

MINERA LOS PELAMBRES
UNAUDITED FINANCIAL STATEMENTS
FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2007 AND 2006

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

MINERA LOS PELAMBRES

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

	2007	2006
	ThUS\$	ThUS\$
ASSETS		
CURRENT ASSETS		
Cash at bank and in hand	287	879
Time deposits	229,291	531,860
Marketable securities	324,857	6,472
Trade debtors - net	273,696	368,747
Sundry debtors	35,533	44,837
Notes receivable	253	
Accounts receivable from related companies	3	24
Inventories - net	75,238	46,918
Refundable taxes	29,251	4,470
Prepaid expenses	5,533	6,568
Deferred taxes	4,580	2,047
Other current assets	18	150
Total current assets	<u>978,540</u>	<u>1,012,972</u>
FIXED ASSETS:		
Land	8,234	8,234
Constructions and infrastructure	855,090	821,987
Machinery and equipment	668,135	542,650
Other fixed assets	645,266	495,761
Subtotal	2,176,725	1,868,632
Accumulated depreciation	<u>(498,713)</u>	<u>(462,464)</u>
Total fixed assets - net	<u>1,678,012</u>	<u>1,406,168</u>
OTHER ASSETS:		
Intangibles - net	137,768	141,564
Others	13,770	5,551
Total other assets	<u>151,538</u>	<u>147,115</u>
TOTAL ASSETS	<u><u>2,808,090</u></u>	<u><u>2,566,255</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	86,032	87,401
Dividends payable	370,000	
Accounts payable	68,287	55,725
Sundry creditors	9	8
Accounts payable to related companies	2,112	1,181
Accruals	18,019	20,822
Withholdings	22,417	37,913
Income tax payable		92,127
Unearned income	23,788	
Other		684
	<u>590,664</u>	<u>295,861</u>
LONG-TERM LIABILITIES:		
Bank loans	191,667	273,108
Accounts payable to related companies	165	165
Accruals	14,234	11,058
Deferred taxes	146,558	135,922
	<u>352,624</u>	<u>420,253</u>
SHAREHOLDERS' EQUITY:		
Paid-in capital	373,820	373,820
Retained earnings:		
Retained earnings	1,476,460	1,081,748
Interim dividends	(1,256,409)	(1,070,000)
Net income for the period	1,270,931	1,464,573
	<u>1,864,802</u>	<u>1,850,141</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	<u><u>2,808,090</u></u>	<u><u>2,566,255</u></u>

MINERA LOS PELAMBRES

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

	2007 ThUS\$	2006 ThUS\$
REVENUES	1,913,108	2,130,068
OPERATING COSTS	<u>(316,275)</u>	<u>(288,815)</u>
OPERATING MARGIN	1,596,833	1,841,253
ADMINISTRATIVE AND SELLING EXPENSES	<u>(54,866)</u>	<u>(54,331)</u>
OPERATING INCOME	<u>1,541,967</u>	<u>1,786,922</u>
OTHER INCOME (EXPENSES):		
Other income	7,784	691
Financial income	24,288	26,855
Financial expenses	(13,849)	(16,411)
Other expenses	(1,869)	(1,375)
Exchange differences	<u>6,564</u>	<u>1,080</u>
Other income - net	<u>22,918</u>	<u>10,840</u>
INCOME BEFORE INCOME TAX	1,564,885	1,797,762
INCOME TAX	<u>(293,954)</u>	<u>(333,189)</u>
NET INCOME FOR THE PERIOD	<u><u>1,270,931</u></u>	<u><u>1,464,573</u></u>

The accompanying notes are an integral part of these financial statements.

MINERA LOS PELAMBRES**STATEMENTS OF CASH FLOWS**
FOR THE NINE MONTH PERIODS ENDED SEPTEMBER 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	1,270,931	1,464,573
Charges (credits) to income not representing cash flows:		
Depreciation and amortization	52,180	52,869
Mark to Market	(114,516)	(11,133)
Metal content accrual	(399)	
Obsolescence accrual	6,599	
Accruals and other long-term	(468)	892
Accrued interest	4,591	5,959
Fixed asset write-offs	195	53
Profit on sale of fixed assets	(7,122)	(609)
Exchange differences	(6,564)	(1,080)
Others	(814)	1,134
(Increase) decrease in current assets:		
Trade debtors	160,644	(131,393)
Sundry debtors	(1,735)	3,718
Notes receivable	(169)	
Accounts receivable from related companies	1	5
Inventories	(35,248)	1,605
Refundable taxes	(22,505)	515
Prepaid expenses	6,137	69
Other assets	(542)	(132)
Increase (decrease) in current liabilities:		
Dividends and accounts payable	(37,116)	16,255
Accounts payable to related companies	538	74
Accruals	(4,048)	(4,780)
Withholdings	(15,597)	17,562
Income tax payable	(78,719)	20,428
Unearned income	23,104	(1,488)
Net cash provided by operating activities	<u>1,199,358</u>	<u>1,435,096</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Additions to fixed assets - net	(207,856)	(344,935)
Sale of fixed assets	7,144	1,426
Net cash used in investing activities	<u>(200,712)</u>	<u>(343,509)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Dividends paid	(886,409)	(1,070,000)
Loan repayment	(43,108)	(43,108)
Net cash used in financing activities	<u>(929,517)</u>	<u>(1,113,108)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	69,129	(21,521)
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>554,435</u></u>	<u><u>539,211</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 6/16/2005, and the relevant regulations issued by the Superintendence of Securities and Insurance ("SVS") through its Exempt Resolutions 549 of 9/23/2005 and 39 of 2/3/2006, 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 September 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\$	511.23	537.03

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

c. Time deposits - Time deposits and other instruments entered into 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 No.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 September 30, 2007, this item is presented net of a provision for obsolescence of ThUS\$8,937 (ThUS\$2,601 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 Laws.

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 No.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 September 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\$	187,325	509,538
Local time deposits	US\$	35,027	22,322
Local financial investments	Ch\$	<u>6,939</u>	<u> </u>
Total time deposits		<u><u>229,291</u></u>	<u><u>531,860</u></u>

4. MARKETABLE SECURITIES

The detail of investments in marketable securities is as follows:

	Currency	2007 ThUS\$	2006 ThUS\$
Asset Manager Deutsche	(*) US\$	154,407	
Asset Manager Blackrock	(*) US\$	154,940	
Local mutual funds	Ch\$	<u>15,510</u>	<u>6,472</u>
Total investments in marketable securities		<u><u>324,857</u></u>	<u><u>6,472</u></u>

(*) This portfolio's fair value at September 30, 2007, represented a net gain in income of ThUS\$43.

5. TRADE DEBTORS - NET

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

	2007 ThUS\$	2006 ThUS\$
Foreign debtors		
Europe	114,790	66,967
Asia Pacific	24,064	58,072
Asia Pacific - related parties (*)	67,000	186,440
Latin America	157	
North America	26,317	8,844
Mark to market estimate and metal content adjustment	<u>(79)</u>	<u>(3,608)</u>
Total foreign debtors	<u>232,249</u>	<u>316,715</u>
Local debtors	<u>41,447</u>	<u>52,032</u>
Total	<u><u>273,696</u></u>	<u><u>368,747</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	30,452	3,203
Products in process	23,915	17,237
Materials	29,808	29,079
Provision for obsolescence of materials	<u>(8,937)</u>	<u>(2,601)</u>
Total	<u><u>75,238</u></u>	<u><u>46,918</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	622,562	592,825
Infrastructure	215,646	214,879
Installations	<u>16,882</u>	<u>14,283</u>
Total constructions and infrastructure	<u>855,090</u>	<u>821,987</u>
Machinery and equipment:		
Machinery and equipment	575,494	441,521
Furniture and fixtures	3,617	3,543
Information technology and communication equipment	17,786	17,839
Mobile equipment	70,959	79,468
Vehicles	<u>279</u>	<u>279</u>
Total machinery and equipment	<u>668,135</u>	<u>542,650</u>
Other fixed assets:		
El Mauro Dam works in progress	467,037	272,825
Projects in progress	120,483	165,245
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>645,266</u>	<u>495,761</u>
Total fixed assets, gross	<u>2,176,725</u>	<u>1,868,632</u>
Accumulated depreciation of constructions and infrastructure	(221,933)	(197,420)
Amortization of mining properties and prestripping	(14,393)	(12,305)
Accumulated depreciation of machinery and equipment	<u>(262,387)</u>	<u>(252,739)</u>
Total accumulated depreciation and amortization	<u>(498,713)</u>	<u>(462,464)</u>
Total fixed assets – net	<u><u>1,678,012</u></u>	<u><u>1,406,168</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 ThUS\$	2006 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	9,424	7,176
Preoperating costs initial El Mauro Dam studies	<u>5,138</u>	<u>5,138</u>
Total intangibles	182,622	180,374
Accumulated amortization	<u>(44,854)</u>	<u>(38,810)</u>
Total intangibles, net	<u><u>137,768</u></u>	<u><u>141,564</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 in June, 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 September 30, 2007:

Financial institutions	Interest rate %	Short term ThUS\$	Long term ThUS\$
Citibank and others	5.6775	81,195	191,667
BBVA Banco Bhif	5.7463	<u>4,837</u>	<u> </u>
Total		<u><u>86,032</u></u>	<u><u>191,667</u></u>

At September 30, 2006:

Financial institutions	Interest rate %	Short term ThUS\$	Long term ThUS\$
Citibank and others	5.6775	82,489	268,333
BBVA Banco Bhif	6.3050	<u>4,912</u>	<u>4,775</u>
Total		<u><u>87,401</u></u>	<u><u>273,108</u></u>

10. ACCOUNTS PAYABLE

The detail of this item is as follows:

	2007 ThUS\$	2006 ThUS\$
Invoices payable	59,381	39,443
Withholdings from contractors	4,624	10,303
Insurance policies payable	3,879	5,594
Other	<u>403</u>	<u>385</u>
Total	<u><u>68,287</u></u>	<u><u>55,725</u></u>

11. ACCRUALS

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

	2007 ThUS\$	2006 ThUS\$
Short-term:		
Contractors	8	2,811
Personnel benefits	12,330	5,661
Major maintenance	5,489	9,309
Sundry	192	3,041
	<u>18,019</u>	<u>20,822</u>
Total	<u>18,019</u>	<u>20,822</u>
	2007 ThUS\$	2006 ThUS\$
Long-term:		
Severance indemnity	11,559	8,787
Mine closure costs	2,675	2,271
	<u>14,234</u>	<u>11,058</u>
Total	<u>14,234</u>	<u>11,058</u>

12. INCOME AND DEFERRED TAXES

a. Refundable taxes:

	2007 ThUS\$	2006 ThUS\$
Current assets:		
Specific tax on petroleum products	434	253
Value added tax	6,004	4,125
Refundable income tax	22,720	
Other refundable withholding taxes	93	92
	<u>29,251</u>	<u>4,470</u>
Total short-term	<u>29,251</u>	<u>4,470</u>
Other assets (long term):		
Additional tax for advisory services	4,815	3,884
	<u>4,815</u>	<u>3,884</u>
Total long-term	<u>4,815</u>	<u>3,884</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 September 30, 2007 and 2006 was 17% of the net taxable income of ThUS\$1,409,210 and ThUS\$1,731,157, respectively, calculated as provided for in the Chilean Income Tax Law. The provision for the specific mining tax, applicable from 2006, at September 30, 2007 and 2006 was 4% of the net operating taxable income of ThUS\$1,396,810 and ThUS\$1,735,150, 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 September 30, 2007, the ThUS\$22,720 surplus was reclassified to refundable taxes, as stated in Note 12 a).

	2007	2006
	ThUS\$	ThUS\$
Income tax provision	(239,566)	(294,297)
Specific mining tax provision	(27,936)	(34,703)
Monthly provisional payments	266,660	235,885
Technical consulting services additional tax	550	808
Recoverable training expenses	101	78
Credits of donations	191	102
	<u> </u>	<u> </u>
Income tax and specific mining tax payable	<u> - </u>	<u> (92,127) </u>

c. Deferred taxes

At September 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	Long term	Short term	Long term	Short term	Long term	Short term	Long term
	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$
Provision for quantity and price variations			54		614			
Provision for uncollectible accounts	102				213			
Provision for vacations	506				391			
Provision for maintenance	933				1,582			
Provision for obsolete materials	1,594				442			
Advance payments from clients	4,044							
Severance indemnity		1,910				1,404		
Provision for mine closure		323				849		
Refinancing costs			59					191
Indirect manufacturing expense			2,685				1,163	
Indirect manufacturing charges			272				324	
Depreciation of fixed assets				116,636				106,129
Preoperational expenses				28,385				29,290
Specific mining tax	832	745	354	4,515	367	330	168	2,920
Others	1		8		93	488		463
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total deferred taxes	<u>8,012</u>	<u>2,978</u>	<u>3,432</u>	<u>149,536</u>	<u>3,702</u>	<u>3,071</u>	<u>1,655</u>	<u>138,993</u>

The net asset of ThUS\$4,580 (MUS\$2,047 in 2006) for short-term deferred taxes is presented in current assets.

The net liability of ThUS\$146,558 (MUS\$ 135,922 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 ThUS\$	2006 ThUS\$
Current tax expense:		
Provision for income tax for the period	(239,566)	(294,297)
Surplus (deficit) provision for prior year income tax	65	(972)
Provision for specific mining tax	(27,936)	(34,703)
Deficit provision for prior year specific mining tax	(131)	
Deferred taxes:		
Changes in deferred taxes during the period	(23,374)	(2,623)
Deferred taxes for specific mining tax	(3,012)	(594)
Total charge to income	<u>(293,954)</u>	<u>(333,189)</u>

13. SHAREHOLDERS' EQUITY

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

Items	Paid-in capital ThUS\$	Retained earnings ThUS\$	Total shareholders' equity net ThUS\$
Balance at January 1, 2006	373,820	1,081,748	1,455,568
Interim dividends		(1,070,000)	(1,070,000)
Net income for the period		1,464,573	1,464,573
Balance at September 30, 2006	<u>373,820</u>	<u>1,476,321</u>	<u>1,850,141</u>
Balance at January 1, 2007	373,820	1,476,460	1,850,280
Interim dividends		(1,256,409)	(1,256,409)
Net income for the period		1,270,931	1,270,931
Balance at September 30, 2007	<u>373,820</u>	<u>1,490,982</u>	<u>1,864,802</u>

- b. After the above equity movements, shareholdings of the subscribed and paid-in capital are as follows at September 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 dividends to the Company's shareholders in 2007 in ordinary meeting No.117 held on May 23, 2007, in extraordinary meeting held on August 10, 2007 and in ordinary meeting No.120 held on September 27, 2007, for ThUS\$700,000, ThUS\$186,409 and ThUS\$370,000, respectively.
- d. The Board of Directors approved the payment of the interim dividends to the Company's shareholders in 2006 in ordinary meeting No.107 held on May 24, 2006 and in ordinary meeting No.109 held on August 31, 2006, for ThUS\$470,000 and ThUS\$600,000, respectively.

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 September 30, 2007:

Related party	Transaction description	Transaction amount	Effect on income charge (credit)	Asset	Liability
		ThUS\$	ThUS\$	ThUS\$	ThUS\$
Antofagasta Minerals S.A.	Administrative services received	1,142	960		864
	Technical support received	1,148	964		172
	Recovery of expenses	1,407	1,170		1,058
	Expense collection	61	(37)		
Minera Michilla S.A.	Rental of offices in Santiago	155	155		18
	Expense collections	17	(14)		
Madeco S.A.	Purchase of materials for projects	539	241		
Minera El Tesoro	Expense collections	153	(128)		
Other related	Recovery of expenses and others	378	307	3	
LP Investment Co. Ltd.	Withholding 20% disallowed expenses	61	61		
Nippon LP Resources BV	Withholding 20% disallowed expenses	30	30		
MM LP Holding BV	Withholding 20% disallowed expenses	18	18		
Total short-term				<u>3</u>	<u>2,112</u>
Antofagasta Minerals S.A.	Water rights				<u>165</u>
Total long-term					<u>165</u>

At September 30, 2006:

Related party	Transaction description	Transaction amount	Effect on income charge (credit)	Asset	Liability
		ThUS\$	ThUS\$	ThUS\$	ThUS\$
Antofagasta Minerals S.A.	Administrative services received	1,606	1,347		794
	Technical support received	1,133	951		127
	Recovery of expenses	456	369		243
	Expense collection	32	(27)	4	
Minera Michilla S.A.	Office rental Santiago	150	150		17
Madeco S.A.	Purchase of materials for projects	2,165	1,267		
Banco de Chile	Financial expenses and others	13,277	3		
Minera El Tesoro	Expense collection	150	(126)	17	
Other related	Recovery of expenses and others	5	1	3	
LP Investment Co. Ltd.	Withholding 20% disallowed expenses	31	31		
Nippon LP Resources BV	Withholding 20% disallowed expenses	15	15		
MM LP Holding BV	Withholding 20% disallowed expenses	9	9		
Total short-term				<u>24</u>	<u>1,181</u>
Antofagasta Minerals S.A.	Water rights				<u>165</u>
Total long-term					<u>165</u>

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	7,122	609
Other	<u>662</u>	<u>82</u>
Total	<u><u>7,784</u></u>	<u><u>691</u></u>
Other expense:		
Contribution to Minera Los Pelambres Foundation	1,498	
Deferred expenses		1,151
Project write offs	195	31
Provision for write off of housing loans	90	146
Other	<u>86</u>	<u>47</u>
Total	<u><u>1,869</u></u>	<u><u>1,375</u></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. 3 rd 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	: The period allowed for producing evidence is completed. Observations to evidence are pending.
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 96.7% at September 30, 2007. The Company, which considers that a court ruling of this nature is not probable, has invested resources in this project at that date in the order of ThUS\$467,037, plus pre-operating expenditures classified in intangibles for ThUS\$5,138.

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 : 12,004-5, Santiago Court of Appeals

Matter : Reclamation recourse, Resolution DGA 1791, which authorized the El Mauro Tailings Dam in accordance with Article 294 of the Water Code.

Status : Cassation recourses filed by DGA and Minera Los Pelambres, are in the list of cases for allegations by the parties at the Chilean Supreme Court in order to cancel the decision of Santiago Court of Appeals. On November 3, 2006, the Santiago Court of Appeals 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.

Amount : The legal arguments of Minera Los Pelambres' defense are deemed to be considerably strong and therefore it is expected that the permit issued by the Water Board should not be revoked. At September 30, 2007, at a 96.7% completion stage, the Company has invested in this project an amount in the order of ThUS\$467,037, plus pre-operating expenditures classified in intangibles for ThUS\$5,138.

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 El Tipay

Defendants : Water Board

Lawsuit : 11,915-5, Santiago Court of Appeals

Matter : Reclamation recourse, Resolution DGA 1791 that authorized the El Mauro Tailings Dam in accordance with Article 294 of the Water Code.

Status : Cassation recourses filed by DGA and Minera Los Pelambres, are in the list of cases for allegations by the parties at the Chilean Supreme Court in order to cancel the decision of Santiago Court of Appeals. On November 3, 2006, the Court of Appeals of Santiago 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.

Amount : The legal arguments of Minera Los Pelambres' defense are deemed to be considerably strong and therefore it is expected that the permit issued by the Water Board should not be revoked. At September 30, 2007, at a 96.7% completion stage, the Company has invested in this project an amount in the order of ThUS\$467,037, plus pre-operating expenditures classified in intangibles for ThUS\$5,138.

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 C; (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 null. The Company acquired the property on January 11, 2001. Consequently, it 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.
Precautionary Measure: 12.14.05 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 El Mauro property by the Company (2001). Should the case be lost, the second purchase agreement would also be nullified. 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 Sociedad 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 No. 2100-90.
Matter : Administrative request to the Water Board to carry out the sentence of the Santiago Court, Trial No. 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 Ardiles Guardia, Ines Ordenes Cortes, Rosa Galarce V., Víctor 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 No. 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, Víctor 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.

Plaintiff : Sociedad Agrícola Ganadera y Forestal El Tipay
Defendant : Minera Los Pelambres
Lawsuit : 7.639, Court of First Instance of Los Vilos.
Matter : Denouncement of New Special Construction Work.
Status : On August 21, 2007 the court orders the paralyzation of the construction activities in the river-bed of brook Pupio. On August 21, 2007 Minera Los Pelambres requested nullification of the construction work, pleas as to jurisdiction of the court, nullification of summon of plea and evidence, and nullification of stoppage of construction work. The motion of dismissal and appointing of and number of experts to produce an expert report are pending.
Amount : The legal arguments of Minera Los Pelambres' defense are deemed to be strong enough to reject the plaintiffs' claim.

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 Ardiles Guardia, Ines Ordenes Cortes, Rosa Galarce V., Víctor Ugarte E., Sociedad Agrícola Ganadera and Forestal El Tipay.

Defendant : Servicio Agrícola y Ganadero (Agricultural and Livestock Service).

Lawsuit : 8004-06 Eleventh Civil Court of Santiago.

Matter : Public Nullification of Resolution No. 474 of the Agricultural and Livestock Service, which regularized the water rights of the Fundo Mauro property.

Status : Procedures of the reply to the counterclaim of the Agricultural and Livestock Service and Minera Los Pelambres have been attended. Evidence has not yet been submitted.

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.
- Paralyzing construction activities in river-bed of brook Pupio decreed by the judge of Los Vilos, lawsuit 7,639.

Deferred Customs Duties:

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

	2007	2006
Deferred customs duties	ThUS\$	ThUS\$
Due in		
2007	<u> </u>	<u>684</u>
Total benefits under Law No.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 El Mauro tailing dam. Such bonds are in force until October 26, 2009.
- The Company has issued performance bonds through banks in favor of the Water Board of the Chilean Ministry of Public Works, as collateral for the reposition costs for any possible abandonment of tailings dams system and re-circulation of water of El Mauro tailing dam project for UF17,526, equivalent to ThUS\$657, as a requirement for river flows modification permits.
- The Company has issued performance bonds through banks in favor of the Chilean Ministry of Public Works for Ch\$107,391,825, equivalent to ThUS\$210, in order to guarantee the compliance with the Ad Referendum Agreement entered into with the Chilean Highway Administration for the improvement of the public road Cavilolen Fundo Mauro. Such bonds are in force until July 31, 2009.
- On October 25, 2007, in lawsuit 690-2002 at the Twelfth Civil Court of Santiago, the Company offered the court a guarantee in the form of a performance bond for UF91,000, equivalent to ThUS\$3,414, to replace the precautionary measure prohibiting the deposit of tailings in Fundo Mauro property. The court should decide whether it accepts replacing the aforementioned precautionary measure by the performance bond offered.

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\$87,619, 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	1,090,000
2008	1,980,000

17. SUBSEQUENT EVENTS

Between October 1, 2007 and the date when these financial statements are issued, there have been no subsequent events that could materially affect them.

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