

MINERA LOS PELAMBRES
UNAUDITED FINANCIAL STATEMENTS
FOR THE FIRST QUARTER ENDED 31 MARCH 2008 AND 2007

(TRANSLATION FROM SPANISH VERSION TO BE
FILED WITH SUPERINTENDENCIA DE VALORES Y SEGUROS
DE CHILE 29TH MAY 2008)

MINERA LOS PELAMBRES

BALANCE SHEETS AT MARCH 31, 2008 AND 2007
(In thousands of United States Dollars - ThUS\$)

| | 2008 ThUS\$ | 2007 ThUS\$ |
|--|-------------------------|-------------------------|
| ASSETS | | |
| CURRENT ASSETS: | | |
| Cash at bank and in hand | 375 | 230 |
| Time deposits | 315,339 | 497,016 |
| Marketable securities | 161,325 | 263,853 |
| Trade debtors - net | 291,822 | 295,063 |
| Sundry debtors | 10,450 | 35,379 |
| Notes receivable | 75 | 121 |
| Accounts receivable from related companies | 3 | 19 |
| Inventories - net | 101,448 | 51,207 |
| Refundable taxes | 86,034 | 10,934 |
| Prepaid expenses | 8,789 | 8,903 |
| Deferred taxes | | 886 |
| Other current assets | 21 | 33 |
| Total current assets | <u>975,681</u> | <u>1,163,644</u> |
| FIXED ASSETS: | | |
| Land | 8,234 | 8,234 |
| Constructions and infrastructure | 856,146 | 844,148 |
| Machinery and equipment | 718,660 | 666,271 |
| Other fixed assets | 761,485 | 536,786 |
| Subtotal | 2,344,525 | 2,055,439 |
| Accumulated depreciation | <u>(537,100)</u> | <u>(495,756)</u> |
| Total fixed assets - net | <u>1,807,425</u> | <u>1,559,683</u> |
| OTHER ASSETS: | | |
| Intangibles - net | 132,321 | 139,986 |
| Other | 15,916 | 10,535 |
| Total other assets | <u>148,237</u> | <u>150,521</u> |
| TOTAL ASSETS | <u><u>2,931,343</u></u> | <u><u>2,873,848</u></u> |

The accompanying notes are an integral part of these financial statements

| | 2008 | 2007 |
|---|-------------------------|-------------------------|
| | ThUS\$ | ThUS\$ |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | |
| CURRENT LIABILITIES: | | |
| Bank loans: short-term portion of long- term debt | 82,512 | 86,608 |
| Dividends payable | 300,000 | |
| Accounts payable | 74,913 | 69,409 |
| Sundry creditors | 78 | 8 |
| Accounts payable to related companies | 560 | 522 |
| Accruals | 5,817 | 18,547 |
| Withholdings | 37,140 | 22,526 |
| Income tax payable | | 112,507 |
| Deferred taxes | 4,974 | |
| Other | | 452 |
| | <u>505,994</u> | <u>310,579</u> |
| LONG-TERM LIABILITIES: | | |
| Bank loans | 153,333 | 232,387 |
| Account payable to related company | 165 | 165 |
| Accruals | 18,574 | 12,635 |
| Deferred taxes | 152,133 | 141,074 |
| | <u>324,205</u> | <u>386,261</u> |
| SHAREHOLDERS' EQUITY: | | |
| Paid-in capital | 373,820 | 373,820 |
| Retained earnings: | | |
| Retained earnings | 1,611,443 | 1,476,460 |
| Net income for the period | 415,881 | 326,728 |
| Interim dividends | (300,000) | |
| | <u>2,101,144</u> | <u>2,177,008</u> |
| Total shareholders' equity, net | <u>2,101,144</u> | <u>2,177,008</u> |
| TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY | <u><u>2,931,343</u></u> | <u><u>2,873,848</u></u> |

MINERA LOS PELAMBRES

STATEMENTS OF INCOME FOR THE THREE MONTH PERIODS ENDED MARCH 31, 2008 AND 2007 (In thousands of United States Dollars - ThUS\$)

| | 2008 ThUS\$ | 2007 ThUS\$ |
|-------------------------------------|-----------------------|-----------------------|
| REVENUES | 684,813 | 513,694 |
| OPERATING COSTS | <u>(133,199)</u> | <u>(100,062)</u> |
| OPERATING MARGIN | 551,614 | 413,632 |
| ADMINISTRATIVE AND SELLING EXPENSES | <u>(29,322)</u> | <u>(17,543)</u> |
| OPERATING INCOME | <u>522,292</u> | <u>396,089</u> |
| OTHER INCOME (EXPENSES): | | |
| Other income | 19 | 1 |
| Financial income | 2,611 | 8,477 |
| Financial expenses | (3,321) | (4,768) |
| Other expenses | (842) | (84) |
| Exchange differences | <u>5,264</u> | <u>1,402</u> |
| Other income - net | <u>3,731</u> | <u>5,028</u> |
| INCOME BEFORE INCOME TAX | 526,023 | 401,117 |
| INCOME TAX | <u>(110,142)</u> | <u>(74,389)</u> |
| NET INCOME FOR THE PERIOD | <u><u>415,881</u></u> | <u><u>326,728</u></u> |

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

MINERA LOS PELAMBRES**STATEMENTS OF CASH FLOWS
FOR THE THREE MONTH PERIODS ENDED MARCH 31, 2008 AND 2007
(In thousands of United States Dollars - US\$)**

| | 2008 | 2007 |
|---|-----------------------|-----------------------|
| | ThUS\$ | ThUS\$ |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Net income for the period | 415,881 | 326,728 |
| Charges (credits) to income not representing cash flows: | | |
| Depreciation and amortization | 18,012 | 17,509 |
| Mark to Market | (71,989) | (114,171) |
| Provision for finalization (Final liquidations) | (10,695) | |
| Accruals and other long-term | 287 | 619 |
| Accrued interest | 3,458 | 4,401 |
| Profit on sale of fixed assets | | 21 |
| Exchange differences | (5,264) | (1,402) |
| Other | (1) | 15 |
| (Increase) decrease in current assets: | | |
| Trade debtors | 84,084 | 138,533 |
| Sundry debtors | 14,004 | (1,581) |
| Notes receivable | 251 | (37) |
| Accounts receivable from related companies | 1 | (15) |
| Inventories | (26,863) | (4,618) |
| Refundable taxes | (449) | (4,188) |
| Prepaid expenses | 3,120 | 3,112 |
| Other assets | (710) | (180) |
| Increase (decrease) in current liabilities: | | |
| Accounts payable | (34,316) | (39,360) |
| Accounts payable to related companies | (693) | (1,052) |
| Accruals | (16,257) | (2,754) |
| Withholdings | (6,949) | (15,488) |
| Income tax payable | 19,121 | 28,327 |
| Unearned income | | (232) |
| Net cash provided by operating activities | <u>384,033</u> | <u>334,187</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Additions to fixed assets - net | (68,792) | (56,007) |
| Sale of fixed assets | | 1 |
| Net cash used in investing activities | <u>(68,792)</u> | <u>(56,006)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| Loan repayment | (2,388) | (2,388) |
| Net cash used in financing activities | <u>(2,388)</u> | <u>(2,388)</u> |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | 312,853 | 275,793 |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD | <u>164,186</u> | <u>485,306</u> |
| CASH AND CASH EQUIVALENTS AT END OF THE PERIOD | <u><u>477,039</u></u> | <u><u>761,099</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 March 31, 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\$) having for this purpose a special authorization from the Chilean Internal Revenue Service.

Therefore Chilean peso amounts 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 exchange rate at each period-end.

| | 2007 | 2006 |
|------|-------------|-------------|
| | \$ | \$ |
| US\$ | 437.71 | 539.21 |

Exchange differences are recorded in 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 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 mineral 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 March 31, 2008, this item is presented net of a provision for obsolescence of ThUS\$8,937 (ThUS\$2,602 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 assets 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 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 properties 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 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 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 current value pursuant to corporation regulations 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 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 Assets Manager 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 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 on dates for calculating final prices, and using the conservative criterion of adjusting provisional prices to month-end market values. In addition, estimated losses have been provided for the arbitration of the invoiced quantities.

o. Reclassifications - For comparative purposes, certain reclassifications have been made in the Financial Statements at March 31, 2007.

3. TIME DEPOSITS

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

| | Currency | 2008 ThUS\$ | 2007 ThUS\$ |
|-----------------------------|-----------------|-----------------------|-----------------------|
| Foreign time deposits | US\$ | 247,299 | 371,606 |
| Local time deposits | US\$ | 49,020 | |
| Local time deposits | Ch\$ | 7,351 | 80,375 |
| Local financial investments | US\$ | | 20,006 |
| Local financial investments | Ch\$ | <u>11,669</u> | <u>25,029</u> |
| Total time deposits | | <u><u>315,339</u></u> | <u><u>497,016</u></u> |

4. MARKETABLE SECURITIES

The detail of investments in marketable securities is as follows:

| | Currency | 2008 ThUS\$ | 2007 ThUS\$ |
|-----------------------------------|-----------------|-----------------------|-----------------------|
| A.M. Deutsche Foreign Investments | (*) US\$ | 71,400 | 125,304 |
| A.M. Blackrock Foreign Investment | (*) US\$ | 76,420 | 125,807 |
| Local mutual funds | Ch\$ | <u>13,505</u> | <u>12,742</u> |
| Total investments in mutual funds | | <u><u>161,325</u></u> | <u><u>263,853</u></u> |

(*) The fair value of this portfolio at March 31, 2008 meant recording a net loss of ThUS\$182 to income.

5. TRADE DEBTORS - NET

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

| | 2008 ThUS\$ | 2007 ThUS\$ |
|--|-----------------------|-----------------------|
| Foreign debtors | | |
| Europe | 75,877 | 98,403 |
| Asia Pacific | 32,251 | 35,301 |
| Asia Pacific - related parties (*) | 120,213 | 137,326 |
| North America | 20,172 | 23,601 |
| (Mark to market estimate and metal content adjustment) | <u>(1,555)</u> | <u>(424)</u> |
| Total foreign debtors | <u>246,958</u> | <u>294,207</u> |
| Local debtors | <u>44,864</u> | <u>856</u> |
| Total | <u><u>291,822</u></u> | <u><u>295,063</u></u> |

(*) Invoicing for 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:

| | 2008 ThUS\$ | 2007 ThUS\$ |
|---|-----------------------|-----------------------|
| Finished products | 34,898 | 4,791 |
| Work in progress | 39,363 | 22,687 |
| Raw materials | 36,124 | 26,331 |
| Provision for obsolescence of materials | <u>(8,937)</u> | <u>(2,602)</u> |
| Total | <u><u>101,448</u></u> | <u><u>51,207</u></u> |

7. FIXED ASSETS - NET

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

| | 2008 ThUS\$ | 2007 ThUS\$ |
|---|-------------------------|-------------------------|
| Land | <u>8,234</u> | <u>8,234</u> |
| Constructions and infrastructure: | | |
| Buildings and constructions | 622,764 | 614,378 |
| Infrastructure | 216,489 | 214,925 |
| Installations | <u>16,893</u> | <u>14,845</u> |
| Total constructions and infrastructure | <u>856,146</u> | <u>844,148</u> |
| Machinery and equipment: | | |
| Machinery and equipment | 625,366 | 548,462 |
| Furniture and fixtures | 3,617 | 3,617 |
| Information technology and communication equipment | 18,360 | 17,704 |
| Mobile equipment | 71,018 | 96,209 |
| Vehicles | <u>299</u> | <u>279</u> |
| Total machinery and equipment | <u>718,660</u> | <u>666,271</u> |
| Other fixed assets: | | |
| El Mauro Dam works in progress | 556,090 | 380,461 |
| Projects in progress | 147,725 | 98,619 |
| Mining properties | 12,643 | 12,643 |
| Prestripping | 44,824 | 44,824 |
| Fixed assets for disposal | <u>203</u> | <u>239</u> |
| Total other fixed assets | <u>761,485</u> | <u>536,786</u> |
| Total fixed assets, gross | <u>2,344,525</u> | <u>2,055,439</u> |
| Accumulated depreciation of constructions and infrastructure | (233,418) | (209,960) |
| Amortization of mining properties and prestripping | (15,734) | (13,417) |
| Accumulated depreciation of machinery and equipment | <u>(287,948)</u> | <u>(272,379)</u> |
| Total accumulated depreciation and amortization | <u>(537,100)</u> | <u>(495,756)</u> |
| Total fixed assets – net | <u><u>1,807,425</u></u> | <u><u>1,559,683</u></u> |

8. INTANGIBLES - NET

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

| | 2008 ThUS\$ | 2007 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 | 9,528 | 8,822 |
| Preoperating costs initial El Mauro Dam studies | <u>5,138</u> | <u>5,138</u> |
| Total intangibles | 182,726 | 182,020 |
| Accumulated amortization | <u>(50,405)</u> | <u>(42,034)</u> |
| Total intangibles - net | <u><u>132,321</u></u> | <u><u>139,986</u></u> |

9. OBLIGATIONS WITH BANKS

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 March 31, 2008:

| Financial institutions | Interest rate % | Short-term ThUS\$ | Long-term ThUS\$ |
|-------------------------------|---------------------------|-----------------------------|----------------------------|
| Citibank and others | 5.1150 | 80,098 | 153,333 |
| BBVA Banco Bhif | 4.9625 | <u>2,414</u> | <u> </u> |
| Total | | <u><u>82,512</u></u> | <u><u>153,333</u></u> |

At March 31, 2007:

| Financial institutions | Interest rate % | Short-term ThUS\$ | Long-term ThUS\$ |
|-------------------------------|---------------------------|-----------------------------|----------------------------|
| Citibank and others | 5.6150 | 81,737 | 230,000 |
| BBVA Banco Bhif | 6.0506 | <u>4,871</u> | <u>2,387</u> |
| Total | | <u><u>86,608</u></u> | <u><u>232,387</u></u> |

10. ACCOUNTS PAYABLE

The detail of this item is as follows:

| | 2008 ThUS\$ | 2007 ThUS\$ |
|-------------------------------|-----------------------|-----------------------|
| Invoices payable | 65,152 | 52,127 |
| Withholdings from contractors | 5,321 | 9,313 |
| Insurance policies payable | 3,973 | 7,585 |
| Other | 467 | 384 |
| | <u>74,913</u> | <u>69,409</u> |
| Total | <u><u>74,913</u></u> | <u><u>69,409</u></u> |

11. ACCRUALS

At March 31, 2008 and 2007 this item comprises the following:

| | 2008 ThUS\$ | 2007 ThUS\$ |
|---------------------|-----------------------|-----------------------|
| Short-term: | | |
| Contractors | | 5,585 |
| Personnel benefits | 5,549 | 3,223 |
| Major maintenance | | 7,093 |
| Sundry | 268 | 2,646 |
| | <u>5,817</u> | <u>18,547</u> |
| Total | <u><u>5,817</u></u> | <u><u>18,547</u></u> |
| | | |
| | 2008 ThUS\$ | 2007 ThUS\$ |
| Long-term: | | |
| Severance indemnity | 15,689 | 10,165 |
| Mine closure costs | 2,885 | 2,470 |
| | <u>18,574</u> | <u>12,635</u> |
| Total | <u><u>18,574</u></u> | <u><u>12,635</u></u> |

12. INCOME TAXES AND DEFERRED TAXES

a. Refundable taxes include the following:

| | 2008 ThUS\$ | 2007 ThUS\$ |
|---|-----------------------|-----------------------|
| Current assets: | | |
| Specific tax on petroleum products | 1,087 | |
| Value added tax | 10,081 | 10,934 |
| Monthly Provisional Payments and income tax credit, net | 74,831 | |
| Other withholding taxes recoverable | <u>35</u> | <u> </u> |
| Total short-term | <u><u>86,034</u></u> | <u><u>10,934</u></u> |
| Other assets (long term): | | |
| Additional tax for advisory services | <u>6,426</u> | <u>4,565</u> |
| Total long-term | <u><u>6,426</u></u> | <u><u>4,565</u></u> |

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

a. Income Tax

The provision for first category income tax at March 31, 2008 and 2007 was 17% of the net taxable income of ThUS\$440,280 and ThUS\$261,423, respectively, calculated as provided for in the Chilean Income Tax Law. The provision for the specific mining tax, applicable as of 2006, at March 31, 2008 and 2007 was 4% of the net operating taxable income of ThUS\$404,327 and ThUS\$267,447, respectively. However, as of 2008 there is no credit of 2% over the specific mining tax, as this tax franchise ends.

In 2007, the provision for income and specific mining tax calculated is presented in Income tax payable in current liabilities net of monthly provisional payments, credit for specific mining tax, training credits, donations and credits for purchases of fixed assets.

At March 31, 2008 as monthly provisional payments are higher than the income tax calculated for the period, the surplus of ThUS\$74,831 has been reclassified in refundable taxes, as indicated in Note 12 a).

| | 2008 ThUS\$ | 2007 ThUS\$ |
|--|-----------------------|-----------------------|
| Income tax provision | (457,657) | (427,114) |
| Specific mining tax provision | (66,647) | (50,432) |
| Monthly provisional payments | 521,866 | 364,249 |
| Technical consulting services additional tax | 581 | 505 |
| Recoverable training expenses | 188 | 134 |
| Credits of donations | 1,630 | 121 |
| Credits for purchases of fixed assets | <u>39</u> | <u>30</u> |
| Income tax and specific mining tax payable | <u>-</u> | <u>(112,507)</u> |

c. Deferred taxes

At March 31, 2008 and 2007, the detail of the accumulated deferred tax balances was as follows:

| | 2008 | | | | 2007 | | | |
|--|----------------------|---------------------|----------------------|---------------------|----------------------|---------------------|----------------------|---------------------|
| | Asset | | Liability | | Asset | | Liability | |
| | 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 final liquidation | | | 2,037 | | | | | |
| Provision for price and quantity variation | 265 | | | | 72 | | | |
| Allowance for uncollectible accounts | 121 | | | | 162 | | | |
| Provision for vacations | 562 | | | | 304 | | | |
| Provision for maintenance | | | | | 1,206 | | | |
| Provision for obsolete materials | 1,492 | | | | 600 | | | |
| Severance indemnity | | 2,594 | | | | 1,680 | | |
| Provision for mine closure | | 490 | | | | 420 | | |
| Refinancing costs | | | 59 | 103 | | | 59 | 161 |
| Indirect manufacturing expense | | | 4,144 | | | | 1,260 | |
| Indirect manufacturing charges | | | 263 | | | | 266 | |
| Depreciation of fixed assets | | | | 128,455 | | | | 112,624 |
| Preoperational expenses | | | | 22,569 | | | | 28,835 |
| Specific mining tax | 580 | 610 | 1,522 | 4,700 | 269 | 519 | 179 | 2,600 |
| Other | 31 | | | | 104 | 527 | 67 | |
| Total deferred taxes | <u>3,051</u> | <u>3,694</u> | <u>8,025</u> | <u>155,827</u> | <u>2,717</u> | <u>3,146</u> | <u>1,831</u> | <u>144,220</u> |

The net liability of ThUS\$4,974 (current assets of ThUS\$886 in 2007) for short-term deferred taxes is presented current liabilities

The net liability of ThUS\$152,133 (ThUS\$141,074 in 2007) for long-term deferred taxes is presented in long-term liabilities.

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

| | 2008 | 2007 |
|---|-------------------------|------------------------|
| | ThUS\$ | ThUS\$ |
| Current tax expense: | | |
| Provision for income tax for the period | (74,848) | (44,442) |
| Provision for specific mining tax | (16,173) | (5,349) |
| Deferred taxes: | | |
| Changes in deferred taxes during the period | (15,033) | (22,887) |
| Deferred taxes for specific mining tax | <u>(4,088)</u> | <u>(1,711)</u> |
| Total charge to income | <u><u>(110,142)</u></u> | <u><u>(74,389)</u></u> |

13. SHAREHOLDERS' EQUITY

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

| Items | Paid-in capital | Retained earnings | Total |
|----------------------------|----------------------------|------------------------------|------------------|
| | ThUS\$ | ThUS\$ | ThUS\$ |
| Balance at January 1, 2007 | 373,820 | 1,476,460 | 1,850,280 |
| Net income for the period | | 326,728 | 326,728 |
| | | <u>326,728</u> | <u>326,728</u> |
| Balance at March 31, 2007 | <u>373,820</u> | <u>1,803,188</u> | <u>2,177,008</u> |
| Balance at January 1, 2008 | 373,820 | 1,611,443 | 1,985,263 |
| Net income for the period | | 415,881 | 415,881 |
| Interim dividends | | (300,000) | (300,000) |
| | | <u>(300,000)</u> | <u>(300,000)</u> |
| Balance at March 31, 2008 | <u>373,820</u> | <u>1,727,324</u> | <u>2,101,144</u> |

b. Shareholdings of the subscribed and paid-in capital are as follows at March 31, 2008:

| 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. | <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 in ordinary meeting N°124, dated March 26, 2008, approved the interim dividends to be paid to the Company's shareholders in 2008 for ThUS\$300,000.

14. TRANSACTIONS AND BALANCES WITH RELATED COMPANIES

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 March 31, 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 | | | | 72 |
| | Technical support received | 482 | 405 | | 2 |
| | Recovery of expenses | 404 | 340 | | 438 |
| | Expense collection | 10 | (9) | 3 | |
| Minera Michilla S.A. | Rental of offices in Santiago | 63 | 63 | | 22 |
| | Expenses collection | 17 | (14) | | |
| Madeco S.A. | Purchase of materials for projects | 99 | 46 | | |
| Minera El Tesoro | Expenses collection | 51 | (43) | | |
| | Purchase of materials | 26 | 23 | | 26 |
| Other related | Services and others | 23 | 19 | | |
| Total short-term | | | | 3 | 560 |
| Antofagasta Minerals S.A. | Water rights | | | | 165 |
| Total long-term | | | | | 165 |

At March 31, 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 | 252 | 211 | | 261 |
| | Technical support received | 377 | 315 | | 1 |
| | Recovery of expenses | 224 | 184 | | 227 |
| | Expense collection | 9 | (8) | 3 | |
| Minera Michilla S.A. | Rental of offices in Santiago | 50 | 50 | | 33 |
| Madeco S.A. | Purchase of materials for projects | 44 | | | |
| Minera El Tesoro | Expenses collection | 45 | (38) | 15 | |
| Other related | Recovery of expenses and others | 2 | 1 | 1 | |
| Total short-term | | | | 19 | 522 |
| 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:

| | 2008 | 2007 |
|---|-------------|-------------|
| | ThUS\$ | ThUS\$ |
| Other income: | | |
| Other | 19 | 1 |
| Total | <u>19</u> | <u>1</u> |
| Other expenses: | | |
| Contribution to Minera Los Pelambres Foundation | 564 | |
| Loss on sale of fixed assets | | 21 |
| Provision for write off of housing loans | 53 | 46 |
| Other expenses | 225 | 17 |
| Total | <u>842</u> | <u>84</u> |

16. CONTINGENCIES, GUARANTEES AND ENCUMBRANCES

I. LAWSUITS:

As a result of legal agreements through court settlements at the Supreme Court, as indicated in the Subsequent Events note, at the date of issue of these financial statements, the Company has been authorized to complete the construction works of El Mauro Tailings Dam, which shows a progress of 98.9% at March 31, 2008. Indeed, and with the detail of the lawsuits reported in previous Financial Statements, the court settlement allowed the closing of 7 lawsuits, most of them initiated by Sociedad Agrícola, Ganadera y Forestal Tipay, that tried to invalidate the permits obtained from the Water Board, associated to the construction of the afore mentioned dam included in the Integral Development Project of the Company, as well as the water rights that allow the operation of the dam and the environmental qualification resolutions.

Among the different legal proceedings that the mentioned Integral Development Project has faced, the lawsuit related to the claim of Fundo Mauro is still pending, which was ruled unfavorably for the Company in first instance by the 12th 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 above mentioned lawsuit, will delay the estimated start date of 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 be able to be used 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.

The Management of Minera Los Pelambres is committed to evaluating a series of measures aimed at keeping the operational continuity of the Company in the long-term.

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. The detail of the most significant litigations is the following:

| | |
|------------------|---|
| Plaintiff | : Sociedad Agrícola y Comercial Mauro Ltda. |
| Defendant | : (i) Principal defendants: Muñoz Navarrete, Arnoldo, Jorge and Germán Muñoz C. (ii) Subsidiary defendant: Minera Los Pelambres. |
| Case No. | : 690/02, 12 th Civil Court of Santiago |
| Matter | : Nullity of Sales Contract and replevying. |
| Status | : Principal Measure: On April 19, 2007, the 1 st 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 1 st 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 tailings, on December 7, 2007, the Court denies the request. Currently, the Santiago Court of Appeal must rule in 2 nd instance on the aforementioned guarantee substitution request. |
| Value | : The questioned purchase (1992) is previous to the one by which the Company acquires the Fundo El Mauro property (2001). If the claim is accepted, this second purchase would be null. The property has a ThUS\$ 3,300 book value. |

Plaintiff : OCAS and 23 other natural persons from Cuncumen.
Defendant : Minera Los Pelambres.
Trial No. : 51-2008
Subject : Appeal for legal protection related to the environmental incident occurred on December 12, 2007 in the industrial water pump system, which according to the plaintiffs had threatened their right to live in an environment free of pollution and other constitutional rights of the plaintiffs.
Estado : Minera Los Pelambres has to present its report on this appeal in its defense. It should be noted that the petition of the plaintiffs to stop operations at the Quillayes Dam has been rejected by the Court of Appeals.

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 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 eventual 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 an eventual 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 tailings dams and re-circulation of water system of the El Mauro tailings dam project for UF17,526, equivalent to ThUS\$794 as a requirement for river flows 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\$4,121 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\$100,459 to guarantee compliance with contracts and as 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.

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 period-end. Said 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:

| Period | ThUS\$ |
|---------------|---------------|
| 2008 | 2,118,000 |
| 2009 | 1,545,000 |

17. SUBSEQUENT EVENTS

Between April 1, 2008, and the date of issue of these financial statements, there have been no subsequent events that could materially affect the interpretation of these financial statements. However, the Company believes that the following information is important:

On April 30, 2008, at the Chilean Supreme Court of Justice, in a reconciliation hearing summoned by the Court, the Company came to an agreement with those who started legal proceedings against the Dirección General de Aguas (DGA) due to a permit granted to the mining company to build the El Mauro tailings dam.

As per the above, two Court Settlements at the Supreme Court were signed, through which the plaintiffs withdrew the two claims against Resolution Nr. 1.791 of the DGA.

In the settlement, the plaintiffs recognize the legal competence of the DGA, and the validity of the permit granted to Minera Los Pelambres, and hereby the validity and legal effect of the water rights of Minera Los Pelambres which allow the construction of the El Mauro Dam.

Under the supervision of the Third Chamber of the Supreme Court, and as part of the settlement, the plaintiffs also committed themselves to withdrawing from seven other lawsuits related to the construction of the El Mauro Dam, in which the Company was the defendant or and interested third party.

At the closing of the financial statements, at the different Courts of Justice, the plaintiffs are complying with their obligations as a result of the court settlements signed at the Supreme Court and, consequently, they are presenting their withdrawal documents, which have been accepted by the other defendants in such legal processes upon their presentation.

The settlement involves a payment of 523,977 Unidades de Fomento by Minera Los Pelambres to the plaintiff Sociedad Agrícola y Ganadera Forestal Tipay, amount which includes the purchase of the estates “Resto Tipay” and “Resto Romero” – with a total surface of approximately 8,000 hectares-, as well as their water rights, and a compensation to the plaintiffs of Caimanes, among which there are natural personas and five organizations in the amount of 12,500 Unidades de Fomento, meaning that this settlement has a cost of approximately US\$23 million for the Company.

* * * * *