

MINERA LOS PELAMBRES
UNAUDITED FINANCIAL STATEMENTS
FOR THE FIRST HALF ENDED 30 JUNE 2007 AND 2006

(TRANSLATION FROM SPANISH VERSION
FILED WITH SUPERINTENDENCIA DE VALORES Y SEGUROS
DE CHILE 29TH AUGUST 2007)

MINERA LOS PELAMBRES

BALANCE SHEETS AT JUNE 30, 2007 AND 2006
(In thousands of United States Dollars - ThUS\$)

	2007 ThUS\$	2006 ThUS\$
ASSETS		
CURRENT ASSETS		
Cash at bank and in hand	228	293
Time deposits	193,726	463,393
Marketable securities	135,779	9,710
Trade debtors - net	352,328	443,206
Sundry debtors	31,395	48,275
Notes receivable	180	
Accounts receivable from related companies	21	17
Inventories - net	48,858	51,839
Refundable taxes	18,342	7,306
Prepaid expenses	6,857	4,290
Deferred taxes	753	1,394
Other current assets	17	209
Total current assets	<u>788,484</u>	<u>1,029,932</u>
FIXED ASSETS:		
Land	8,234	8,234
Constructions and infrastructure	847,276	820,662
Machinery and equipment	666,644	528,331
Other fixed assets	614,448	409,722
Subtotal	2,136,602	1,766,949
Accumulated depreciation	<u>(511,309)</u>	<u>(446,909)</u>
Total fixed assets - net	<u>1,625,293</u>	<u>1,320,040</u>
OTHER ASSETS:		
Intangibles - net	138,636	142,158
Others	10,618	5,619
Total other assets	<u>149,254</u>	<u>147,777</u>
TOTAL ASSETS	<u><u>2,563,031</u></u>	<u><u>2,497,749</u></u>

The accompanying notes are an integral part of these financial statements

	2007	2006
	ThUS\$	ThUS\$
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Bank loans: short-term portion of long- term debt	84,670	82,563
Accounts payable	64,193	46,046
Sundry creditors	8	8
Account payable to related companies	735	1,318
Accruals	17,653	19,704
Withholdings	51,748	45,109
Income tax payable		54,318
Other		684
	<u>219,007</u>	<u>249,750</u>
LONG-TERM LIABILITIES:		
Bank loans	191,667	275,496
Account payable to related companies	165	165
Accruals	16,094	10,295
Deferred taxes	144,615	133,780
	<u>352,541</u>	<u>419,736</u>
SHAREHOLDERS' EQUITY:		
Paid-in capital	373,820	373,820
Retained earnings:		
Retained earnings	1,476,460	1,081,748
Interim dividends	(700,000)	(470,000)
Net income for the period	841,203	842,695
	<u>1,991,483</u>	<u>1,828,263</u>
Total shareholders' equity, net		
	<u>1,991,483</u>	<u>1,828,263</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	<u><u>2,563,031</u></u>	<u><u>2,497,749</u></u>

MINERA LOS PELAMBRES

STATEMENTS OF INCOME FOR THE SIX MONTH PERIODS ENDED JUNE 30, 2007 AND 2006 (In thousands of United States Dollars - ThUS\$)

	2007 ThUS\$	2006 ThUS\$
REVENUES	1,296,113	1,243,789
OPERATING COSTS	<u>(231,640)</u>	<u>(180,862)</u>
OPERATING MARGIN	1,064,473	1,062,927
ADMINISTRATIVE AND SELLING EXPENSES	<u>(37,038)</u>	<u>(34,542)</u>
OPERATING INCOME	<u>1,027,435</u>	<u>1,028,385</u>
OTHER INCOME (EXPENSES):		
Other income	4	144
Financial income	17,857	17,462
Financial expenses	(9,543)	(10,848)
Other expenses	(912)	(830)
Exchange differences	<u>1,312</u>	<u>(667)</u>
Other income - net	<u>8,718</u>	<u>5,261</u>
INCOME BEFORE INCOME TAX	1,036,153	1,033,646
INCOME TAX	<u>(194,950)</u>	<u>(190,951)</u>
NET INCOME FOR THE PERIOD	<u><u>841,203</u></u>	<u><u>842,695</u></u>

The accompanying notes are an integral part of these financial statements

MINERA LOS PELAMBRESSTATEMENTS OF CASH FLOWS
FOR THE SIX MONTH PERIODS ENDED JUNE 30, 2007 AND 2006
(In thousands of United States Dollars - ThUS\$)

	2007	2006
	ThUS\$	ThUS\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income for the period	841,203	842,695
Charges (credits) to income not representing cash flows:		
Depreciation and amortization	34,787	33,190
Mark to Market	(113,349)	(12,879)
Metal content accrual	(9,306)	
Obsolescence accrual	6,599	
Accruals and other long-term	4,630	492
Accrued interest	841	1,121
Fixed asset write-offs	195	53
Loss (profit) on sale of fixed assets	21	(102)
Exchange differences	(1,312)	667
Others	(154)	(9)
(Increase) decrease in current assets:		
Trade debtors	89,752	(204,106)
Sundry debtors	2,403	280
Notes receivable	(96)	
Account receivable from related companies	(17)	12
Inventories	(8,868)	(4,468)
Refundable taxes	(11,596)	(2,321)
Prepaid expenses	4,813	2,002
Other assets	(541)	(191)
Increase (decrease) in current liabilities:		
Accounts payable	(34,952)	8,221
Accounts payable to related companies	(839)	211
Accruals	(4,413)	(5,898)
Withholdings	13,734	24,758
Income tax payable	(81,716)	(18,870)
Unearned income	(684)	(1,488)
Net cash provided by operating activities	<u>731,135</u>	<u>663,370</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Additions to fixed assets - net	(145,988)	(240,728)
Sale of fixed assets	1	743
Net cash used in investing activities	<u>(145,987)</u>	<u>(239,985)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Dividends paid	(700,000)	(470,000)
Loan repayment	(40,721)	(40,721)
Net cash used in financing activities	<u>(740,721)</u>	<u>(510,721)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(155,573)	(87,336)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	<u>485,306</u>	<u>560,732</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u><u>329,733</u></u>	<u><u>473,396</u></u>

The accompanying notes are an integral part of these financial statements

MINERA LOS PELAMBRES

NOTES TO THE FINANCIAL STATEMENTS (In thousands of U.S. dollars - ThUS\$)

1. INCORPORATION OF THE COMPANY

Minera Los Pelambres is a contractual mining enterprise that started operations on June 4, 1996. The corporate purpose is exploring, developing and exploiting its mining properties, principally for the purpose of producing and selling copper concentrate, and of performing 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Basis of presentation - The financial statements as of June 30, 2007 and 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 Chilean peso amounts have been converted into United States dollar amounts using the exchange rate reported by Central Bank of Chile on the date of the transaction. Asset and liability balances for accounts recorded in local currency have been converted to United States dollar amounts using the exchange rate at the end of each period.

		2007	2006
US dollar	Ch\$	526.86	539.44
Unidad de Fomento	Ch\$	18,624.17	18,151.40

Exchange differences are recognized in the net income for the period.

c. Time deposits - Time deposits and other instruments entered into with local financial institutions under resale agreements are stated at original investment amount plus accrued interest at the close of the reporting period.

d. Marketable securities - Until 2006, marketable securities were mainly mutual fund units valued at redemption value of units at period-end. In 2007, the Company outsourced management of its cash surplus by hiring two Asset Managers, who manage a portfolio of instruments with a view to achieving a return on such surplus. These investments are stated in this item at their redemption value and are adjusted to their fair value at period-end, according to Technical Bulletin N°76 of the Chilean Institute of Accountants.

e. Inventories - In-process and finished mineral inventories are stated at weighted average cost in conformity with the method of full absorption of fixed manufacturing overhead, that includes indirect manufacturing overhead and depreciation of fixed assets related to Company production units.

Raw and other materials, as well as supplies and spare parts in the warehouse, are stated at average purchase cost. At June 30, 2007, this item is presented net of a provision for obsolescence of ThUS\$9,200 (ThUS\$2,602 in 2006).

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

f. Prepaid expenses - Prepaid expenses mainly include the prepaid 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 for the period has been calculated based on production technical units, for assets subject to depreciation in accordance with proper technical indicators. For other fixed assets, depreciation is calculated using the straight-line method over the estimated useful life of the assets.

Mining assets are stated at acquisition and/or incorporation cost, depending on their origin.

Prestripping and preparation and development of the mine relates 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 waste and prepare the pit for exploitation.

Mining assets and pre-stripping are amortized based on extraction of proven and probable ore reserves.

h. Intangibles - These are mainly pre-operating costs including original feasibility studies and others aimed at enlarging production capacity, as well as costs associated with managements 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. Vacations – The annual cost of employee vacations is charged to results on the accrual basis.

j. Income taxes 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 and Specific Mining 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 set by Technical Bulletins N°60 and complements of the Chilean Institute of Accountants.

k. Severance indemnities - The Company accrues the severance indemnity liability at net present value for those employees whose individual employment contract envisages payment of severance indemnity and Board of Director decisions in the case of non-union employees. The severance indemnity liability is shown under long-term liabilities under the “Accruals” item.

l. Mine closure - The Company provides for mine closure cost and abandonment of installations at net present value pursuant to corporation policies and legal environment obligations entered into with government offices. Such accruals are presented in long-term liabilities under the “Accruals” item.

m. Cash equivalents - For 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 and the investments made by the Asset Managers who handle the short-term portfolio, according to the cash surplus investment policies defined to that effect.

n. Sales - 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 to that end contract clauses on dates for calculating final prices, and using the conservative criterion of adjusting provisional prices to month-end market values. Also, estimated losses have been provided for in the arbitration of the invoiced quantities.

o. Reclassifications - For comparative purposes, certain reclassifications have been made in the Financial Statements at June 30, 2006.

3. TIME DEPOSITS

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

	Currency	2007 ThUS\$	2006 ThUS\$
Foreign time deposits	US\$	167,208	459,686
Local time deposits	US\$	10,013	
Local financial investments	US\$	10,013	
Local financial investments	Ch\$	<u>6,492</u>	<u>3,707</u>
Total time deposits		<u><u>193,726</u></u>	<u><u>463,393</u></u>

4. MARKETABLE SECURITIES

The detail of investments in marketable securities is as follows:

	Currency	2007 ThUS\$	2006 ThUS\$
Asset Manager Deutsche	(*) US\$	62,772	
Asset Manager Blackrock	(*) US\$	63,240	
Local mutual funds	Ch\$	<u>9,767</u>	<u>9,710</u>
Total investments in marketable securities		<u><u>135,779</u></u>	<u><u>9,710</u></u>

(*) This portfolio's fair value at June 30, 2007, represented a net gain in income of ThUS\$11.

5. TRADE DEBTORS - NET

The detail of trade receivables, broken down by geographical destination, is as follows:

	2007 ThUS\$	2006 ThUS\$
Foreign debtors		
Europe	53,868	126,408
Asia Pacific	52,714	66,763
Asia Pacific - related parties (*)	189,417	185,181
Latin America		6,932
North America	16,225	13,646
Mark to market estimate and metal content adjustment	<u>(1,246)</u>	<u>(1,870)</u>
Total foreign debtors	<u>310,978</u>	<u>397,060</u>
Local debtors	<u>41,350</u>	<u>46,146</u>
Total	<u><u>352,328</u></u>	<u><u>443,206</u></u>

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

6. INVENTORIES - NET

The detail of inventories is as follows:

	2007 ThUS\$	2006 ThUS\$
Finished products	5,327	1,710
Products in process	23,163	27,359
Materials	29,568	25,372
Provision for obsolescence of materials	<u>(9,200)</u>	<u>(2,602)</u>
Total	<u><u>48,858</u></u>	<u><u>51,839</u></u>

7. FIXED ASSETS

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

	2007 ThUS\$	2006 ThUS\$
Land	<u>8,234</u>	<u>8,234</u>
Constructions and infrastructure:		
Buildings and constructions	615,884	591,551
Infrastructure	215,646	214,879
Installations	<u>15,746</u>	<u>14,232</u>
Total constructions and infrastructure	<u>847,276</u>	<u>820,662</u>
Machinery and equipment:		
Machinery and equipment	548,917	424,365
Furniture and fixtures	3,617	3,543
Information technology and communication equipment	17,786	17,839
Mobile equipment	96,045	82,305
Vehicles	<u>279</u>	<u>279</u>
Total machinery and equipment	<u>666,644</u>	<u>528,331</u>
Other fixed assets:		
El Mauro Dam works in progress	423,785	217,732
Projects in progress	132,917	134,299
Mining properties	12,643	12,643
Prestripping	44,824	44,824
Fixed assets for disposal	<u>279</u>	<u>224</u>
Total other fixed assets	<u>614,448</u>	<u>409,722</u>
Total fixed assets, gross	<u>2,136,602</u>	<u>1,766,949</u>
Accumulated depreciation of constructions and infrastructure	(216,135)	(190,563)
Amortization of mining properties and prestripping	(13,884)	(11,799)
Accumulated depreciation of machinery and equipment	<u>(281,290)</u>	<u>(244,547)</u>
Total accumulated depreciation and amortization	<u>(511,309)</u>	<u>(446,909)</u>
Total fixed assets – net	<u><u>1,625,293</u></u>	<u><u>1,320,040</u></u>

8. INTANGIBLES - NET

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

	2007	2006
	ThUS\$	ThUS\$
Cost of initial studies transferred from Minera El Chacay	8,487	8,487
Costs of support management prior to construction stage	8,204	8,204
Preoperating costs of construction stage	137,912	137,912
Costs of start-up, balance of construction	4,957	4,957
Preoperating gains and losses	8,500	8,500
Easements, water rights, software, trade marks, patents and other rights	8,822	6,394
Preoperating costs initial El Mauro Dam studies	<u>5,138</u>	<u>5,138</u>
Total intangibles	182,020	179,592
Accumulated amortization	<u>(43,384)</u>	<u>(37,434)</u>
Total intangibles, net	<u><u>138,636</u></u>	<u><u>142,158</u></u>

9. BANK LOANS

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

This outstanding debt was fully refinanced in 2004 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 every December 15 of each year, starting on June 15, 2005.

This refinancing allowed improving the interest rate spreads and the restrictions imposed in the previous loan, which resulted in a considerable saving in finance costs for the Company.

This refinancing meant paying an up-front commission of ThUS\$2,070, which has been deferred and is being amortized over the term of the new loan.

At June 30, 2007:

Financial institutions	Interest rate %	Short term ThUS\$	Long term ThUS\$
Citibank and others	5.6775	77,302	191,667
BBVA Banco Bhif	6.0506	<u>7,368</u>	<u> </u>
Total		<u><u>84,670</u></u>	<u><u>191,667</u></u>

At June 30, 2006:

Financial institutions	Interest rate %	Short term ThUS\$	Long term ThUS\$
Citibank and others	5.6775	77,483	268,333
BBVA Banco Bhif	5.3750	<u>5,080</u>	<u>7,163</u>
Total		<u><u>82,563</u></u>	<u><u>275,496</u></u>

10. ACCOUNTS PAYABLE

The detail of this item is as follows:

	2007 ThUS\$	2006 ThUS\$
Invoices payable	55,908	37,436
Withholdings from contractors	5,930	7,140
Insurance policies payable	1,963	1,087
Other	392	383
	<u>64,193</u>	<u>46,046</u>
Total	<u><u>64,193</u></u>	<u><u>46,046</u></u>

11. ACCRUALS

The detail of this item as at June 30, 2007 and 2006 is as follows:

	2007 ThUS\$	2006 ThUS\$
Short-term:		
Contractors		3,610
Personnel benefits	9,476	5,710
Major maintenance	8,131	7,776
Sundry	46	2,608
	<u>17,653</u>	<u>19,704</u>
Total	<u><u>17,653</u></u>	<u><u>19,704</u></u>
	2007 ThUS\$	2006 ThUS\$
Long-term:		
Severance indemnity	10,530	8,124
Mine closure costs	2,572	2,171
Sundry	2,992	
	<u>16,094</u>	<u>10,295</u>
Total	<u><u>16,094</u></u>	<u><u>10,295</u></u>

12. INCOME AND DEFERRED TAXES

a. Refundable taxes include the following:

	2007 ThUS\$	2006 ThUS\$
Current assets:		
Specific tax on petroleum products	426	268
Value added tax	7,673	6,945
Refundable income tax	10,243	
Other refundable withholding taxes		93
	<u>18,342</u>	<u>7,306</u>
Total short-term	<u>18,342</u>	<u>7,306</u>
Other assets (long term):		
Additional tax for advisory services	<u>4,672</u>	<u>3,867</u>
Total long-term	<u>4,672</u>	<u>3,867</u>

The long-term recoverable tax is included in Others under Other long-term assets.

b. First category income tax and specific mining tax

The provision for first category income tax at June 30, 2007 and 2006 was 17% of the net taxable income of ThUS\$875,688 and ThUS\$990,452, respectively, calculated as provided for in the Chilean Income Tax Law. The provision for the specific mining tax, applicable from 2006, was 4% of the net operating taxable income of ThUS\$887,300 and ThUS\$993,706, respectively.

In 2007 and 2006, the provisions for first category income and specific mining tax are presented in Income tax payable in current liabilities net of monthly provisional payments, specific mining tax credit, training credits, donations and credits for purchases of fixed assets.

Since Monthly Provisional Tax Payments are higher than the income tax determined for the period ended June 30, 2007, the ThUS\$10,243 surplus was reclassified to refundable taxes, as stated in Note 12 a).

	2007 ThUS\$	2006 ThUS\$
Income tax provision	(148,867)	(168,377)
Specific mining tax provision	(17,746)	(19,874)
Monthly provisional payments	166,220	133,335
Technical consulting services additional tax	327	481
Recoverable training expenses	48	44
Credits of donations	18	73
	<u> </u>	<u> </u>
Income tax and specific mining tax payable	<u> </u> -	<u> </u> (54,318)

c. Deferred taxes

At June 30, 2007 and 2006, the detail of accumulated deferred tax balances was as follows:

	2007				2006			
	<u>Assets</u>		<u>Liabilities</u>		<u>Assets</u>		<u>Liabilities</u>	
	Short term ThUS\$	Long term ThUS\$	Short term ThUS\$	Long term ThUS\$	Short term ThUS\$	Long term ThUS\$	Short term ThUS\$	Long term ThUS\$
Provision for metal content			1,582		318			
Provision for quantity variations	212							
Provision for uncollectible accounts	91				202			
Provision for vacations	444				358			
Provision for maintenance	1,382				1,322			
Provision for obsolete materials	1,817				442			
Severance indemnity		1,742				1,291		
Provision for mine closure		437				836		
Refinancing costs			59	147				205
Indirect manufacturing expense			1,336				883	
Indirect manufacturing charges			290				420	
Depreciation of fixed assets				115,931				103,880
Preoperational expenses				28,630				29,582
Specific mining tax	453	666	377	3,841	107	517	135	2,779
Others		1,089	2		83	488		466
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total deferred taxes	<u>4,399</u>	<u>3,934</u>	<u>3,646</u>	<u>148,549</u>	<u>2,832</u>	<u>3,132</u>	<u>1,438</u>	<u>136,912</u>

The net asset of ThUS\$753 (MUS\$ 1,394 in 2006) for short-term deferred taxes is presented in current assets.

The net liability of ThUS\$144,615 (MUS\$ 133,780 in 2006) for long-term deferred taxes is presented in long-term liabilities.

The composition of the charge to income for income tax for the period is as follows:

	2007	2006
	ThUS\$	ThUS\$
Current tax expense:		
Provision for income tax for the period	(148,867)	(168,377)
Surplus (deficit) provision for prior year income tax	65	(972)
Provision for specific mining tax	(17,746)	(19,874)
Deficit provision for prior year specific mining tax	(131)	
Deferred taxes:		
Changes in deferred taxes during the period	(25,451)	(1,235)
Deferred taxes for specific mining tax	(2,820)	(493)
Total charge to income	<u>(194,950)</u>	<u>(190,951)</u>

13. SHAREHOLDERS' EQUITY

a. The following are the equity movements during the 2007 and 2006 periods:

Items	Paid-in capital	Retained earnings	Total shareholders' equity net
	ThUS\$	ThUS\$	ThUS\$
Balance at January 1, 2006	373,820	1,081,748	1,455,568
Interim dividends		(470,000)	(470,000)
Net income for the period		842,695	842,695
Balance at June 30, 2006	<u>373,820</u>	<u>1,454,443</u>	<u>1,828,263</u>
Balance at January 1, 2007	373,820	1,476,460	1,850,280
Interim dividends		(700,000)	(700,000)
Net income for the period		841,203	841,203
Balance at June 30, 2007	<u>373,820</u>	<u>1,617,663</u>	<u>1,991,483</u>

- b. After the above equity movements, shareholdings of the subscribed and paid-in capital are as follows at June 30, 2007:

Shareholders	Number of shares	Subscribed and paid-in capital	
		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.	32,912,319	32,912	8.80
Total	<u>373,819,680</u>	<u>373,820</u>	<u>100.00</u>

- c. The Board of Directors approved the payment of the interim dividend of ThUS\$700,000 to shareholders in 2007 in ordinary meeting N°117 held on May 23, 2007.
- d. The Board of Directors approved the payment of the interim dividend of ThUS\$470,000 to shareholders in 2006 in ordinary meeting N°107 held on May 24, 2006.

14. BALANCES AND TRANSACTIONS WITH RELATED PARTIES

The following is a detail of balances and transactions with related parties. Antofagasta Minerals S.A., LP Investment Co. Ltd., Nippon LP Resources BV, and MM LP Holding BV are shareholders of the Company, with the other enterprises being related to the Company through common owners.

At June 30, 2007:

Related party	Transaction description	Transaction amount ThUS\$	Effect on income charge (credit) ThUS\$	Asset		Liability	
				ThUS\$	ThUS\$	ThUS\$	ThUS\$
Antofagasta Minerals S.A.	Administrative services received	698	586				478
	Technical support received	762	639				1
	Recovery of expenses	465	387				236
	Office rentals	3					3
	Expense collection	40	(30)	3			
Minera Michilla S.A.	Rental of offices in Santiago	102	102				17
	Expense collections	14	(14)	17			
Madeco S.A.	Purchase of materials for projects	412	135				
Minera El Tesoro	Expense collections	90	(90)				
Other related	Recovery of expenses and others	237	207	1			
LP Investment Co. Ltd.	Withholding 20% disallowed expens	61	61				
Nippon LP Resources BV	Withholding 20% disallowed expens	30	30				
MM LP Holding BV	Withholding 20% disallowed expens	18	18				
Total short-term						21	735
Antofagasta Minerals S.A.	Water rights						165
Total long-term							165

At June 30, 2006:

Related party	Transaction description	Transaction amount ThUS\$	Effect on income charge (credit) ThUS\$	Asset		Liability	
				ThUS\$	ThUS\$	ThUS\$	ThUS\$
Antofagasta Minerals S.A.	Administrative services received	2,199	1,830				1,040
	Technical support received	759	637				1
	Recovery of expenses	371	296				261
	Expense collection	22	(18)				
Minera Michilla S.A.	Office rental Santiago	100	100				16
Madeco S.A.	Purchase of materials for projects	120	120				
Banco de Chile	Financial expenses and others	13,276	2				
Minera El Tesoro	Expense collection	100	84	17			
Other related	Recovery of expenses and others	2					
LP Investment Co. Ltd.	Withholding 20% disallowed expense	31	31				
Nippon LP Resources BV	Withholding 20% disallowed expense	15	15				
MM LP Holding BV	Withholding 20% disallowed expense	9	9				
Total short-term						17	1,318
Antofagasta Minerals S.A.	Water rights						165
Total long-term							165

15. OTHER INCOME AND EXPENSES

The detail of other income and expenses is as follows:

	2007 ThUS\$	2006 ThUS\$
Other income:		
Profit on sale of assets		102
Other	4	42
Total	<u>4</u>	<u>144</u>
Other expense:		
Contribution to Minera Los Pelambres Foundation	513	
Deferred expenses		658
Project write offs	195	31
Loss on sale of fixed assets	21	
Provision for write off of housing loans	55	94
Other	128	47
Total	<u>912</u>	<u>830</u>

16. 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, except for:

Plaintiff	: Sociedad Agrícola Ganadera y Forestal Tipay and others.
Defendants	: CONAMA (Chilean National Environmental Commission), CONAMA's Board of Directors and 4 th Region's COREMA (Regional Environmental Commission).
Lawsuit Matter	: 15.333-2006. 3rd Civil Court of Santiago. : Public Annulment Lawsuit, Environmental Qualification Resolution RCA 38/ 299/ 300 regarding Integral Development Project. Minera Los Pelambres has become a party in this lawsuit, as it is directly affected by the possible adverse judgment.
Status	: Evidence being presented
Amount	: If the claim is accepted in a definitive court ruling in all instances, the annulment declaration of this resolution would basically affect the development of El Mauro project, which has a progress level of 89.4% at June 30, 2007. The Company has invested resources in this project at that date in the order of ThUS\$423,785.

Plaintiff : Comité Agua Potable Rural de Caimanes, Comité Defensa Valle del Pupio, Canal Comuneros Caimanes El Llano, Junta de Vecinos de Caimanes, Junta de Vecinos de Pupio.

Defendants : Water Board.

Lawsuit Matter : 12.004-5, Santiago Court of Appeal.
: Reclamation recourse, Resolution DGA 1791, which authorized the El Mauro Tailings Dam in accordance with Article 294 of the Water Code.

Status : On November 3, 2006, the Santiago Court of Appeal issued a ruling in favor of the recourse filed by the plaintiffs, repealing only the Water Board permit for building the dam. The same court rejected the request to cease operations filed by the plaintiffs. The Company presented cassation recourse with the Chilean Supreme Court.

Amount : It is unlikely that future production would be lost, if the Supreme Court upholds the Court of Appeals ruling that repeals the construction permit. At June 30, 2007, at a 89.4% completion stage, the Company has invested in this project an amount in the order of ThUS\$423,785.

Note : The Company intervened as party in the reclamation recourse since the recourse's outcome would affect it as the objected permit gives the go-ahead to the construction of the El Mauro Tailings Dam.

Plaintiff : Sociedad Agrícola Ganadera y Forestal Tipay.

Defendants : Water Board.

Lawsuit Matter : 11.915-5, Santiago Court of Appeal.
: Reclamation recourse, Resolution DGA 1791 that authorized the El Mauro Tailings Dam in accordance with Article 294 of the Water Code.

Status : On November 3, 2006, the Santiago Court of Appeal issued a ruling in favor of the recourse filed by the plaintiffs, repealing only the Water Board permit for building the dam. The same court rejected the request to cease operations filed by the plaintiffs. The Company presented cassation recourse with the Chilean Supreme Court.

Amount : It is unlikely that future production would be lost, if the Supreme Court upholds the Court of Appeals ruling that repeals the construction permit. At June 30, 2007, at an 89.4% completion stage, the Company has invested in this project an amount in the order of ThUS\$423,785.

Note : The Company intervened as party in the reclamation recourse since the recourse's outcome would affect it as the objected permit gives the go-ahead to the construction of the El Mauro Tailings Dam.

Plaintiff	: Sociedad Agrícola y Comercial Mauro Ltda.
Defendant	: (i) Main defendants: Muñoz Navarrete, Arnoldo, Jorge and Germán Muñoz; (ii) additional defendant: Minera Los Pelambres
Lawsuit	: 690/02, Twelfth Civil Court of Santiago
Matter	: Nullification of purchase agreement and recovery of sold property.
Status	: Main Ledger: On April 19, 2007, the judge of the court of first instance ruled the sale contract between Sociedad Agrícola y Comercial Mauro Ltda. and Arnoldo Muñoz Navarrete and others, dated June 26, 1992, to be nul. The Company acquired the property on January 11, 2001. Consequently accepts the revindication claim against Minera Los Pelambres, current owner of the property and orders its restitution once the sentence is final. On May 2, 2007: The defendants Arnoldo Muñoz N, Germán Muñoz G, Jorge Muñoz G., and Minera Los Pelambres, appeal the first instance ruling. The recourse is pending, to allow appealing the precautionary measure decreed on May 18, 2007 indicated below. Precautionary Measure: 14.12.05 The prohibition to celebrate acts and contracts was granted. In addition, on May 18, 2007, the precautionary condition paralyzing construction activities was rejected and the precautionary condition prohibiting the deposit of tailings was granted.
Amount	: The purchase agreement being requested for nullification (1992) is the one prior to the acquisition of the El Mauro property by the Company (2001). The property is recorded in the accounting records at a book value of ThUS\$3,300.
Plaintiff	: Sociedad Agrícola Ganadera y Forestal Tipay.
Defendants	: Minera Los Pelambres
Lawsuit	: 2206-2006. 27th Civil Court.
Matter	: Lawsuit for water rights in Fundo El Mauro. On 04/04/06: Parties submitted evidence. The notification is pending.
Amount	: If the decision is favorable, Minera Los Pelambres should sue Soc. Agrícola y Ganadera Forestal Tipay, within a 10-day term, in order to recognize against this company the existence of water rights registered in Fundo Mauro. The unfavorable result of this lawsuit does not imply the loss of the Company's water rights, but the obligation of suing the aforementioned company.
Requested by	: Comité de Agua Potable Rural de Caimanes.
Proceedings	: Process N° 2100-90.
Matter	: Administrative request to the Water Board to carry out the sentence of the Santiago Court, Trial N° 12.004.
Status	: On March 19, 2007, the Water Board denies the compliance request and consequent stoppage of the Dam involved.

Plaintiff	: Comité de Agua Potable Rural de Caimanes, Canal Comuneros de Caimanes, Junta de Vecinos de Caimanes; Junta de Vecinos de Pupio, Comité de Defensa del Valle del Pupio, Felipe Montalvo Santana, Jorge Vega Olivares, Magali Galarce Godoy, Myrella Ardieles uardia, Ines Ordenes Cortes, Rosa Galarce V., Victor Ugarte E., Sociedad Agrícola Ganadera and Forestal El Tipay.
Defendant	: Servicio Agrícola y Ganadero (Agricultural and Livestock Service).
Lawsuit.	: 971-06 Third Civil Court of Santiago.
Matter	: Nullification of the Administrative Procedure of Resolution N° 474 of the Agricultural and Livestock Service, which regularized the water rights of the Fundo Mauro property.
Status	: Evidence Period Concluded, pending testimony by the plaintiff, Victor Ugarte E.
Amount	: A scenario of future production loss as a result of an unfavorable ruling to the Company is improbable.
Note	: Minera Los Pelambres took part in the nullification proceedings because a possible unfavorable sentence would affect the Company, as it is the current owner of those water rights.

II. ENCUMBRANCES:

The Company's assets are not subject to 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 in cases number 690-02, as mentioned above.
- Precautionary measure prohibiting the deposit of tailings or waste in the Mauro Dam, decreed in the above mentioned trial.

Deferred Customs Duties

The Company has paid 100% of deferred customs duties expiring in 2007:

	2007	2006
	ThUS\$	ThUS\$
Deferred customs duties		
Due in		
2007	<u> </u>	<u> 684</u>
Total benefits under Law N° 18,634	<u> -</u>	<u> 684</u>

III. OTHER GUARANTEES

Guarantees Provided:

- The Company has issued performance bonds through banks for ThUS\$12,655 in favor of the Water Board of the Chilean Ministry of Public Works as collateral for any possible costs incurred in a possible abandonment of the construction and operation of the Los Quillayes tailing dam. Such bonds are in force until July 3, 2009.
- The Company has issued performance bonds through banks for ThUS\$4,877 in favor of the Water Board of the Chilean Ministry of Public Works as collateral for any possible costs incurred in a possible abandonment of the construction and operation of the El Mauro tailing dam. Such bonds are in force until October 26, 2009.
- The Company has issued bank guarantees in favor of the Water Board of the Chilean Ministry of Public Works, to guarantee the reposition costs for any possible abandonment of tailings dams system and re-circulation of water of the El Mauro tailing dam project for UF17,526, equivalent to ThUS\$620 as a requirement for river flows modification permits.

Guarantees Received:

- To date, performance bonds and letters of credits, issued by foreign or local banks in favor of the Company, have been provided by contractors and suppliers for an approximate total amount of ThUS\$78,198, to guarantee compliance with contracts and in the case of equipment its quality and performance.

IV. RESTRICTIONS TO OPERATIONS OR LIMITS

The new bank loan contract resulting from the refinancing mentioned in Note 9 significantly reduces the restrictions regarding indebtedness, dividend distribution and hedging operations, and fully eliminates restrictions regarding mortgage and lien guarantees, which were released during 2005.

V. MINERAL SALE AGREEMENTS

The mineral sale agreements correspond to the contracts entered into with domestic and foreign clients, valued at the selling prices in force at year-end. Such prices are agreed on FOB or CIF terms, as appropriate, and are negotiated annually.

The sale agreements of minerals in accordance with the agreed contracts amount to:

Year	ThUS\$
2007	1,693,000
2008	1,875,000

17. SUBSEQUENT EVENTS

Between July 1, 2007, and the date of issue of these financial statements, no significant events occurred that could affect their interpretation. However, on August 24, notice was given by the Court of Los Vilos of a new lawsuit brought against the company. At that time, notice was also given of a restraining order issued to suspend construction work in the area of the Pupío stream on works that are part of the El Mauro Tailings Storage Facility, on which progress towards completion is now approximately 95%.

This suit is of the nature of a “complaint of new construction work”, brought on the contention that the company did not have the applicable permits for this work. This same issue is a matter taken up in the claims filed with the Chilean Supreme Court and now pending decision.

The company trusts that it will be able to successfully appeal against this situation, and has filed all available legal actions for such purpose.

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