

**MINERA LOS PELAMBRES**  
UNAUDITED FINANCIAL STATEMENTS  
FOR THE FIRST HALF ENDED 30 JUNE 2008 AND 2007

(TRANSLATION FROM SPANISH VERSION  
FILED WITH SUPERINTENDENCIA DE VALORES Y SEGUROS  
DE CHILE 27<sup>TH</sup> AUGUST 2008)

## MINERA LOS PELAMBRES

BALANCE SHEETS AT JUNE 30, 2008 AND 2007  
(In thousands of United States dollars - ThUS\$)

	2008 ThUS\$	2007 ThUS\$
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash at bank and in hand	7,943	228
Time deposits	160,833	193,726
Marketable securities	190,494	135,779
Trade debtors - net	445,508	352,328
Sundry debtors	7,512	31,395
Notes receivable	117	180
Accounts receivable from relates companies	16	21
Inventories - net	88,987	48,858
Recoverable taxes	10,923	18,342
Prepaid expenses	10,271	6,857
Deferred taxes	6,354	753
Other current assets	17	17
Total current assets	<u>928,975</u>	<u>788,484</u>
<b>FIXED ASSETS:</b>		
Land	8,234	8,234
Constructions and infrastructure	856,146	847,276
Machinery and equipment	718,650	666,644
Other fixed assets	880,303	614,448
Subtotal	2,463,333	2,136,602
Accumulated depreciation	<u>(554,236)</u>	<u>(511,309)</u>
Total fixed assets - net	<u>1,909,097</u>	<u>1,625,293</u>
<b>OTHER ASSETS:</b>		
Intangibles - net	130,963	138,636
Others	12,199	10,618
Total other assets	<u>143,162</u>	<u>149,254</u>
<b>TOTAL ASSETS</b>	<u><u>2,981,234</u></u>	<u><u>2,563,031</u></u>

The accompanying notes are an integral part of these financial statements

	<b>2008</b>	<b>2007</b>
	ThUS\$	ThUS\$
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>CURRENT LIABILITIES:</b>		
Bank loans: short-term portion of long-term debt	76,940	84,670
Accounts payable	80,271	64,193
Sundry creditors	37	8
Accounts payable to related companies	666	735
Accruals	8,686	17,653
Withholdings	56,179	51,748
Income tax payable	30,317	
Unearned income	32,154	
	<u>285,250</u>	<u>219,007</u>
<b>LONG-TERM LIABILITIES:</b>		
Bank loans	115,000	191,667
Accounts payable to related companies	165	165
Accruals	15,689	16,094
Deferred taxes	161,147	144,615
	<u>292,001</u>	<u>352,541</u>
<b>SHAREHOLDERS' EQUITY:</b>		
Paid-in capital	373,820	373,820
Retained earnings:		
Retained earnings	1,611,443	1,476,460
Net income for the period	1,018,720	841,203
Interim dividends	(600,000)	(700,000)
	<u>2,403,983</u>	<u>1,991,483</u>
Total shareholders' equity, net		
	<u>2,403,983</u>	<u>1,991,483</u>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<u><u>2,981,234</u></u>	<u><u>2,563,031</u></u>

## MINERA LOS PELAMBRES

STATEMENTS OF INCOME  
FOR THE SIX MONTH PERIODS ENDED JUNE 30, 2008 AND 2007  
(In thousands of United States dollars - ThUS\$)

	<b>2008</b> ThUS\$	<b>2007</b> ThUS\$
REVENUES	1,698,918	1,296,113
OPERATING COSTS	<u>(319,865)</u>	<u>(231,640)</u>
OPERATING MARGIN	1,379,053	1,064,473
ADMINISTRATIVE AND SELLING EXPENSES	<u>(71,648)</u>	<u>(37,038)</u>
OPERATING INCOME	<u>1,307,405</u>	<u>1,027,435</u>
OTHER INCOME (EXPENSES):		
Other income	5,005	4
Financial income	5,794	17,857
Financial expenses	(6,469)	(9,543)
Other expenses	(1,615)	(912)
Exchange differences	<u>(27,323)</u>	<u>1,312</u>
Other income - net	<u>(24,608)</u>	<u>8,718</u>
INCOME BEFORE INCOME TAX	1,282,797	1,036,153
INCOME TAX	<u>(264,077)</u>	<u>(194,950)</u>
NET INCOME FOR THE PERIOD	<u><u>1,018,720</u></u>	<u><u>841,203</u></u>

The accompanying notes are an integral part of these financial statements

**MINERA LOS PELAMBRES**STATEMENTS OF CASH FLOWS  
FOR THE SIX MONTH PERIODS ENDED JUNE 30, 2008 AND 2007  
(In thousands of United States dollars - ThUS\$)

	<b>2008</b>	<b>2007</b>
	ThUS\$	ThUS\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income for the period	1,018,720	841,203
Charges (credits) to income not representing cash flows:		
Depreciation and amortization	36,999	34,787
Mark to Market	(70,533)	(113,349)
Provision for finalization (final liquidations)	(256)	(9,306)
Obsolescence accrual		6,599
Accruals and other long-term	3,341	4,630
Accrued interest	274	841
Fixed assets write-off		195
Loss on sales of fixed assets	1	21
Exchange differences	27,323	(1,312)
Others	(62)	(154)
(Increase) decrease in operating assets:		
Trade debtors	(88,697)	89,752
Sundry debtors	13,819	2,403
Notes receivable	209	(96)
Accounts receivable from related companies	(12)	(17)
Inventories	(14,402)	(8,868)
Recoverable taxes	64,583	(11,596)
Prepaid expenses	1,638	4,813
Other current assets	(706)	(541)
Increase (decrease) in operating liabilities:		
Accounts payable	(30,105)	(34,952)
Accounts payable to related companies	(587)	(839)
Accruals	(13,389)	(4,413)
Withholdings	12,090	13,734
Income tax payable	31,268	(81,716)
Unearned income	32,154	(684)
Net cash provided by operating activities	<u>1,023,670</u>	<u>731,135</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Additions to fixed assets - net	(185,538)	(145,988)
Sales of fixed assets	60	1
Net cash used in investing activities	<u>(185,478)</u>	<u>(145,987)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Dividend paid	(600,000)	(700,000)
Loan repayment	(43,108)	(40,721)
Net cash used in financing activities	<u>(643,108)</u>	<u>(740,721)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	195,084	(155,573)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	<u>164,186</u>	<u>485,306</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u><u>359,270</u></u>	<u><u>329,733</u></u>

The accompanying notes are an integral part of these financial statements

# MINERA LOS PELAMBRES

## NOTES TO THE FINANCIAL STATEMENTS

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

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### 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 June 30, 2008 and 2007 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 transactions have been converted into US\$ amounts using the observed exchange rate on the date of each transaction. Asset and liability balances for accounts recorded in local currency have been converted to United States dollar amounts using the closing exchange rate at the end of each period:

		2008	2007
Closing exchange rate (Chilean peso/US dollar)	Ch\$	526.05	526.86
Unidad de Fomento (Inflation index-linked units of account)	Ch\$	20,252.71	18,624.17

Exchange differences are recognized in results for the period.

**c. Time deposits** - Time deposits and instruments entered into under resale agreements are stated at original investment amount plus accrued interest at the close of each period.

**d. Marketable securities** - Beginning in 2007, the Company outsourced part of its 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 processed minerals inventories are stated at weighted average cost in conformity with the method of full absorption, that is including 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, 2008, this item is presented net of a provision for obsolescence of ThUS\$8,937 (ThUS\$9,200 in 2007).

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

Prestripping and preparation and development of the mine relates to the 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 preoperating 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 prestripping are amortized on the basis of 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 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 amortized from a financial standpoint based on the extraction of proven and provable ore reserves.

**i. Vacations** - The periodic 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 basis 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 agencies. Such accruals are shown in long-term liabilities under the “Accruals” item.

**m. Cash equivalents** - For purposes of the statement of cash flows, cash equivalent 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. 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 the period 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 regarding dates for calculating final prices, and using the conservative criterion of adjusting provisional prices to month-end market values. In addition, estimated losses has been provided for the arbitration of the invoiced quantities.

**o. Reclassifications** - For comparative purposes, certain reclassifications have been made in the financial statements at June 30, 2007.

### 3. TIME DEPOSITS

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

	<b>Currency</b>	<b>2008</b> ThUS\$	<b>2007</b> ThUS\$
Foreign time deposits	US\$	68,510	167,208
Local time deposits	US\$	57,035	10,013
Local time deposits	Ch\$	35,288	
Local financial investments	US\$		10,013
Local financial investments	Ch\$		6,492
		<u>160,833</u>	<u>193,726</u>

### 4. MARKETABLE SECURITIES

The detail of investments in marketable securities, is as follows:

	<b>Currency</b>	<b>2008</b> ThUS\$	<b>2007</b> ThUS\$
A.M. Deutsche Foreign Investments (*)	US\$	91,923	62,772
A.M. Blackrock Foreign Investments (*)	US\$	86,839	63,240
Local mutual funds	Ch\$	11,732	9,767
		<u>190,494</u>	<u>135,779</u>

(\*) The fair value of this portfolio at June 30, 2008 meant recording a net loss of ThUS\$113 to income.

5. TRADE DEBTORS - NET

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

	<b>2008</b>	<b>2007</b>
	ThUS\$	ThUS\$
<b>Foreign debtors</b>		
Europe	57,415	53,868
Asia Pacific	60,837	52,714
Asia Pacific – related (*)	260,722	189,417
North America	17,314	16,225
(Mark to market estimation and metal content adjustment)	<u>(3,011)</u>	<u>(1,246)</u>
Total foreign debtors	<u>393,277</u>	<u>310,978</u>
<b>Local debtors</b>	<u>52,231</u>	<u>41,350</u>
Total	<u><u>445,508</u></u>	<u><u>352,328</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:

	<b>2008</b>	<b>2007</b>
	ThUS\$	ThUS\$
Finished products	12,594	5,327
Work in progress	43,517	23,163
Raw materials	41,813	29,568
Provision for obsolescence of materials	<u>(8,937)</u>	<u>(9,200)</u>
Total	<u><u>88,987</u></u>	<u><u>48,858</u></u>

## 7. FIXED ASSETS - NET

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

	<b>2008</b> ThUS\$	<b>2007</b> ThUS\$
Land	<u>8,234</u>	<u>8,234</u>
Constructions and infrastructure:		
Buildings and construction	622,764	615,884
Infrastructure	216,489	215,646
Installations	<u>16,893</u>	<u>15,746</u>
Total constructions and infrastructure	<u>856,146</u>	<u>847,276</u>
Machinery and equipment:		
Machinery and equipment	625,366	548,917
Furniture and fixtures	3,617	3,617
Information technology and communication equipment	18,360	17,786
Mobile equipment	71,008	96,045
Vehicles	<u>299</u>	<u>279</u>
Total machinery and equipment	<u>718,650</u>	<u>666,644</u>
Other fixed assets:		
El Mauro dam work in progress	595,634	423,785
Re-powering II work in progress	148,196	12,862
Projects in progress	78,860	120,055
Mining properties	12,643	12,643
Prestripping	44,824	44,824
Fixed assets for disposal	<u>146</u>	<u>279</u>
Total other fixed assets	<u>880,303</u>	<u>614,448</u>
Total fixed assets, gross	<u>2,463,333</u>	<u>2,136,602</u>
Accumulated depreciation of constructions and infrastructure	(238,718)	(216,135)
Amortization properties and prestripping	(16,363)	(13,884)
Accumulated depreciation of machinery and equipment	<u>(299,155)</u>	<u>(281,290)</u>
Total accumulated depreciation and amortization	<u>(554,236)</u>	<u>(511,309)</u>
Total fixed assets – net	<u><u>1,909,097</u></u>	<u><u>1,625,293</u></u>

## 8. INTANGIBLES - NET

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

	<b>2008</b> ThUS\$	<b>2007</b> 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	9,934	8,822
Preoperating cost initial El Mauro Dam studies	<u>5,138</u>	<u>5,138</u>
 Total intangibles	 183,132	 182,020
Accumulated amortization	<u>(52,169)</u>	<u>(43,384)</u>
 Total intangibles - net	 <u><u>130,963</u></u>	 <u><u>138,636</u></u>

## 9. BANKS 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 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, 2008:**

<b>Financial institutions</b>	<b>Interest rate</b> %	<b>Short term</b> ThUS\$	<b>Long term</b> ThUS\$
Citibank and others	3.4275	<u>76,940</u>	<u>115,000</u>
Total		<u><u>76,940</u></u>	<u><u>115,000</u></u>

**At June 30, 2007:**

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

10. ACCOUNTS PAYABLE

A detail of this item is as follows:

	<b>2008</b> ThUS\$	<b>2007</b> ThUS\$
Invoices payable	68,152	55,908
Withholdings from contractors	5,692	5,930
Insurance policies payable	6,034	1,963
Other	<u>393</u>	<u>392</u>
Total	<u>80,271</u>	<u>64,193</u>

11. ACCRUALS

This detail of this item at June 30, 2008 and 2007 is as follows:

	<b>2008</b> ThUS\$	<b>2007</b> ThUS\$
<b>Short-term:</b>		
Personnel benefits	8,404	9,476
Major maintenance		8,131
Sundry	<u>282</u>	<u>46</u>
Total	<u>8,686</u>	<u>17,653</u>
	<b>2008</b> ThUS\$	<b>2007</b> ThUS\$
<b>Long-term:</b>		
Severance indemnity	12,696	10,530
Mine closure costs	2,993	2,572
Sundry	<u>          </u>	<u>2,992</u>
Total	<u>15,689</u>	<u>16,094</u>

## 12. INCOME AND DEFERRED TAXES

### a. Recoverable taxes include the following:

	<b>2008</b>	<b>2007</b>
	ThUS\$	ThUS\$
<b>Current assets:</b>		
Specific tax on petroleum products	509	426
Value added tax	8,507	7,673
Monthly Provisional Payments and income tax credit, net		10,243
Other withholding taxes recoverable	<u>1,907</u>	
Total short-term	<u><u>10,923</u></u>	<u><u>18,342</u></u>
<b>Other assets (long term):</b>		
Additional tax for advisory services	<u>5,347</u>	<u>4,672</u>
Total long-term	<u><u>5,347</u></u>	<u><u>4,672</u></u>

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

### b. Income Tax

The provision for first category income tax at June 30, 2008 and 2007 was 17% of net taxable income of ThUS\$1,172,506 and ThUS\$875,688, respectively, calculated as provided for in the Chilean Income Tax Law. The provision for the specific mining tax at June 30, 2008 and 2007 was 4% of the net operating taxable income of ThUS\$1,200,446 and ThUS\$887,300, respectively. However, as of 2008 there is no credit of 2% over the specific mining tax, as this tax franchise ends.

At June 30, 2008, the provisions for income and specific mining tax are presented in income tax payable in current liabilities net of monthly provisional payments, specific mining tax credits, training credits, donations and credits for purchases of fixed assets.

At June 30, 2007, as monthly provisional payments are higher than the income tax calculated for the period, the surplus of ThUS\$10,243 has been reclassified to recoverable taxes, as indicated in Note 12 a).

	<b>2008</b>	<b>2007</b>
	ThUS\$	ThUS\$
Income tax provision	(199,326)	(148,867)
Specific mining tax provision	(48,018)	(17,746)
Monthly provisional payments	215,754	166,220
Technical consulting services additional tax	319	327
Recoverable training expenses		48
Credits from donations	<u>954</u>	<u>18</u>
Income tax and specific mining payable	<u><u>(30,317)</u></u>	

### c. Deferred taxes

At June 30, 2008 and 2007, the detail of accumulated deferred taxes balances was as follows:

	Deferred taxes							
	2008				2007			
	Asset		Liability		Asset		Liability	
	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 final liquidations			262			1,582		
Provision for price and quantity variations	512				212			
Allowance for uncollectible accounts	64				91			
Provision for vacations	546				444			
Unearned income	5,466							
Provision for maintenance					1,382			
Provision for obsolete materials	1,550				1,817			
Severance indemnity		2,085				1,742		
Provision for mine closure		509				437		
Refinancing costs			59	88			59	
Indirect manufacturing expense			2,432				1,336	
Indirect manufacturing charges			268				290	
Depreciation of fixed assets				132,194			115,931	
Preoperational expenses				26,962			28,630	
Specific mining taxes	1,915	490	697	4,987	453	666	377	
Other	19					1,089	2	
Total deferred taxes	10,072	3,084	3,718	164,231	4,399	3,934	3,646	
							148,549	

The net asset for short-term deferred taxes is presented in current assets for ThUS\$6,354 (current assets of ThUS\$753 in 2007).

The net liability for long-term deferred taxes is presented in long-term liabilities for ThUS\$161,147 (ThUS\$144,615 in 2007).

The breakdown of the charge for income tax is as follows:

	2008	2007
	ThUS\$	ThUS\$
<b>Current tax expense:</b>		
Provision for income tax of the period	(199,326)	(148,867)
Surplus of prior year income tax provision	38	65
Provision for specific mining tax	(48,018)	(17,746)
Surplus (deficit) of prior year specific minning tax	36	(131)
<b>Deferred taxes:</b>		
Changes in deferred taxes during the period	(14,473)	(25,451)
Deferred taxes for specific mining tax	(2,334)	(2,820)
Total charge to income	(264,077)	(194,950)

### 13. SHAREHOLDERS' EQUITY

- a. The following are the equity movements during the periods 2008 and 2007:

<b>Items</b>	<b>Paid-in capital ThUS\$</b>	<b>Retained earnings ThUS\$</b>	<b>Total ThUS\$</b>
Balances at January 1, 2007	373,820	1,476,460	1,850,280
Net income for the period		841,203	841,203
Interim dividends		(700,000)	(700,000)
		<hr/>	<hr/>
Balances at June 30, 2007	<u>373,820</u>	<u>1,617,663</u>	<u>1,991,483</u>
Balances at January 1, 2008	373,820	1,611,443	1,985,263
Net income for the period		1,018,720	1,018,720
Interim dividends		(600,000)	(600,000)
		<hr/>	<hr/>
Balances at June 30, 2008	<u>373,820</u>	<u>2,030,163</u>	<u>2,403,983</u>

- b. Shareholdings of the subscribed and paid-in capital are as follows at June 30, 2008:

<b>Shareholders</b>	<b>Number of shares</b>	<b>Subscribed and paid-in capital</b>	
		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>373,819,680</u>	<u>373,820</u>	<u>100.00</u>

- c. The Board of Directors approved the interim dividend paid to the Company's shareholders in 2008, in the ordinary meetings N° 124, dated on March 26, 2008 and N°125, dated on May 16, 2008, for ThUS\$300,000 and ThUS\$300,000, respectively.
- d. In the ordinary meeting N° 117 held on May 23, 2007, the Board of Directors approved the interim dividend of ThUS\$700,000 paid to the shareholders.

## 14. TRANSACTIONS AND BALANCES WITH RELATED COMPANIES

The following is a detail of transactions and balances 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. The others companies are related to the Company through common ownership.

### At June 30, 2008:

Related party	Transaction description	Transaction amount	Effect on income charge (credit)	Asset	Liability
		ThUS\$	ThUS\$	ThUS\$	ThUS\$
Antofagasta Minerals S.A.	Administrative services received	272	229		307
	Technical support received	899	755		
	Recovery of expenses	517	434		308
	Expense collection	22	(18)		
Minera Michilla S.A.	Rental of offices in Santiago	125	125		38
Madeco S.A.	Purchase of materials for projects	544	367		
Minera El Tesoro	Expense collection	104	(87)	16	
	Purchase of materials	32	29		13
Others related parties	Services and others	1,094	981		
LP Investment Co. Ltd.	20% withholding on disallowed expenses	250	250		
Nippon LP Resources BV	20% withholding on disallowed expenses	122	122		
MM LP Holding BV	20% withholding on disallowed expenses	73	73		
Total short-term				<u>16</u>	<u>666</u>
Antofagasta Minerals S.A.	Water rights				<u>165</u>
Total long-term					<u>165</u>

### At June 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	698	586		478
	Technical support received	762	639		1
	Recovery of expenses	468	387		239
	Expense collection	47	(30)	3	
Minera Michilla S.A.	Rental of offices in Santiago	102	102		17
	Expense collection	17	(14)	17	
Madeco S.A.	Purchase of materials	412	135		
Minera El Tesoro	Expense collection	108	(90)		
Others related parties	Services and others	750	720	1	
LP Investment Co. Ltd.	20% withholding on disallowed expenses	61	61		
Nippon LP Resources BV	20% withholding on disallowed expenses	30	30		
MM LP Holding BV	20% withholding on disallowed expenses	18	18		
Total short-term				<u>21</u>	<u>735</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:

	<b>2008</b>	<b>2007</b>
	ThUS\$	ThUS\$
<b>Other income:</b>		
Indemnities received	4,975	
Other income	<u>30</u>	<u>4</u>
Total	<u><u>5,005</u></u>	<u><u>4</u></u>
<b>Other expenses:</b>		
Contribution to Minera Los Pelambres Foundation	915	513
Retentions write-off	445	
Projects write-off		195
Loss on sale of fixed assets	1	21
Provision for write-off of housing loans	96	55
Other expenses	<u>158</u>	<u>128</u>
Total	<u><u>1,615</u></u>	<u><u>912</u></u>

## 16. CONTINGENCIES, GUARANTEES AND ENCUMBRANCES

### I. Lawsuits:

As a result of the legal agreement through settlements at the Supreme Court, on April 30, 2008, in a reconciliation hearing summoned by the court, the Company achieved settlements with those who sued the Dirección General de Aguas (DGA) regarding the permit granted for the construction of the El Mauro tailings dam by the Company.

Based on the above, the Company is now allowed to finish the construction of the works at the El Mauro Dam, which as of June 30, 2008 has a progress of 99.04%. According to the details of the lawsuits informed in the previous financial statements, the settlement allowed the closing of 7 lawsuits, most of which had been started by the Sociedad Agrícola, Ganadera y Forestal Tipay, which pretended to invalidate the permits obtained at the DGA for the construction of the Dam, the Environmental Qualification Resolution of the Project and the regularization of the water rights associated to the operations of this Dam related to the so-called Integral Development Project of the Company.

In this context, two court settlements were signed at the Supreme Court, through which the plaintiffs withdrew two appeals against Resolution Nr. 1.791 of the DGA.

In the settlement, the plaintiffs recognized the legal authority of the DGA, and the validity of the permit granted to Minera Los Pelambres, and herewith the validity and enforceability of the water rights of Mineral Los Pelambres which allow the construction of the El Mauro Dam.

The agreement involved the payment of UF523,977 by Minera Los Pelambres to the plaintiff Sociedad Agrícola y Ganadera Forestal Tipay, amount that includes the purchase of the properties “Resto Tipay” and “Resto Romero” - approximately 8,000 hectares in total -, as well as their water rights, and a compensation of UF12,500 to the plaintiffs of Caimanes, among who are natural persons and 5 organizations. In summary, this settlement had a cost for the Company of approximately US\$23 million.

Among the different legal proceedings that the mentioned Integral Development Projects has faced, is still pending the lawsuit related to the claim of Fundo Mauro, decided unfavorable for the Company in first instance by the 12<sup>th</sup> Civil Court of Santiago, Trial Nr. 690-02. An appeal was presented and the second instance decision of the Court of Appeals of Santiago is still pending.

The existence of a prohibition to deposit tailings in the El Mauro Dam ruled in the abovementioned lawsuit, will delay the estimated date to start the operations of this Dam; however, and considering the actual capacity to deposit tailings in the Quillayes Dam, currently in use, and the production level of the Company, such Dam will allow its use as the primary deposit facility until the first quarter of 2009. Company Management and the legal counselors believe that by such date the mentioned prohibition to deposit tailings will be lifted or substituted by another guarantee.

Note that regarding the legal process mentioned in the financial statements of March 2008, regarding a petition filed at the Court of Appeals by the non-governmental organization OCAS, against Mineral Los Pelambres, Trial Nr. 51-2008, related to the incidents of the Tranque Los Quillayes, which pretended to stop the Company’s operations, it is necessary to indicate that this trial was sentenced favorably for the interests of Minera Los Pelambres by the sentence of June 12, 2008. The Court of Appeals of La Serena rejected the appeal in all its parts, and this sentence was not appealed within the legal time periods.

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. Notwithstanding the above, the most relevant lawsuit in which the Company is a party, is the following:

<b>Plaintiff</b>	: Sociedad Agrícola y Comercial Mauro Ltda.
<b>Defendant</b>	: (i) Principal defendants: Muñoz Navarrete, Arnoldo, Jorge and Germán Muñoz C; (ii) Subsidiary defendant: Minera Los Pelambres.
<b>Case No.</b>	: 690/02, 12 <sup>th</sup> Civil Court of Santiago
<b>Matter</b>	: Nullity of Sales Contract and replevying.
<b>Status</b>	: Principal Measure: On April 19, 2007 the 1 <sup>st</sup> Instance Judge rules declaring null the sales contract of the Fundo Mauro, dated June 26, 1992 and signed by Soc. Agrícola y Comercial Mauro Ltda. and Arnoldo Muñoz Navarrete and others. The Company acquired the property on January 11, 2001. Consequently, the Judge also accepts the 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 1st instance ruling, on which the Santiago Court ruling is pending. Precautionary Measure: 14.12.05 The prohibition to celebrate acts and contracts was granted. In addition, on May 18, 2007 the precautionary condition of restraining construction activities was rejected and the precautionary measure of prohibiting the deposit of tailings, was granted. Minera Los Pelambres offers a Performance Bond to substitute the prohibition to deposit tailing, on December 7, 2007, the Court denies the request. Currently, the Santiago Court of Appeal must rule in 2nd instance on the aforementioned guarantee substitution request.
<b>Value</b>	: The purchase agreement being requested for annulment (1992) is the one prior to the acquisition of Fundo El Mauro (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.

## II. Encumbrances:

The Company's assets are not subject any mortgages, encumbrances or prohibitions, except for:

- Precautionary measure prohibiting acts and contracts from being entered into under N°4 of article 298 of the Civil Code, in case number 690-02, as mentioned above.
- Precautionary measure prohibition to deposit tailings or material in the El Mauro Tailings Dam, decreed in the aforementioned judgment.

### **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 an possible abandonment of the construction and operation of the Los Quillayes tailings 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 an possible abandonment of the construction and operation of the El Mauro tailings 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 tailing dams system and re-circulation of water of the El Mauro tailings dam for UF17,526 equivalent to ThUS\$675 as a requirement for river flow modification permits.
- The Company has requested the 12th Civil Court of Santiago to accept a certificate of deposit in the amount of UF 91,000 equivalent to ThUS\$3,503 as a substitute for the prohibition to deposit tailings. The first instance court refused to accept this certificate of deposit and the Company presented an appeal to this ruling. This outcome of the appeal is still pending.

#### **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 amount for ThUS\$89,911 to guarantee compliance with contracts and as in the case of equipment its quality and performance.

### **IV. RESTRICTIONS ON 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.

### **V. MINERAL SALES AGREEMENTS**

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

The sales agreements of mineral in accordance with the agreed contracts amount to:

<b>Period</b>	<b>ThUS\$</b>
2008	1,511,000
2009	1,596,000

#### 17. SUBSEQUENT EVENTS

- a. In the extraordinary Board of Directors' meeting held on July 30, 2008 the Board of Directors approved the payment of interim dividends for ThUS\$420,000 to be paid in August 2008.
- b. In regard to the lawsuit discussing the validity of the purchase and sale of the rural property El Mauro (Note 16), cases number 690-2002 of the 12th Civil Court of Santiago, currently filed at the Court of Appeal of Santiago, the Constitutional Court processed a claim filed by the plaintiffs to report the lack of relevance of a legal provision that affects one of the exceptions filed by the Company against the claim.

Even though with this decision the Constitutional Court temporarily interrupted the processing of the case in the Court of Appeal, the Company has become a party in the case number 1188-08 filed at the Constitutional Court, dated August 8, 2008, and has also made a presentation to the Court of Santiago in order to continue the processing of the lawsuit at the court.

Between July 1, 2008, and the date of issue of these financial statements, no other significant events occurred that could affect their interpretation.

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