in 2005.

V. Ore sale agreements

The ore sale agreements involve contracts entered into with domestic and foreign clients, valued at the selling prices in force at period-end. Such prices are agreed FOB or CIF, as appropriate, and are negotiated every year. The average term of the agreements is 3 years, and there are no clauses stipulating any fines for non-performance, since the agreements themselves stipulate options regarding the volume of ore actually shipped every year.

The ore sale agreements, in accordance with the contracts entered into, amount to:

| Year | ThUS\$ |
|-------------|---------------|
| 2006 | 1,750,000 |
| 2007 | 1,300,000 |
| 2008 | 1,100,000 |

18. SUBSEQUENT EVENTS

Between April 1, 2006 and the date of issue of these financial statements, no subsequent events have occurred that might significantly affect them.

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