

CAP S.A. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS OF JUNE 30, 2009 AND 2008

1.- Inscription in the Securities Register

a) CAP S.A. (the Company) is inscribed in the Securities Register of the Superintendency of Securities and Insurance (No.0131) and subject to the regulatory authority of that Superintendency.

b) The following direct and indirect subsidiaries are also inscribed in the Securities Register and are regulated by the Superintendency of Securities and Insurance:

Direct subsidiaries :

Compañía Siderúrgica Huachipato S.A.	Tax No. 94.637.000-2	Registration No.0506
Compañía Minera del Pacífico S.A.	Tax No. 94.638.000-8	Registration No.0489

Indirect subsidiaries:

Cintac S.A.	Tax No. 92.544.000-0	Registration No.0438
Intasa S.A.	Tax No. 99.503.280-5	Registration No.0804

2.- Accounting principles applied

a) ACCOUNTING PERIOD: These consolidated financial statements relate to the periods between January 1 and June 30, 2009 and 2008.

b) PREPARATION: The consolidated financial statements are prepared in accordance with generally accepted accounting principles in Chile as published by the Chilean Institute of Accountants and the instructions of the Superintendency of Securities and Insurance. Where the two differ, the instructions of the latter prevail.

c) PRESENTATION AND CURRENCY OF THE FINANCIAL STATEMENTS: The financial statements of the Company and most of the subsidiaries in Chile are prepared in US dollars. The financial statements of foreign subsidiaries are translated into US dollars in accordance with accounting principles generally accepted in Chile. The financial statements of the other subsidiaries in Chile are prepared in local currency and translated into US dollars at the closing exchange rate.

The financial statements are shown in thousands of US dollars and are compared to the same period of the year before, and corresponding reclassifications are made as necessary.

d) CONSOLIDATION: The consolidated financial statements include the assets, liabilities, results and cash flows of the Company and its consolidated subsidiaries. The amounts and effects of significant transactions between consolidated subsidiaries have been eliminated, and the participation of minority investors has been recorded in the Minority Interest accounts in liabilities and the results.

The companies included in the consolidation are shown in the accompanying table:

e) BASES OF TRANSLATION: At the close of the financial statements, assets and liabilities in currencies other than the US dollar and those expressed in other monetary units have been translated at the following rates:

Equivalents	2009	2008
Closing exchange rate (peso/dollar)	531.76	526.05
Value of Unidad de Fomento (pesos)	20,933.02	20,252.71
Closing exchange rate (Argentine peso/dollar)	3.797	3.025

Exchange differences are credited/charged to income.

f) TIME DEPOSITS - Time deposits include the principal plus interest accrued to the end of the period.

g) MARKETABLE SECURITIES – Marketable securities relate to investments in short-term fixed-income mutual fund quotas, and are shown at the market value of the quota at the end of each period.

h) INVENTORIES: The main inventories are valued at absorption cost, as follows:

- Steel products, at the lower of the quarter's production cost and net realization value.
- Finished products and minerals, at average production or acquisition cost.

- Raw materials, supplies in warehouse and other inventories, at average cost.
- Materials in transit, at cost.

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

The allowance for surplus materials refers mainly to spares and other surplus and slow-moving materials.

Inventories are shown under Current assets and Other long-term assets according to the estimated period for their realization.

i) **ESTIMATE OF DOUBTFUL ACCOUNTS:** The policy of the Company and its subsidiaries is to make allowances for all accounts subject to judicial recovery and to make specific and global allowances for outstanding accounts that represent some risk of non-payment. The specific debtors mentioned in Circular 458 of the Superintendency of Securities and Insurance (in cessation of payments or bankruptcy) are of insignificant amounts and are fully allowed for. There are no accounts receivable from related companies that imply any risk of non-payment

j) **PROPERTY, PLANT AND EQUIPMENT:** Property, plant and equipment are shown at cost or technical appraisal value, as appropriate, and include interest costs incurred during construction periods and major renovations and improvements. Maintenance and repair costs are charged to income.

k) **DEPRECIATION OF PROPERTY, PLANT AND EQUIPMENT:** Property, plant and equipment are depreciated using the straight-line method over the estimated useful lives of the assets. During the 2009 period, and in consideration of the reserves information and production plans of El Romeral Mines, it was determined that the mine could be exploited until 2024. The useful life of the installations was therefore extended from 2015 to 2024, which implied reducing the charge for depreciation by ThUS\$ 1,151 in the first half of 2009.

l) **LEASED ASSETS:** Assets acquired under financial leases by subsidiaries are shown as acquisitions of property, plant and equipment, recording the sum of lease installments as a liability and interest on an accrual basis. Such assets do not legally belong to the subsidiaries, so they cannot freely dispose of them until the purchase option is exercised.

m) **SALE OF PROPERTY, PLANT AND EQUIPMENT UNDER LEASE-BACK AGREEMENTS.** The sale of land under financial lease-back agreements is shown by maintaining the value of the land in property, plant and equipment at the same book value recorded prior to the transaction and recording the proceeds received as a credit to the liability for leasing obligations.

n) **INVESTMENTS IN RELATED COMPANIES:** According to Circular 1697 of the Superintendency of Securities and Insurance, investments in related companies made until December 31, 2003 continue to be shown at their proportional equity value and investments in related companies as from January 1, 2004 are valued according to the equity value method, as established in Technical Bulletin No.72 (business combinations) of the Chilean Institute of Accountants.

o) **GOODWILL AND NEGATIVE GOODWILL:** Goodwill and negative goodwill were determined as follows:

1) Investments prior to December 31, 2003: at the time of the purchase, the difference between the investment cost and the proportional equity value, according to the balance sheet at the time of acquiring shares or rights in the companies acquired. The amortization period established was 5 years, being the estimated period of return on the investments.

2) Investments since January 1, 2004: the difference between the price paid and the equity value according to the balance sheet at the time of acquisition and in accordance with Technical Bulletin No.72 of the Chilean Institute of Accountants.

p) **BONDS PAYABLE:** The Company has issued Series D and E bonds in Unidades de Fomento which were placed on the domestic market. These are shown restated at the value of the UF at the close of each period, including accrued interest to those dates. The Series E bonds were placed in May 2008 for an amount equivalent to UF 2 million and with a term of 5 years.

In September 2006, the Company placed a bond issue abroad for US\$ 200 million. This bond will be fully paid on maturity in 2036 and may be prepaid only for its full amount plus the interest accrued to that date.

The Company also issued and placed in May 2008 a bond issue in US dollars (Series F) for a total of ThUS\$ 171,480 and with a term of 10 years.

The Company has capitalized the bond issue and placement costs, showing them as deferred charges in Other assets at short and long term in order to amortize them over the term of the respective instruments.

The Series D bonds may be prepaid on any principal and/or interest payment date.

The Series E and F bonds cannot be prepaid and are only fully repayable on their respective maturity dates.

q) **INCOME TAX AND DEFERRED TAXES.**- The Company and its Chilean subsidiaries book Income tax on the basis of net taxable income calculated in accordance with the Income Tax Law. Their foreign subsidiaries do so in accordance with the regulations in their respective countries. The Company and most of its subsidiaries show deferred taxes for timing differences, tax losses and other events creating differences between the financial and tax treatment of assets and liabilities, in accordance with the provisions of Technical Bulletins Nos.60, 69 and 71 of the Chilean Institute of Accountants.

r) **DERIVATIVE CONTRACTS** – CAP S.A. signed a cross-currency swap agreement with Banco Santander Chile to cover fluctuations in the value of the US dollar with respect to part of the Series D bonds, and all the Series E bonds, denominated in Unidades de Fomento. It has also signed a interest-rate swap contract in order to fix the variable interest rate on the Series F bonds. In addition, it has signed future currency contracts with financial institutions. Another group company, which maintains its accounts in Chilean pesos, has signed US dollar futures contracts with another financial institution. These contracts have been defined as instruments for hedging existing items, against exchange-rate fluctuations.

Los results of the exchange and interest-rate hedging transactions and the future exchange contracts, have been recorded in accordance with Technical Bulletin No.57 of the Chilean Institute of Accountants

s) **SEVERANCE INDEMNITIES.**- Provisions are made for severance indemnities that are covered by current work contracts, mainly by applying the present value method of the accrued cost of the benefit, using a discount rate of 6% and considering a future permanence in the Company until retirement age. During 2009, the subsidiary Cía. Minera del Pacífico S.A. modified its estimate of the future years of permanence of the personnel at Elqui Valley, taking into account the extension of the remaining useful life of the El Romeral Mines. The effect of the change at the start of the year was ThUS\$ 1,235.

t) **VACATIONS:** The cost of personnel vacations is charged to income for the period in which the right accrues.

u) **SALES:** Sales correspond to products delivered and services provided during the period up to the date of closing of the financial statements.

v) **FACTORING TRANSACTIONS:** The assignment of notes receivable to factoring institutions with recourse are shown as the obtaining of a financial credit guaranteed by documents and are shown in Other liabilities in Current liabilities.

w) **RECOGNITION OF INCOME GENERATED BY INDUSTRIAL PROMOTION:** According to the percentage drawbacks that correspond to the indirect subsidiary Tubos Argentinos S.A. within the framework of industrial promotion, the Argentine Federal Administration of Public Revenues (ex "Dirección General Impositiva de la República Argentina") granted fiscal credit certificates to suppliers of raw materials in payment of Value Added Tax (V.A.T.) invoiced by them. The promotional benefit (subsidy) is recognized in sales as a benefit received during the period.

x) **COMPUTER SOFTWARE:** The Company and its subsidiaries only acquire operating system programs and their accessories, whose costs are charged to income. Management and control programs have been developed internally or with specialized external assistance; the less significant management programs are charged to income and the production programs are capitalized and amortized over four consecutive years.

CAP S.A. has acquired an ERP - SAP system which is being implemented in the Company and some of its subsidiaries. The amounts paid to date for licences and development are booked as Other assets, which will begin to be amortized in the second half of 2009.

The indirect subsidiary CINTAC S.A. has bought a computer program whose cost is being amortized over four years. This is shown under Other property, plant and equipment.

y) **RESEARCH AND DEVELOPMENT COSTS:** Research and development costs that do not include mine development and exploration work, are charged to income. There have been no significant costs of this kind over the last five years.

z) **EXPLORATION EXPENSES:** Expenses incurred in exploring for minerals or mines are charged to income.

aa) **MINING CLAIMS:** Disbursements for mining claims and mining companies which are not being exploited, are charged to income.

ab) **STATEMENT OF CASH FLOWS:** Cash and cash equivalents include cash, bank balances, time deposits not exceeding 90 days term and marketable fixed-income securities. The net positive cash flow from operating activities represents the net cash or cash equivalents received during the period resulting from operations affecting the results of the Company and its subsidiaries.

ac) **FAIR VALUE OF SUBSIDIARY:** The changes are the following:

For its increased shareholding in Novacero S.A. made in late 2006, the Company determined its fair value in accordance with Technical Bulletin No.72 of the Chilean Institute of Accountants, based on a valuation made by an independent professional.

Detail of the reconciliation of the equity value of Novacero S.A. to its fair value:

		2009	2008
		ThUS\$	ThUS\$
Equity at book value Novacero S,A,		69,231	85,712
Adjustment to fair value		7,460	8,807
		-----	-----
Equity at fair value		76,691	94,519
Equity value	8.3811%	6,428	7,922

ad) **INVESTMENTS IN ARGENTINA.** -The indirect subsidiary INTASA S.A. has a direct 99.99% investment in Argentina in the company Tubos Argentinos S.A.

The management of INTASA S.A. and its subsidiary has evaluated the recoverability of its assets and believes that the general situation in Argentina will not result in adjustments in this respect.

As of June 30, 2009, the financial statements of the Argentine subsidiary show total assets that represent 1.00% of total consolidated assets.

The companies included in the consolidation are:

TAX NO.	COMPANY	PERCENTAGE HOLDING			
		2009			2008
		DIRECT	INDIRECT	TOTAL	TOTAL
94637000-2	COMPAÑIA SIDERURGICA HUACHIPATO S.A.	99.9998	0.0000	99.9998	99.9998
94638000-8	COMPAÑIA MINERA DEL PACIFICO S.A.	99.9995	0.0000	99.9995	99.9995
79942400-2	CIA. DISTRIBUIDORA DE PETROLEOS DEL PACIFICO LTDA.	0.0000	99.9994	99.9994	99.9994
90915000-0	MANGANESOS ATACAMA S.A.	0.0000	98.7636	98.7636	98.7636
94235000-7	ABASTECIMIENTOS CAP S.A.	50.0000	49.9998	99.9998	99.9998
Foreign	PACIFIC ORES & TRADING N.V.	0.0000	99.9995	99.9995	99.9995
Foreign	PACIFIC ORES & TRADING B.V.	0.0000	99.9995	99.9995	99.9995
Foreign	P.O.R.T. INVESTMENTS LTD. N.V.	100.0000	0.0000	100.0000	100.0000
Foreign	P.O.R.T. FINANCE LTD. N.V.	0.0000	100.0000	100.0000	100.0000
79807570-5	SOC. DE ING Y MOVIMIENTOS DE TIERRA DEL PACIFICO LTDA.	0.0000	99.9979	99.9979	99.9979
76369130-6	TECNOCAP S.A.	60.0000	39.9999	99.9999	99.9999
76399380-9	ECOCAP S.A.	0.0000	82.9999	82.9999	39.9999
99503280-5	INTASA S.A.	11.0305	26.8328	37.8633	37.8633
Foreign	TUBOS ARGENTINOS S.A. (ARGENTINA)	0.0000	37.8595	37.8595	37.8595
92544000-0	CINTAC S.A.	11.0305	26.8328	37.8633	37.8633
96925940-0	NOVACERO S.A.	52.6821	0.0000	52.6821	52.6821
Foreign	STEEL TRADING CO. INC. (BAHAMAS)	0.0000	37.8633	37.8633	37.8633
96919030-3	CONJUNTOS ESTRUCTURALES S.A.	0.0000	37.8507	37.8507	37.8507
Foreign	TUBOS Y PERFILES METALICOS (PERU)	0.0000	37.8633	37.8633	37.8633
96705210-8	CINTAC S.A.I.C. EX ACERO CINTAC S.A.	0.0000	37.8633	37.8633	37.8633
96706060-7	INSTAPANEL S.A.	0.0000	37.8633	37.8633	37.8633
96859640-3	VARCO PRUDEN CHILE S.A.	0.0000	37.8633	37.8633	37.8633
76721910-5	INMOBILIARIA CINTAC S.A.	0.0000	37.8629	37.8629	37.8629
76734400-7	CENTROACERO S.A. EX NUEVA CENTROACERO S.A.	0.0000	37.8633	37.8633	37.8633
99537280-0	TECNOACERO S.A.	0.0000	37.8633	37.8633	37.8633
99553700-1	TECNOACERO UNO S.A.	0.0000	37.8633	37.8633	37.8633
76498850-7	PUERTO LAS LOSAS S.A.	0.0000	50.4692	50.4692	50.4692
76800010-7	MINERA HIERRO ATACAMA S.A.	0.0000	99.9995	99.9995	99.9995
76399400-7	CLEANAIRTECH SUDAMERICANA S.A.	0.0000	90.9999	90.9999	39.9999

3.- Accounting Changes

The accounting principles and criteria described in Note 2 have been applied uniformly during the periods ended June 30, 2009 and 2008.

4.- Marketable securities

The balances as of June 30, 2009 and 2008 relate to the following mutual fund quotas valued at the end of each period.

Instruments	Book value	
	30-06-2009	30-06-2008
Mutual fund quotas	23,889	21,433

5.- Short and long-term debtors

The detail of these is as follows:

	Current						Long Term			
	Up to 90 days		90 days to 1 year		Total Current (net)	2009	2008			
	2009	2008	2009	2008						
Trade accounts receivable	161,363	265,695	1,333	658	162,696	158,237	260,044			
Estimate of doubtful accounts					4,459					
Notes receivable	10,059	16,175	997	1,701	11,056	8,637	15,556	16		
Estimate of doubtful accounts					2,419					
Sundry debtors	27,970	11,422	3,391	5,924	31,361	30,888	16,867	6,888	5,654	
Estimate of doubtful accounts					473					
	Total long-term debtors							6,904	5,654	

Of the total short-term debtors at June 30, 2009, 84.14% represent Chilean debtors and 15.86% foreign debtors (86.97% and 13.03% respectively at June 2008).

Long-term debtors at June 30, 2009 and 2008 split 98.38% and 97.47% into Chilean, and 1.62% and 2.53% foreign debtors, respectively.

6.- Balances and transactions with related entities

The detail of short and long-term balances with related companies and transactions with unconsolidated related companies is as follows:

Notes and accounts receivable

Tax No.	Company	Short term		Long term	
		2009	2008	2009	2008
		ThUS\$	ThUS\$	ThUS\$	ThUS\$
96.778.700-0	Cía. Minera Huasco S.A.	969	16	0	0
78.170.790-2	Armacero Industrial y Comercial S. A.	2,138	8,335	1,958	0
80927500-0	Sociedad Naviera Ultragas Ltda	4	0	0	0
80992000-3	Ultramar Agencia Maritima Ltda.	82	0	0	0
	Total	3,193	8,351	1,958	0

Documentos y Cuentas por Pagar

Tax No.	Company	Short term		Long term	
		2009	2008	2009	2008
		ThUS\$	ThUS\$	ThUS\$	ThUS\$
96.778.700-0	Cía. Minera Huasco S.A.	29,892	18,847	0	0
80.927.500-0	Sociedad Naviera Ultragas Ltda..	868	544	0	0
Foreign	BHP Billiton Mitsubishi Alliance	69,284	46,621	0	0
Foreign	Mitsubishi Corporation	0	1,961	0	0
96708470-0	Invercap S.A.	430	737	0	0
78170790-2	Armacero Industrial y Comercial S. A.	21	0	0	0
	Total	100,495	68,710	0	0

The account receivable from Ultramar Agencia Marítima Ltda. arises from business transactions, accrues no interest and is payable monthly.

The short-term account payable to Compañía Minera Huasco S.A. for the purchase of pre-concentrates by C.M.P. and of pellets by C.S.H. does not accrue interest and its term does not exceed 3 months.

The short-term account payable to Mitsubishi Corporation in 2008, mainly for mineral sale commissions, did not accrue interest and was payable monthly.

The balance of the account payable to BHP Billiton Mitsubishi, related through the shareholder Mitsubishi Co., relates to debts for coal imports and accrues interest at an average annual rate of 4%.

The other short-term accounts receivable and payable relate to business transactions and are payable within the terms established for each.

Directors' Remuneration:

The following shows the remuneration of the directors of CAP S.A. and its subsidiaries for the periods ended June 30, 2009 and 2008:

	2009	2008
	ThUS\$	ThUS\$
Attendance at meetings	282	322
Representation expenses	60	73
Directors' committee fees	11	11
Balance profit sharing	1,817	1,391
Total	2,170	1,797

Principal transactions with unconsolidated related companies:

Company	Tax No.	Relationship	Transaction	2009		2008	
				Amount	Effect on results (charge)/credit	Amount	Effect on results (charge)/credit
				ThUS\$	ThUS\$	ThUS\$	ThUS\$
COMPAÑIA MINERA HUASCO S.A.	96778700-0	ASSOCIATE COMPANY	PURCHASE OF PRE-CONCENTRATES	80,072	0	70,875	0
COMPAÑIA MINERA HUASCO S.A.	96778700-0	ASSOCIATE COMPANY	SALE OF MATERIALS & SERVICE	21,940	18,452	27,904	23,503
COMPAÑIA MINERA HUASCO S.A.	96778700-0	ASSOCIATE COMPANY	SALE OF MINERALS	126,902	106,640	140,118	117,747
COMPAÑIA MINERA HUASCO S.A.	96778700-0	ASSOCIATE COMPANY	PURCHASE OF PELLETS	45,216	0	81,494	0
COMPAÑIA MINERA HUASCO S.A.	96778700-0	ASSOCIATE COMPANY	RENTAL & OTHER SERVICES	905	(761)	845	(710)
SOCIEDAD NAVIERA ULTRAGAS LTDA.	80927500-0	DIRECTORS & EXECS. IN COMMON	PURCHASES OF SERVICES	6,518	0	10,892	0
ARMACERO INDUSTRIAL Y COMERCIAL S.A.	78170790-2	ASSOCIATE COMPANY	SALE OF PRODUCTS	6,462	5,430	18,493	15,540
INVERCAP S.A.	96708470-0	MAJOR SHAREHOLDER	SERVICES PROVIDED	0	0	5	4
MITSUBISHI CORPORATION	Foreign	SHAREHOLDER	SALES COMMISSIONS	3,084	(3,084)	2,051	(2,051)
MITSUBISHI CORPORATION	Foreign	SHAREHOLDER	SALES	9,008	9,008	0	0
BHP BILLITON MITSUBISHI	Foreign	DIRECTOR IN COMMON	PURCHASE OF PRODUCTS	35,777	(1,679)	46,621	(376)
EMPRESA ELECTRICA GUACOLDA S.A.	96635700-2	DIRECTOR IN COMMON	SERVICES SOLD	30	25	0	0
EMPRESA ELECTRICA GUACOLDA S.A.	96635700-2	DIRECTOR IN COMMON	SERVICES PURCHASED	186	(156)	0	0
ULTRAMAR AGENCIA MARITIMA	80992000-3	DIRECTOR IN COMMON	SERVICES SOLD	222	187	0	0
ULTRAMAR AGENCIA MARITIMA	80992000-3	DIRECTOR IN COMMON	SERVICES PURCHASED	9	(8)	0	0
ARMACERO INDUSTRIAL Y COMERCIAL S.A.	78170790-2	ASSOCIATE COMPANY	PURCHASE OF PRODUCTS	20	0	0	0

7.- Inventories

The detail of these at June 30, 2009 and 2008 is as follows:

	2009	2008
	ThUS\$	ThUS\$
Finished steel products	44,700	63,128
Semi-finished steel products & in process	29,675	37,156
Primary products & others	0	20,384
Steel byproducts	51,952	1,488
Sub total	126,327	122,156
Finished pellets	29,218	12,063
Pellet chips	3,414	2,493
Mine pre-concentrates	17,316	107
Mineral lumps & fines	34,732	22,114
Pellet feed & stockpile	4,098	1,163
Other minerals being processed	8,493	3,301
Ferro-alloys & other metals	24,258	17,113
Sub total	121,529	58,354
Finished steel products	23,840	35,564
Steel products being processed	6,463	11,137
Primary steel products & others	0	0
Vostecs catalyzer equipment	2,584	3,449
Sub total	32,887	50,150
Imported coal	39,284	34,966
Imported coke	15,365	16,743
Zinc-alum alloys, silicon	2,380	5,268
Iron ore	2,579	2,144
Lime, limestone & other raw materials	24,231	6,658
Raw materials in transit	8,332	30,218
Sub total	92,171	95,997
Materials in warehouse	5,802	40,845
Spares & supplies	61,120	7,104
Disposable equipment & materials	0	6,292
Allowance for surplus & obsolescent materials	0	0
Allowance for net realization value	0	0
Materials in transit	0	10,642
Sub total	66,922	64,883
Allowance for obsolescence	(6,117)	(5,659)
Allowance for net realization value	(24,575)	0
Sub total	(30,692)	(5,659)
Total	409,144	385,881

8.- Deferred taxes and income tax

GENERAL INFORMATION AS OF JUNE 30, 2009 AND 2008

a) TAXABLE INCOME AND PROVISION FOR INCOME TAX

	2009	2008
	ThUS\$	ThUS\$
Taxable income	18,357	179,141
Tax loss for the period	110,111	16,912
Provision for income tax	3,121	30,454
Provision for income tax foreign subsidiaries	0	1,197

b) TAXED EARNINGS

At June 30, the Company and its subsidiaries showed the following consolidated balances of retained taxed earnings, accumulated tax losses and tax credits for shareholders:

	2009	2008
	ThUS\$	ThUS\$
Taxed earnings with credit	680,972	672,401
Taxed earnings without credit	12,507	35,167
Exempt income	896	858
Non-tax income	2,131	2,041
Accumulated tax losses	17,049	17,239
Credits	136,096	137,504

c) NET RECOVERABLE INCOME TAX

The net recoverable tax relates to the taxation of the Company and its subsidiaries. The detail of net recoverable income tax is as follows:

	2009	2008
	ThUS\$	ThUS\$
Income tax prior to applying accumulated tax losses		
	(3,121)	(31,651)
Special clause 21 tax	(41)	(60)
Extraordinary income from application of accumulated tax losses		
	<u>10,589</u>	<u>2,809</u>
Net charge to income for tax	7,427	(28,902)
Balance from previous year	3,462	1,998
Credit for absorption of profits	0	0
Monthly tax prepayments	12,135	21,801
Fiscal credit Argentine subsidiary	1,069	2,791
Fiscal credit & others	35,303	16,280
Net income tax recoverable	<u>59,396</u>	<u>13,968</u>

At June 30, 2009, the net recoverable income tax is shown in current assets for ThUS\$ 59,469 and income tax in current liabilities for ThUS\$ 73. As of June 30, 2008, net recoverable income tax is shown in current assets for ThUS 27,193 and in income tax in current liabilities for ThUS\$ 13,225.

d) DEFERRED TAXES

As instructed by the Superintendency of Securities and Insurance in Circular 1560 of September 20, 2001, deferred taxes are shown net in the balance sheet as follows:

	2009	2008
	ThUS\$	ThUS\$
Deferred tax assets - current	23,271	7,696
Deferred tax liabilities - current	(3,944)	(5,114)
Total Assets (Liabilities) – net current	19,327	2,582
Deferred tax assets – long term	6,055	6,364
Deferred tax liabilities – long term	(36,668)	(34,593)
Total Assets (Liabilities) – net long term	(30,613)	(28,229)

Concept	2009				2008			
	Deferred tax asset		Deferred tax liability		Deferred tax asset		Deferred tax 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\$
Timing differences								
Allowance doubtful accounts	1,383	0	0	0	1,689	0	0	0
Unearned income	0	0	0	0	0	0	0	0
Provision for vacations	1,017	590	0	0	1,083	448	0	0
Amortization intangible assets	0	0	0	569	0	0	0	515

Leased assets	344	563	0	588	385	1,359	0	1,486
Manufacturing expenses	0	0	1,123	0	0	0	4,003	0
Depreciation property, plant & equipment	0	44	0	60,595	0	0	0	59,727
Severance indemnities	0	384	31	7,768	11	414	31	7,139
Other events	333	908	1,265	0	426	2,462	363	444
Provision long-service awards	280	0	0	0	286	0	0	0
Sundry provisions	2,268	1,148	0	0	3,714	808	0	0
Unrealized income on asset sale	420	709	66	0	343	765	0	0
Deferred expenses	73	0	470	6,079	143	0	470	5,808
Provision retirement pensions	0	0	0	135	0	0	0	13
Provision work accidents	0	0	0	101	0	0	0	18
Interest & commissions	0	0	0	1,061	0	0	0	1,224
Pellets feed stockpile	0	0	0	0	0	0	0	0
Prepaid expenses	0	0	308	0	0	0	247	531
Allowance obsolescent materials	428	434	0	0	315	1,019	0	0
Accumulated tax loss	10,893	2,025	0	0	0	2,746	0	0
Inventories	5,245	0	0	0	0	0	0	0
Property, plant & equipment	99	544	0	1,042	18	708	0	1,001
Financing cost prop., plant & equip.	0	0	0	35	0	0	0	40
Materials being processed	1,034	0	681	0	0	0	0	0
Def. tax fair value Novacero S.A.	0	0	0	219	0	0	0	219
Sub total	23,817	7,349	3,944	78,192	8,413	10,729	5,114	78,165
Complementary accounts – net of amortization	0	534	0	41,524	0	2,185	0	43,572
Valuation provision	546	760			717	2,180		
Totales	23,271	6,055	3,944	36,668	7,696	6,364	5,114	34,593

e) INCOME TAX

	2009	2008
	ThUS\$	ThUS\$
Current tax charge (provision for tax)	(3,162)	(31,711)
Tax charge adjustment (previous year)	(56)	112
Effect on deferred tax assets or liabilities for the period	12,684	2,112
Benefit of tax losses	10,589	2,809
Effect of amortization of complementary deferred tax asset & liability accounts	(1,955)	(2,175)
Effect on assets or liabilities of deferred taxes due to changes in the valuation provision	(891)	0
Other charges or credits to the account	(130)	(15)
Total	17,079	(28,868)

9.- Other current assets

The detail of other current assets at June 30, 2009 and 2008 is as follows:

	2009	2008
	ThUS\$	ThUS\$
Capitalized bond issue & placement costs	2,763	2,763
Capitalized long-term loan arrangement costs	103	413
Capitalized investment project expenses	3,179	3,297
Effect of change in discount rate on provision for severance indemnities	311	430
Insurance & deferred expenses	0	0
Prepaid personnel benefits	0	2,094
Advances for imports in transit	0	0
Other assets available for sale	0	0
Net receivables under forward contracts (Note 28d)	0	19,168
Sundry minor items	2,158	37
Total	8,514	28,202

10.- Property, plant and equipment

Property, plant and equipment relate mainly, in Cía. Siderúrgica Huachipato and Cía. Minera del Pacífico, to land, buildings, infrastructure, mine machinery and equipment, pellets plant, mineral shipment ports, steel plant and piers. It also includes the industrial plants of the subsidiaries Cintac, Centroacero, Instapanel, Varco Pruden and Tecnoacero, and the industrial plants of Tupemesa in Lima, Peru, and of Tasa in Argentina. The detail is shown below:

DEPRECIATION

Depreciation amounts to ThUS\$ 34,986 to June 2009 and ThUS\$ 36,245 in 2008, and includes ThUS\$ (972) and ThUS\$ (279) respectively of net depreciation of the incremental or lesser technical appraisal valuation.

Assets	2009					2008		
	Cost		Technical Appraisal		Total	Cost plus technical appraisal	Accumulated depreciation	Net property, plant & equipment
	Cost	Accumulated depreciation	Value	Accumulated depreciation	Net property, plant & equipment			
ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	
Land	16,391	0	6,527	0	22,918	17,580	0	17,580
Improvements to land & roads	0	0	0	0	0	34,606	(30,649)	3,957
Buildings	485,359	(333,020)	31,843	(32,685)	151,497	451,233	(325,654)	125,579
Infrastructure works	0	0	0	0	0	0	0	0
Machinery & equipment	1,708,462	(1,170,286)	61,603	(61,159)	538,620	1,671,627	(1,182,221)	489,406
Transport & handling equipment	65,650	(55,802)	4,271	(4,611)	9,508	69,960	(59,259)	10,701
Leased fixed assets	26,034	(3,695)	0	0	22,339	26,023	(2,823)	23,200
Other assets	34,775	(21,817)	0	0	12,958	42,670	(24,921)	17,749
Works in progress	429,818	0	0	0	429,818	413,210	0	413,210
Total	2,766,489	(1,584,620)	104,244	(98,455)	1,187,658	2,726,909	(1,625,527)	1,101,382

TECHNICAL APPRAISAL

In 1988, the principal subsidiaries, Compañía Siderúrgica Huachipato S.A. (C.S.H.) and Compañía Minera del Pacífico S.A. (C.M.P.), adopted the provisions of Circular 829 of the Superintendency of Securities and Insurance to revalue their property, plant and equipment. The indirect subsidiaries Cintac S.A. and Instapanel S.A. re-appraised their property, plant and equipment in 1980, 1992 and 1994. As a result, C.S.H., Cintac and Instapanel increased the value of their property, plant and equipment while C.M.P. reduced these, compared to their respective book values.

LEASED ASSETS

The detail of leased assets is as follows:

	2009	2008
	ThUS\$	ThUS\$
In Cía. Minera del Pacífico S.A.		
Mining equipment	6,216	6,918
Light equipment	4,271	4,193
Total	10,487	11,111

The average annual interest rate on these agreements is 6.41% and their term is up to 4 years. The leasing obligation is shown in Sundry creditors in current and long-term liabilities

	ThUS\$	ThUS\$
In Cía. Siderúrgica Huachipato S.A.		
Land for corporate building	14,925	10,229

This subsidiary signed a leasing agreement with Banco de Crédito e Inversiones to finance the construction of a corporate building for ThUS\$ 14,925, agreed in 96 equal instalments of UF 4,873.79 plus VAT and with an annual interest rate of 6.35%, plus a purchase option instalment of the same amount. The first installment was paid on September 15, 2008 and the last is payable in 2016.

	ThUS\$	ThUS\$
In Novacero S.A. & subsidiaries		
Land in Cintac S.A.	0	4,598
Computer licenses & others	622	85
Total	622	4,683

The computer-equipment contracts are denominated in UF, have a term of 1 to 3 years and an average monthly interest rate of 0.97%. In 2008 the land and buildings for ThUS\$ 4,598 under a financial lease-back transaction. This contract was terminated in advance on June 4, 2009 (Note 11).

Total leased assets	26,034	26,023
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OTHER PROPERTY, PLANT & EQUIPMENT

The heading Other property, plant and equipment includes, among other things, works in progress of ThUS\$ 430,140, the most important being:

- 1) In Compañía Minera del Pacífico S.A. for ThUS\$ 343,861 at June 30, 2009, mainly relating to the Hierro Atacama project that involves a total investment of US\$ 259 million.
- 2) In Compañía Siderúrgica Huachipato S.A. for ThUS\$ 71,354 at June 30, 2009, the most important investments being for handling the pier and raw materials, roller rectifier, road improvements, tree-planting, access, green areas and other minor projects.
- 3) In Cintac S.A. for ThUS\$ 14,603, mainly in installations and machinery.

11.- Leaseback transactions

Other property, plant and equipment (Note 10) in 2008 includes land of the indirect subsidiary CINTAC S.A. for ThUS\$ 4,598 relating a leaseback agreement signed with the bank CorpBanca in October 2002.

On June 4, 2009, CINTAC S.A. terminated this leaseback contract in advance.

12.- Investments in related companies

UNREALIZED INCOME:

- a) The subsidiary Compañía Minera del Pacífico S.A. (CMP) generated unrealized income in Compañía Minera Huasco S.A. (CMH) in 1996 mainly corresponding to the difference in the valuation of mining claims contributed by CMP on the constitution of the associate company Compañía Minera La Jaula. These claims were sold to Compañía Minera Huasco S.A. in 2000. Transfers to income are made in quarterly instalments over the estimated life of the Los Colorados mine, i.e. until December 2028. The amount realized during the half year to June 2009 was ThUS\$ 107 (Th\$222 in 2008).
- b) CAP S.A. also showed unrealized income at June 30, 2009 and 2008, in proportion to its percentage participation, for inventories of products sold by Compañía Siderúrgica Huachipato S.A. and which are included in the inventories of Armacero Industrial y Comercial S.A..

FOREIGN INVESTMENTS

- a) Earnings on foreign investments that are potentially remittable to the Company and its subsidiaries at the end of each period are as follows:

	2009 ThUS\$	2008 ThUS\$
Pacific Ores and Trading N.V.	351	1,992
Tubos Argentinos S.A.	---	2,514

Neither the Company or its subsidiaries has contracted any debt to cover these foreign investments during either year.

The subsidiary Cía. Minera del Pacífico S.A. decided to discontinue in 2008 the operations of its subsidiaries Pacific Ores and Trading N.V. and Pacific Ores and Trading B.V. which operated as sales agents.

ADDITIONAL INFORMATION:

The board of Cía Minera del Pacífico S.A., on January 24, 2007, agreed to form a closely-held corporation in which it would have a 99% shareholding and its subsidiary IMOPAC the remaining 1%. This company was constituted on February 9, 2007 with the name Minera Hierro Atacama S.A. with an initial capital of US\$ 1,000,000 divided into 10,000 shares of no par value. As of June 30, 2009, the paid capital amounts to ThUS\$ 110 of which C.M.P. has contributed ThUS\$ 100 and IMOPAC ThUS\$ 10.

On May 25, 2009, the production activities of the subsidiary Manganesos Atacama S.A. were suspended due to the weak demand for its products. The present stock is sufficient to cover all existing commitments for an estimated term of two years.

Detail of investments in related companies:

a) As of June 30, 2009

Tax No.	Company	Country of Origin	Investment control currency	No. of shares	Percentage holding	Equity of company	Result for the period	Equity of company at fair value	Accrued results	Proportional equity value	Unrealized income	Book value
						ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$
96778700-0	Cía. Minera Huasco S.A.	Chile	Dollar	1,050,000	49.99975	169,956	52,974	0	26,594	84,978	4,172	80,806
78781830-7	Cía. Minera La Jaula	Chile	Dollar	10,500	49.99975	112	19	0	10	56	0	56
78170790-2	Armacero Ind y Com. S.A.	Chile	Dollar	3,877,633	50.00000	16,663	574	0	287	8,332	(91)	8,423
79756730-2	Inmob y Const San Vicente Ltda	Chile	Dollar	0	0.49000	3,715	(446)	0	(2)	18	0	18
	Total									93,384	4,081	89,303

b) As of June 30, 2008

Tax No.	Company	Country of Origin	Investment control currency	No. of shares	Percentage holding	Equity of company	Result for the period	Equity of company at fair value	Accrued results	Proportional equity value	Unrealized income	Book value
						ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$
96778700-0	Cía. Minera Huasco S.A.	Chile	Dollar	1,050,000	49.99975	234,388	119,289	0	59,645	117,194	4,500	112,694
78781830-7	Cía. Minera La Jaula	Chile	Dollar	10,500	49.99975	111	(6)	0	(3)	56	0	56
78170790-2	Armacero Ind y Com. S.A.	Chile	Dollar	3,877,633	50.00000	12,372	5,627	0	2,813	6,186	619	5,567
79756730-2	Inmob y Const San Vicente Ltda	Chile	Dollar	0	0.49000	3,644	82	0	(2)	17	0	17
	Total									123,453	5,119	118,334

13.- Goodwill and Negative Goodwill

These comprise the following as of June 30, 2009 and 2008:

GOODWILL		2009		2008	
Tax No.	COMPANY	Amount amortized in the period	Balance of goodwill	Amount amortized in the period	Balance of goodwill
		ThUS\$	ThUS\$	ThUS\$	ThUS\$
96925940-0	Novacero S.A.	396	1,981	396	2,774
96925940-0	Novacero S.A.(ajuste del valor justo)	36	0	87	0
96619660-2	Centro Acero S.A.	16	173	15	198
96925260-0	Eci Dos S.A.	100	200	100	400
	Total	548	2,354	598	3,372

NEGATIVE GOODWILL		2009		2008	
Tax No.	COMPANY	Amount amortized in the period	Balance of negative goodwill	Amount amortized in the period	Balance of negative goodwill
		ThUS\$	ThUS\$	ThUS\$	ThUS\$
76498850-7	Sociedad Puerto Las Losas S.A.	0	6,836	0	6,836
96703550-5	Imsatec Chile S.A.	841	14,468	824	15,728
96705210-8	Latin American Enterprises S.A.	130	2,238	128	2,434
	Total	971	23,542	952	24,998

The balance of goodwill in Centroacero S.A. was generated as a result of the investment made in that company by the indirect subsidiary Cintac S.A., while the balance of goodwill in Novacero S.A. was generated as a result of the subscription and payment in late 2006 of the whole capital increase of this subsidiary by CAP S.A..

The higher negative goodwill in Imsatec Chile S.A. and Latin American Enterprises S.A. was generated by the investments made by the indirect subsidiary Cintac S.A.. The negative goodwill in Puerto Las Losas S.A. was due to the contribution made by the subsidiary Compañía Minera del Pacífico S.A. which is to be amortized over the estimated period of return of the investment, once its operations begin.

14.- Other assets

The detail of long-term other assets at June 30, 2009 and 2008 is as follows:

	2009	2008
	ThUS\$	ThUS\$
Rights in installations	100	100
Inventories realizable in more than one year	41,389	49,620
Allowance for obsolescence of materials	(2,552)	(6,556)
Actuarial adjustments of deferred severance indemnities	2,954	3,365
Other assets & minor investments	2,254	1,777
Long-term portion of discount & expenses on bond placements (Note 26)	23,647	26,409
Non-accrued part of long-term loan arrangement costs	170	522
Non-accrued part of special bonus for collective bargaining	5,005	4,569
Assets at Guarello	859	934
Value receivable from Bco. Santander Chile for currency & interest rate swap in Unidades de Fomento (Note 28a)	19,180	16,559
Others	1,929	3,391
Total	94,935	100,690

15.- Borrowings from banks and financial institutions at short term

a) The detail of these is as follows:

Tax No.	Bank	CURRENCY OR INDEXATION UNIT								Non-indexed pesos		TOTAL	
		Dollars		Euros		Other foreign currencies		Unidades de Fomento					
		2009	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
	Short term	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$
97.036.000-K	Banco Santander Santiago	0	7,571							0	0	0	7,571
97.023.000-g	Banco Corpanca	0	3,097									0	3,097
97.080.000-k	Banco Bice	0	0									0	0
Extranjero	Banco Continental	1,149	2,028									1,149	2,028
Extranjero	Banco Crédito (Perú)	5,143	10,277									5,143	10,277
97.030.000-7	Banco del Estado de Chile	1,658	5,420	0						0		1,658	5,420
97.006.030-8	Banco Crédito e Inversiones	74	7,883	848	1,043	0	0			0	6,328	922	15,254
97.018.000-1	Banco Scotiabank Sudamericano	2,244	13,263									2,244	13,263
97.004.000-5	Banco de Chile	0	0							0	1,694	0	1,694
76.450.030-k	Banco Itau Chile	169	775									169	775
Foreign	Bci Miami	0	1,200									0	1,200
Foreign	Banco Patagonia	4,063	3,000			0	968					4,063	3,968
Foreign	Banco Rio	0	0			239	0					239	0
Foreign	Interbank	1,646	0									1,646	0
97006030-8	Bci	0	0									0	0
Foreign	Hsbc	0	0									0	0
Foreign	Bci Perú	1,383										1,383	
	TOTAL	17,529	54,514	848	1,043	239	968	0	0	0	8,022	18,616	64,547
	Principal outstanding	17,299	54,106	848	1,035	239	968			0	7,908	18,386	64,017
	Average annual interest rate (%)	5.77%	5.02%	4.35%	5.83%	2.92%	10.5%				6.39%		

Long term – current portion		CURRENCY OR INDEXATION UNIT										TOTAL	
Tax No.	Bank	Dollars		Euros		Other foreign currencies		Unidades de Fomento		Non-indexed pesos		TOTAL	
		2009	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
		ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$
Foreign	ABN Amro Bank N. V.	50,655	1,001									50,655	1,001
Foreign	KFW - (Loan credit)	0	1,679									0	1,679
Foreign	KFW - (Basic credit)	0	442									0	442
97.030.000-7	Banco del Estado de Chile	0	300							184	2,224	184	2,524
97.032.000-8	BBVA Banco BHIF	0	1,773									0	1,773
97.006.030-8	Banco de Crédito e Inversiones	199	2,751							184	3,944	383	6,695
97.004.005-5	Banco de Chile	0	0							0	1,847	0	1,847
Foreign	Banco Crédito (Perú)	180	87									180	87
97.015.000-5	ABN Amro Bank	0	0					0	334			0	334
97.015.000-5	Banco Santander	237	0						113			237	113
59.002.220-9	Bank of Tokyo-Mitsubishi ujf	0	872									0	872
97.053.000-2	Banco Security	0	0					0	289	0	1,502	0	1,791
97.041.000-7	Banco Itau	0	501									0	501
97.023.000-9	Corpbanca	0	0							0	407	0	407
Foreign	Banco Patagonia	29	70									29	70
97.006.000-6	Banco de Crédito e Inversiones	0	150								0	0	150
	Others	0	0									0	0
	TOTAL	51,300	9,626	0	0	0	0	0	736	368	9,924	51,668	20,286
	Principal outstanding	50,371	8,293	0	0	0	0	0	734	368	9,776	50,739	18,803
	Average annual interest rate (%)	2.041%	3.242%				0	0	4.27%	4.77%	7.27%		

Percentage in foreign currency (%)	99.5000
Percentage in local currency (%)	0.5000

16.- Other current liabilities

Other current liabilities as of June 30, 2009 and 2008 are as follows:

	2009 ThUS\$	2008 ThUS\$
Factoring of CAP S.A. (1)	46,580	--
Factoring of Cintac S.A. (2)	12,869	12,975
Currency futures contract (Note 28d)	6.448	---
Other minor items	1.130	845
	-----	-----
Total	67.027	13.820
	=====	=====

(1) Originated in June when the Company carried out a factoring transaction with recourse with BCI Factoring, pledging in guarantee invoices receivable from customers of its subsidiary Cía. Siderúrgica Huachipato S.A..

(2) Originated mainly in May 2006 when the indirect subsidiary Cintac S.A. carried out a factoring transaction with recourse with BCI Factoring for ThCh\$ 15,931,877 (historic pesos) equivalent to ThUS\$ 29,961 (current), pledging in guarantee invoices receivable from customers for the same amount. The proceeds were used to finance the investment in Imsatec Chile S.A. and Latin American Enterprises S.A. (Cintac S.A.I.C. as of June 30, 2009), with a balance payable of ThUS\$ 12,869 due on November 15, 2009.

17.- Borrowings from banks and financial institutions at long term

LOAN AGREEMENT OF 2004

On March 23, 2004, two long-term loan agreements were signed with Kreditanstalt Für Wiederaufbau (KfW) for a total of US\$ 17 million for financing part of the expansion of the pellets feed plant of the subsidiary Cía. Minera del Pacífico S.A.. One of these, for ThUS\$ 13,277, was fully drawn in April 2004 and the other, for ThUS\$ 3,723, was drawn when payments had to be made to suppliers of the German equipment. The last of these drawings was made on April 29, 2005 to complete the total of the loan.

On June 15, 2009 these two loans were fully prepaid to the bank, for a total amount of ThUS\$ 10,925, including principal and accrued interest.

AMENDMENT AGREEMENT

An agreement was signed on December 22, 2004 partially amending the conditions of the loan agreement for ThUS\$150,000 signed in 2003 with ABN Amro Bank N.V., by reducing the range of the applicable interest rate spread. At the same time, the Chilean bank participants withdrew and were replaced by new foreign banks, maintaining unchanged the total amount of the loan and the repayment maturities.

On March 31, 2006, the original agreement with ABN Amro Bank N.V. was again amended in order to change the repayment dates of principal, the amount of each repayment and the form of calculating the variable spread rate. Repayments will be made in 6 equal instalments of ThUS\$ 25,000 each, starting on October 17, 2009 and ending on April 17, 2012. The change in the form of calculating the variable spread rate came into effect in 2007, taking as a basis the financial statements as of December 31, 2006.

In September 2008, the subsidiary Cintac S.A. signed two long-term loan agreements with Banco Santander for ThUS\$ 30,000 and a term of 5 years. Of these, approximately ThUS\$ 21,409 was used to prepay short-term debts related to import letters of credit.

On April 9, 2009, Cintac S.A. refinanced short-term bank loans at long term for an amount equivalent to ThUS\$ 33,850 through loans obtained from BCI and Banco del Estado, in equal shares. Both loans have a term of 5 years with 2 years' grace and semi-annual repayments, with an annual interest rate of nominal TAB plus 1.65%.

Long-term borrowings from banks and financial institutions at June 30, 2009 and 2008 were as follows:

Tax No.	Bank or financial institution	Currency or indexation unit	Years to maturity					2009		2008
			1 to 2	2 to 3	3 to 5	5 to 10	More than 10	Total long term	Average annual interest rate	Total long term
			ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$		ThUS\$
Foreign	ABN Amro Bank N. V.	Dollars	50,000	50,000	0			100,000	Libor + 0.4 %	150,000
Foreign	KFW – (Loan credit)	Dollars	0	0	0	0		0	0	7,468
Foreign	KFW – (Basic credit)	Dollars	0	0	0	0		0	0	2,190
97.006.030-8	Banco Crédito e Inversiones	Dollars	3,342	3,342	6,684	13,365		26,733		14,650
97.006.030-8	Banco Crédito e Inversiones	Non-indexed Ch\$		4,231	12,694			16,925	0	0
97.030.000-7	Banco del Estado de Chile	Dollars	0	0	0			0	0	750
97.030.000-7	Banco del Estado de Chile	Non-indexed Ch\$	0	4,231	12,694			16,925	0	3,327
97.053.000-2	Banco Security	UF	0					0	0	0
97.053.000-2	Banco Security	Non-indexed Ch\$	0	0	0			0	0	1,996
97.919.000-k	ABN Amro Bank	UF	0	0	0			0	0	1,779
97.032.000-8	BBVA Banco Bhif	Dollars	0	0	0			0	0	2,500
97.004.000-5	Banco de Chile	Non-indexed Ch\$	0	0	0			0	0	1,996
97.023.000-9	Corpbanca	Non-indexed Ch\$	0	0	0			0	0	1,016
59.022.220-9	Bank of Tokyo-Mitsubishi ujf	Dollars	0	0	0			0	0	650
97.041.000-7	Banco Boston	Dollars	0	0				0	0	0
97.041.000-7	Banco Itau	Dollars	0	0	0			0	0	1,250
Foreign	Banco de Crédito (Peru)	Dollars	3,750	7,500	18,750			30,000	8.65%	0
Foreign	Banco Patagonia	Dollars	15					15	10.0%	44
97.015.000-5	Banco Santander	Dollars	29	0	0			29	5.28%	0
	Total		57,136	69,304	50,822	13,365	0	190,627		189,616
	Percentage in foreign currency (%)			82.24						
	Percentage in local currency (%)			17.76						

18.-Bonds payable

Characteristics:

Amount of issue	: No. 435 (Series D)	UF	4,000,000
	Offshore bond	US\$	200,000,000
	No. 434 (Series E)	UF	2,000,000
	No. 434 (Series F)	US\$	171,480,000
Individual bond value	: No. 435 (Series D)	UF	5,000 each
	Offshore bond	US\$	100,000 each
	No. 434 (Series E)	UF	1,000 each
	No. 434 (Series F)	US\$	10,000 each
Issue date	: No. 435 (Series D)	Offshore bond	October 1, 2005 September 18, 2006
	No. 434 (Series E)		May 15, 2008
	No. 434 (Series F)		May 15, 2008
Term	: No. 435 (Series D)	Offshore bond	14 years & 10 months 30 years
	No. 434 (Series E)		5 years
	No. 434 (Series F)		10 years
Final maturity	: No. 435 (Series D)	Offshore bond	August 1, 2020 September 15, 2036
	No. 434 (Series E)		May 15, 2013
	No. 434 (Series F)		May 15, 2018
Indexation	: No. 435 (Series D)	Offshore bond	According to the value of the UF Denominated in US dollars
	No. 434 (Series E)		According to the value of the UF
	No. 434 (Series F)		Denominated in US dollars
Principal repayments	: No. 435 (Series D)	Offshore bond	Semi-annual from April 1, 2010, the last period being for just 120 days In one payment of 200 million dollars on September 15, 2036
	No. 434 (Series E)		100% at maturity.
	No. 434 (Series F)		100% at maturity.
Interest rate	: No. 435 (Series D)	Offshore bond	3.6% annually, compounded, on the balance outstanding in UF, calculated on basis of a 360-day year. 7.375% annually, calculated on basis of a 360-day year, payable semi-annually on March 15 and September 15.
	No. 434 (Series E)		3.1% annually, in semi-annual payments
	No. 434 (Series F)		Libor at 180 days + 2.25%, in semi-annual payments
Prepayments	: No. 435 (Series D)	Offshore bond	Totally or partially on any payment date of principal and interest Only for the full amount of the issue
	No. 434 (Series E)		Not permitted.
	No. 434 (Series F)		Not permitted.

On October 14, 2005, CAP S.A. placed Series D bonds on the domestic market for an amount of UF 4,000,000, for a term of 15 years with 4 years' grace and a yield of 4.4%.

On September 18, 2006, the Company placed on the international market a bond issue for 200 million dollars at a placement rate of 99.761%, with a bullet repayment in 2036.

On May 15, 2008, the Company placed bonds on the domestic market: Series E for UF 2,000,000, a term of 5 years and a placement yield of 3.75%, and Series F for US\$ 171,480,000, a term of 10 years and an interest rate of Libor + 2.25%.

For the bonds issued in UF, the Company has signed cross-currency swap contracts, as described in Note 28, to hedge against the probable effects of exchange differences. An interest-rate swap was also signed for the Series F bonds, to fix the Libor stipulated for the issue at a rate of 4.58%.

Registration number	Series	Nominal amount placed outstanding	Indexation unit	Interest rate	Final maturity	Payments of		Par value		Placement in Chile or abroad
						Interest	Principal	30-06-2009	30-06-2008	
Long-term bonds – current portion										
435	D	0	U.F.	3,60%	01-08-2020	semi-ann.	semi-ann.	8.559	1.366	Chile
External	Sole	0	Dollar	7,375%	15-09-2036	semi-ann.	maturity	4.302	4.302	Abroad
434	E	0	U.F.	3,10%	15-05-2013	semi-ann.	maturity	301	303	Chile
434	F	0	Dollar	4,845%	15-05-2018	semi-ann.	maturity	803	1.112	Chile
Total current portion							ThUS\$	13.965	7.083	
Long-term bonds										
435	D	4.000.000	U.F.	3,60%	01-08-2020	semi-ann.	semi-ann.	150.305	153.999	Chile
External	Sole	200.000.000	Dollar	7,375%	15-09-2036	semi-ann.	maturity	200.000	200.000	Abroad
434	E	2.000.000	U.F.	3,10%	15-05-2013	semi-ann.	maturity	78.731	76.999	Chile
434	F	171.480.000	Dollar	4,845%	15-05-2018	semi-ann.	maturity	171.480	171.480	Chile
Total long term							ThUS\$	600.516	602.478	

19.- Provisions and write-offs

The balances of provisions at June 30, 2009 and 2008 are as follows:

a) Short-term provisions:			2009	2008
			ThUS\$	ThUS\$
Shown in current liabilities:				
Related to personnel:				
Severance indemnities			10,395	4,359
Vacations			8,896	9,254
Long service awards			12,144	6,603
Others			8,971	8,413
Directors' profit sharing			0	1,093
Other sundry provisions			8,465	23,484
Totales			48,871	53,206

b) Long-term provisions:

	2009	2008
	ThUS\$	ThUS\$
Severance indemnities	69,205	61,772
Vacations	4,432	3,105
Long-service awards	385	455
Other personnel provisions	1,140	995
Others	6,752	4,752
Total	81,914	71,079

c) Allowances deducted from the respective asset accounts:

	2009	2008
	ThUS\$	ThUS\$
For short & long-term doubtful debtors	634	679
For short & long-term trade accounts receivable	6.878	8.629
For short & long-term inventories	9.721	11.654
Other current assets	0	657
Allowance for net realization value	24.575	0

The management of the Company and of the subsidiaries believes that the allowances made reasonably cover the risk of non-recovery of the accounts receivable.

d) WRITE-OFFS

There were no significant write-offs in 2009 and 2008, except for Cintac S.A. which wrote off trade accounts for ThUS\$ 357 in 2009 (ThUS\$ 325 in 2008).

20.- Severance indemnities

The long-term provision for severance indemnities showed the following movement:

	2009 ThUS\$	2008 ThUS\$
Balances at January 1	58,563	61,000
Provision in period as charge (credit) to income, including the effect of exchange differences	18,586	4,592
Payments & transfers to current portion	(7,944)	(3,820)
Balances at June 30 each year	69,205	61,772

21.- Other long-term liabilities

Other long-term liabilities refer mainly to the commitments of CAP S.A. under swap contracts, advance payments received for the sale of minerals by the subsidiary Compañía Minera del Pacífico S.A. and a debt with Compañía Minera Candelaria resulting from a concentrate for the Hierro Atacama project for processing in the end product, an operation that will begin in 2009.

The detail of the account at June 30 each year is as follows:

	2009 ThUS\$	2008 ThUS\$
China Shandong Iron and Steel Products Co. Ltd. (*)	0	2,268
Pioneer Metals Co. (*)	6,952	7,926
Minera Candelaria - Primary Concentrate (**)	1,835	4,495
Amounts payable to Bco. Santander Chile under UF currency & interest rate contract		
- Series E bonds (Note 28b)	7,069	8,801
Other minor items	1	1
Total	15,857	23,491

(*) These amounts relate to advances for mineral sales. The current portion booked amounts to ThUS\$ 4,728 (ThUS\$ 6,388 as of June 30, 2008), shown in Long-term liabilities – current portion.

(**) Relate to long-term liabilities associated with long-term inventories of minerals (Note 14), obligations that will be paid once the minerals are transformed into end products and are sold, which will occur from the second half of 2010.

22.- Minority interest

The minority interest corresponds to the portion of the equity of subsidiaries belonging to persons other than the parent and its consolidated subsidiaries and their participation in the profits (losses) for the period.

The interest of minority shareholders arises in the following companies:

		2009		2008	
		Liability ThUS\$	Result ThUS\$	Liability ThUS\$	Result ThUS\$
90.915.000-0	Manganesos Atacama S.A.	92	5	93	8
94.637.000-2	Cía. Siderúrgica Huachipato S.A.	0	0	2	0
94.638.000-8	Cía. Minera del Pacífico S.A.	2	0	2	0
76.399.380-9	Ecocap S.A.	0	0	8	(2)
96.925.940-0	Novacero S.A.	32,759	(3,777)	40,557	4,699
92.544.000-0	Cintac S.A.:	48,460	(5,063)	58,598	6,787
99.503.280-5	Intasa S.A.	3,070	(853)	4,007	717
76.498.850-7	Puerto Las Losas S.A.	6,649	(237)	8,248	(539)
	Total	91,032	(9,925)	111,515	11,670

23.- Changes in shareholders' equity

	Paid capital	Participation in reserves of subsidiaries	Accumulated results	Interim dividends	Development period deficit	Result for the period
2008	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$
Balances at January 1, 2008	379,444	15,086	323,108	(70,140)	0	236,355
Distribution prior year's results			166,215	70,140		(236,355)
Final dividends			(48,037)			0
Accumulated deficit development period			0	0	0	0
Net equity changes in subsidiaries		(1,824)				
Circular No.1819 transfer						
Net income for the period						160,135
Interim dividends				(28,410)		
Balances at June 30, 2008	379,444	13,262	441,286	(28,410)	0	160,135
2009						
Balances at January 1, 2009	379,444	4,549	441,286	(78,999)		292,981
Distribution prior year's results			213,982	78,999		(292,981)
Final dividends			(67,492)			
Net equity changes in subsidiaries		7,280	(1,793)			
Result for the period						(34,038)
Interim dividends				0		
Balances at June 30, 2009	379,444	11,829	585,983	0	0	(34,038)

Series	Number of subscribed shares	Number of paid shares	Number of shares with voting rights
Sole	149,448,112	149,448,112	149,448,112

Subscribed and paid capital: ThUS\$ 379,444

OTHER RESERVES:

These refer exclusively to the account Participation in reserves of subsidiaries and arise from equity changes in subsidiary companies and their associated companies that keep their books in local currency.

DISTRIBUTION OF EARNINGS

Under current legislation, at least 30% of the net income for the year should be distributed in cash dividends unless agreed otherwise by all shareholders unanimously at a shareholders meeting.

The ordinary shareholders' meeting held on April 13, 2009 agreed the following dividend policy:

1) Distribute 50% of the net income at December 31, 2008 as a dividend payable as follows:

- 1.1) Interim dividend No.93 paid on July 22, 2008 for ThUS\$ 28,409.
- 1.2) Interim dividend No.94 paid on October 15, 2008 for ThUS\$ 27,108.
- 1.3) Interim dividend No.95 paid on January 20, 2009 for ThUS\$ 23,482.
- 1.4) Final dividend No.96 paid on April 22, 2009 for ThUS\$ 25,629.
- 1.5) Final dividend No.97 paid on July 13, 2009 for ThUS\$ 28,104.
- 1.6) The balance of ThUS\$ 13,759 is payable in October 2009.

2) The earnings not distributed amounting to ThUS\$ 146,490 were added to retained earnings.

CAPITAL INCREASE

An extraordinary shareholders meeting was held on August 4, 2008, which resolved as follows:

1.- To increase the capital of CAP S.A. to US\$929,443,645.64 through the issue of 13,250,777 shares for payment, representing in total a capital increase of US\$550,000,000. 10% of these shares, i.e. 1,325,077 shares, would be used for compensation plans for the personnel of the Company and its subsidiaries. The meeting authorized the board to set the final placement price. The term for the subscription of the shares would be 3 years, and 5 years in the case of those for the personnel compensation plan, as from the date of the extraordinary meeting.

2.- Replace clauses 5 and 6 and the transitory clause of the corporate bylaws in order to reflect the agreements of the meeting.

3.- Because of the significant change in global economic conditions, specifically in the international mining and steel-making sectors, the board on November 7, 2008 resolved not to persevere, for a period of 120 days, with the placement of the shares of the capital increase, as mentioned in 1. above, pending a better equilibrium in stock prices, in order to protect the interests of the Company and its shareholders.

4.- Due to the global crisis, the extraordinary shareholders meeting held on April 13, 2009 resolved to cancel the agreements adopted on August 4, 2008, i.e. not to increase the capital through a share issue and amendment of the Company's bylaws.

24.- Other non-operating income and expenses

The detail at June 30, 2009 and 2008 is as follows:

	2009	2008
	ThUS\$	ThUS\$
Other non-operating income:		
Services provided	2,023	292
Net gain on contribution & sales of property, plant & equipment	5,056	247
Net gain on sale of other assets	1,291	1,678
Rentals of properties & installations	22	51
Customer default interest	135	519
Reversal of provisions & adjustments	1,135	1,841
Freight commissions & demurrage	141	555
Indexation of bonds in U.F. & swaps	856	0
Consultancies	2,500	0
Commissions on purchases	876	0
Net gain from indexation of accounts receivable	324	117
Net gain from exchange differences on banking transactions	1,065	0
Tax refunds	47	235
Other minor items	2,379	747
Total	17,850	6,282

	ThUS\$	ThUS\$
Other non-operating expenses:		
Services paid	2,791	4,737
Net loss on sale of property, plant & equipment	167	0
Mining licenses	639	696
Process engineering, and project research & development	9,355	11,794
Adjustments to provisions & write-offs	1,535	598
Indexation of bonds in Unidades de Fomento & swaps	0	1,308
Amortization indemnities	321	404
Retirement pensions & accidents	408	0
Financial trading	108	104
Monetary correction subsidiaries in pesos	0	0
Electricity project studies	0	988
Net loss on indexation of accounts	0	119
Net loss from exchange rate fluctuations on banking transactions	1,327	6,835
Other minor ítems	2,848	922
Effect in the steel products market due to the global financial crisis (1)	90,656	0
Total	110,155	28,505

(1) This item shows the expenses incurred by Cía. Siderúrgica Huachipato S.A. and Cintac S.A. during 2009 due to the effects of the steel-products market caused by the global financial crisis, which is public knowledge, and includes the following concepts:

	ThUS\$
a) Severance payments for the firing of personnel due to adjustments of the workforce	13,127
b) Adjustment to the cost of raw-material stocks, products being processed and finished products to their net realization value, due to the fall in sale prices of the finished products because of market contraction	77,529

Total	90,656
	=====

25.- Exchange differences

The following shows a detail of exchange differences on assets and liabilities at June 30, 2009 and 2008:

	Currency	2009	2008
Current assets	Pesos	ThUS\$ 70,516	ThUS\$ (43,308)
Current assets	Other currencies	0	676
Other assets	Pesos	17,248	(18,430)
Total (charges) credits		87,764	(61,062)
Current liabilities	Pesos	(44,047)	29,995
Current liabilities	Other currencies	(4)	(127)
Long-term liabilities	Pesos	(26,990)	25,258
Total (charges) credits		(71,041)	55,126
Gain (loss) in exchange differences		16,723	(5,936)

26.- Share and bond issue and placement costs

At June 30, 2009 and 2008, the following was the movement in and balances of capitalized costs of bond issues and placements:

	2009		2008	
	Other Assets		Other Assets	
	Current	Long Term	Current	Long Term
	ThUS\$	ThUS\$	ThUS\$	ThUS\$
Initial balances	2,763	25,029	906	13,941
Capitalization of new expenses*	0	0	1,857	13,153
Amortization	(1,382)	0	(685)	0
Transfer from long to short term	1,382	(1,382)	685	(685)
Balances as of June 30	2,763	23,647	2,763	26,409

(*) The issue and placement of the bonds Series E and F in pesos and dollars respectively in May 2008 generated expenses and discounts of ThUS\$ 15,010. These amounts are shown in Other current assets and "Others" in Long-term assets.

In CINTAC S.A.:

In 2008 bond placement advisory expenses of ThUS\$ 31 are shown in "Others" in Long-term assets (Note 14).

27.- Statement of cash flow

The net positive cash flow from operating activities represents the net cash and cash equivalents received during the half years ended June 30, 2009 and 2008 resulting from operations affecting the results of CAP S.A. and subsidiaries.

Cash equivalents include marketable securities which relate to investments of surplus funds in fixed-income mutual funds at short term.

Other sources of finance relate to a factoring transaction with Banco de Crédito e Inversiones.

The heading Sale of other investments shows the net redemptions of time deposits of more than 90 days term and the settlement of currency hedging contracts.

In 2008, "Investments in financial instruments", among investment activities, show the net investments made in the half-year.

28.- Derivative contracts

a) On October 14, 2005, the Company signed with Banco Santander Chile a currency swap contract for approximately $\frac{3}{4}$ of the value of the issue of Series D bonds, i.e. for UF 3,027,535.80, equivalent to ThUS\$ 100,000, in order to cover the probable effects of exchange differences between the value of the Unidad de Fomento and the dollar.

This contract is dated October 14, 2005 and matures on August 1, 2020. The debt of CAP, amounting to ThUS\$ 100,000, carries an annual interest rate of 5.99% with semi-annual repayments. The amount receivable from the bank, amounting to UF 3,027,535.80, accrues interest

at an annual rate of 4.4% with semi-annual payments on the same maturity dates as its counterpart. There are also semi-annual repayments of principal that begin on April 1, 2010.

At June 30, 2009, the principal under this contract represents a net amount receivable of ThUS\$ 19,180 (Note 10) (ThUS\$ 16,559 in 2008), which is shown in Others in Other Assets. The interest accrued to that date amounts to a net payable of ThUS\$ 201 (ThUS\$ 226 in 2008).

b) Arising from the issue of the Series E bonds, the Company on May 15, 2008 signed a new currency-swap contract with Banco Santander, for the same purpose, for UF 2,000,000, equivalent to US\$ 85,800,214. This contract expires on May 14, 2013. The debt of CAP, amounting to ThUS\$ 85,800, accrues interest at a rate of 4.781% annually, payable semi-annually. The amount receivable from the bank amounts to UF 2 million and accrues interest at a rate of 3.10% annually, payable semi-annually on the same dates as the obligation of CAP. The principal is repayable on the expiry of the contract.

As of June 30, 2009, the principal under this contract showed a net value payable of ThUS\$ 7,069 (ThUS\$ 8,801 in 2008) which is shown in Other long-term liabilities (Note 17). There is also net interest payable for interest of ThUS\$ 227 (ThUS\$ 226 in 2008).

The adjustment to fair value of this contract shows a deferred gain of ThUS\$ 12,159 at June 30, 2009, which is shown in Other long-term liabilities (Note 10).

c) On June 3, 2008 a swap contract was signed with Banco Santander Chile to fix Libor for the Series F dollar bonds. This contract expires on May 15, 2018, with semi-annual interest compensation payments of the difference between the fixed rate of 4.58% and Libor for the period.

As of June 30, 2009 this contract represents a net value payable of ThUS\$ 694, which effect is shown in Other current liabilities.

The adjustment of this contract to fair value implies an unrealized loss of ThUS\$ 13,953.

d) As of June 30, 2009, CAP S.A. has currency futures contracts with Banco BBVA, Banco Santander and Banco de Crédito e Inversiones to hedge against fluctuations in the exchange rate on its investments in pesos. At that date, CAP S.A. shows obligations payable in pesos equivalent to ThCh\$ 167,284 and amounts receivable of ThUS\$ 160,836, which produces a net amount payable of ThUS\$ 6,448 (Note 9) (ThUS\$ 19,168 in 2008).

Type of derivative	Type of contract	Contract value	Expiry date	Description of the contracts				Value of Item hedged	Accounts affected			
				Specific item	Position purchase/sale	Item hedged			Asset / Liability		Result	
						Name	Amount		Amount	Name	Amount	Unrealized
S	CCTE	100,000	Aug-2020	UF	C	Bond UF	100,000	119,181	L/T Assets	19,181	19,181	22,348
S	CCTE	85,800	May-2013	UF	C	Bond UF	85,800	78,731	L/T Liabilities	7,069	(7,069)	(10,189)
FR	CCPE	167,810	May-2009	Pesos	C	Financial Investments	170,014	162,441	S/T Assets	6,448	6,448	0
S	CCTE	171,480	May-2018	US\$	C	Bond US\$	171,480	171,480	Sundry creditors	694	(694)	(13,953)

29- Contingencies and restrictions

These comprise:

	2009	2008
	ThUS\$	ThUS\$
Short term:		
Mineral sale commitments	549,471	625,679
Steel products sale commitments	0	0
Purchase orders placed	191,636	144,817
Inventories on consignment	3,182	3,182
Others	0	0
Long term:		
Mineral sale commitments	1,886,287	2,474,051

The mineral sale commitments relate to contracts with domestic and foreign customers, valued at the sales prices prevailing at the end of each period. These prices are agreed on FOB or CIF terms and are negotiated annually. The average contract term is three years and there are no fines for default as the contracts provide options regarding the volumes shipped each year.

Compañía Siderúrgica Huachipato S.A. and Compañía Minera del Pacífico S.A. are jointly and severally liable for long-term loans made to CAP S.A. by ABN AMRO Bank N.V. and KfW (Kreditanstalt für Wiederaufbau) which at June 30, 2009 amount to ThUS\$ 150,655.

Compañía Siderúrgica Huachipato S,A, and Compañía Minera del Pacífico S,A, are joint and several guarantors for the obligations of CAP S,A, with respect to the issue and placement on the domestic market of Series D bonds for U.F. 4,000,000 and Series E bonds for U.F. 2,000,000, whose total amount outstanding at June 30, 2009, including accrued interest, amounts to ThUS\$ 237,896; for the placement on the domestic market of Series F bonds denominated in dollars amounting to ThUS\$172,283 as of June 30, 2009; and the placement abroad of a bond for US\$ 200 million, amounting as of June 30, 2009 to ThUS\$ 204,302, including accrued interest.

The subsidiary Compañía Siderúrgica Huachipato S.A. signed a leasing agreement with Banco de Crédito e Inversiones to finance the construction of a corporate building for the sum of ThUS\$ 14,925; the first repayment was made in September 2008.

In 2006, the indirect subsidiary Cintac S.A. assigned to a financial institution in a factoring transaction customer invoices for ThUS\$ 29,961 (present value) (Note 16), with a balance outstanding at June 30, 2009 of ThUS\$ 12,869 (ThUS\$ 12,975 in 2008).

In 2009, in a factoring transaction with a financial institution (Note 16), the Company assigned customer receivable invoices totaling ThUS\$ 46,580.

Under a sub-distribution contract signed by Ecocap S.A. (a company in which Tecnocap S.A., a CAP subsidiary, has an 83% shareholding) with the related company Cleanairtech S.A., Ecocap S.A. directly imported Vostecs technology products, for which the related company Cleanairtech S.A. had the exclusive representation.

The parties terminated this contract with effect from June 20, 2007, while maintaining the technical guarantee for the products currently in the inventories of Ecocap S.A..

Ecocap S.A. currently sells energy savings schemes to productive companies in Chile.

Other commitments

The foreign subsidiary Tubos Argentinos S.A. has granted a floating pledge over its inventories in favor of Siderar S.A.I.C. to guarantee commercial operations of ThUS\$ 2,000.

Intasa S.A. guarantees Tubos Argentinos S.A. with respect to obligations with Banco Patagonia S.A. (granted on behalf and account of Banco de Crédito e Inversiones) for ThUS\$ 4,000.

In August 2005, Tubos Argentinos S.A. gave its guarantee in favor of Banco Patagonia S.A. to guarantee for 10 years all the obligations with that bank up to maximum sum of ThUS\$ 806.

On September 9, 2008, a request was made to the Superintendency of Securities and Insurance to register a line of bonds of Cintac S.A. in the Securities Register, as required by Law 18,045 and Section IV of the general regulations of that authority.

On November 4, 2008, the Superintendency of Securities and Insurance registered the line of bonds of Cintac S.A. in the Securities Register, under No.556 of that date, for a maximum amount of UF 1,500,000, with a 10-year term as from September 3, 2008.

As of June 30, 2009, Cintac S.A. has not begun the placement of this bond.

B) ASSOCIATION AGREEMENT:

1) As part of the association agreement between Compañía Minera del Pacífico S,A, and MC Inversiones Ltda., described below, Compañía Minera del Pacífico S,A buys from Compañía Minera Huasco S,A, all its iron-ore concentrates and sells it its pellets production.

Compañía Minera del Pacífico S.A. (C.M.P.) and MC Inversiones Ltda., a subsidiary of Mitsubishi Corporation, have a joint project for expanding the Los Colorados mine to produce iron pre-concentrates, convert the pre-concentrates into pellets and commercialize the pellets. At the start of the project, C.M.P. sold to MC Inversiones Ltda, 50% of its absolute rights to the mining claims and water rights of the Los Colorados mine. Both companies later contributed their rights to S.C.M. Compañía Minera La Jaula. During 2000, S.C.M.Compañía Minera La Jaula sold its mining rights to Compañía Minera Huasco S.A.. C.M.P. also holds 50% of Compañía Minera Huasco S.A., a closely-held corporation formed to exploit the above mining claims. Neither of the parties may, within a period of ten years that expired in 2008, cede, assign, transfer, mortgage, charge, pledge or dispose of in

any other way its shares in the two above-mentioned companies without the prior consent of the other party.

The project was financed by a credit of ThUS\$ 71,700 from the Mitsubishi Corporation group through MV Cayman Limited. The amount of the credit including accrued interest amounting to ThUS\$ 26,785 was prepaid in May 2004, its original maturity being November 2006.

Once twenty years have passed from July 1, 1998, and C.M.P. has fully depreciated its pellets plant, Compañía Minera Huasco S.A. shall have the option to acquire that plant.

2) On September 5, 2005, the subsidiary Compañía Minera del Pacífico S.A. (CMP) signed a slag purchase agreement with Compañía Contractual Minera Candelaria (CCMC) relating to the copper mine called Candelaria Mine, located in the district of Tierra Amarilla in Chile's 3rd Region. Under this agreement, CCMC commits to sell to CMP volumes of fresh slag sufficient to reach an estimated production of 3,000,000 tons of iron concentrates. The agreement runs until December 31, 2022.

C. CONTINGENCIES THAT COULD RESULT IN LOSSES FOR THE COMPANY

i) There are two tax demands and two tax settlements brought by the Internal Revenue Service regarding stamp taxes, which are subject to appeals before the Santiago Appeals Court. There are also eleven demands before the Santiago tax tribunals in the first instance, all related to the same tax.

This contingency is of approximately ThUS\$ 2,426 plus indexation and any fines that might be applied.

No provision has been made in view of the opinions of the Company's legal and taxation advisers, that it is reasonable to believe that the contingency is unlikely to result.

ii) The indirect subsidiary Varco Pruden S.A. is involved in arbitration proceedings regarding a dispute with Fashion's Park S.A. for the latter's contractual default.

For its part, Fashion's Park S.A. is demanding from Varco Pruden S.A. fines and damages and the indirect subsidiary is demanding from the former with respect to default under the agreed payment schedule. The civil demand is for approximately ThUS\$ 24.

The legal advisers to Varco Pruden S.A. have still not concluded whether the result of the proceeding will be favorable or not and therefore whether any loss or gain will eventually follow

D. MANAGEMENT RESTRICTIONS AND FINANCIAL COVENANTS

The loan agreements signed by CAP S.A. with Chilean and foreign banks and the issues of bonds placed on the domestic and foreign markets require the Company to comply with the following consolidated financial covenants, calculated on the basis of rolling twelve-month periods:

i) Financial expense coverage

The ratio of EBITDA to net financial expenses should be at least 2.5:1.

EBITDA is net income before taxes plus depreciation, net financial expenses and amortization of deferred financial expenses, while net financial expenses relate to financial expenses less financial income for the same period

ii) Net financial debt to equity.

The net financial debt (NFD) to equity ratio must not exceed 1.2:1.

NFD refers to all consolidated financial debt less cash balances, time deposits and marketable securities.

iii) Shareholders' equity.

The minimum shareholders' equity must be ThUS\$ 400,000.

iv) Leverage ratio:

Total debt to consolidated operating income should be no higher than 3:1.

Total debt is the total of financial obligations less cash balances, time deposits and marketable securities for an amount exceeding ThUS\$ 5,000, while consolidated operating income relates to operating income plus depreciation of CAP and subsidiaries.

v) Consolidated Operating Income to Interest.

Consolidated operating income (as defined above) to interest expense should be at least 4:1.

CAP is also committed to other covenants and limits like limitations on its ability to dispose of or sell all or a substantial part of its assets, limitations on granting collateral over them, an obligation to provide quarterly financial information and to remain current with its commitments to third parties.

The indirect subsidiary Cintac S.A. and its direct subsidiary Centroacero S.A., and the subsidiary of Cía. Minera del Pacífico S.A., Puerto Las Losas S.A., are committed under loan agreements to provide periodic financial information and comply with financial ratios. They are also forbidden to make fundamental changes in the company, to transfer an important part of their assets and grant collateral over them without the prior consent of the financial institutions and not to carry out commercial transactions with related companies on more onerous terms to those prevailing in the market. In addition, Novacero S.A. has committed itself to maintaining at least a 51% shareholding in Cintac S.A.

The loan granted in 2008 to the subsidiary Puerto Las Losas by Banco de Crédito e Inversiones requires the company to meet certain obligations, mainly referring to the provision of periodic financial information, not agreeing capital reductions without the bank's prior consent, not distributing earnings if it is not current with the payment of its obligations, and not modifying or changing its business, except for extensions of it that might be agreed without the written consent of the bank.

The Company and its subsidiaries have complied and are fully in compliance with all the limitations, restrictions and obligations imposed by the loan agreements and bond issue indentures mentioned above.

E) OTHERS

On March 13, 2009, the subsidiary Compañía Minera del Pacífico S.A. presented protection proceedings against the Economic Load Dispatch Center of the Central Electricity Grid (SIC), as the latter decided as a safety measure, in response to the untimely fault in a unit of the Guacolda plant, to introduce a system of automatic disconnection of the electricity supply to the pellets plant.

The proceedings were rejected on June 3, 2009 and an appeal was made to the Supreme Court, which is awaiting resolution.

30.- Guarantees received from other parties

At June 30, 2008, insurance cover contracted and guarantees and collateral received are as follows:

a) The Company and its subsidiaries have insurance cover for their property, plant and equipment, civil liability and other business risks amounting to a total of approximately ThUS\$ 1,117,219, whose maximum amount payable is approximately ThUS\$ 180,000 for any one claim. These policies expire on August 31, 2009.

b) Guarantees and collateral received from other parties are as follows:

	2009	2008
	ThUS\$	ThUS\$
Securities in guarantee of sales	12,418	14,434
Mortgages & pledges covering loans to personnel	10,978	14,269
Securities & documents received from suppliers & contractors to guarantee works & advances	33,230	37,674
Current & other contracts	3,529	3,506
Pledges & mortgages in guarantee received from customers	1,352	1,418
Total	61,507	71,301

31- Local and foreign currencies

Assets and liabilities by currency at June 30, 2009 and 2008 are detailed in the following four tables:

ASSETS	Currency	2009	2008
Current assets		ThUS\$	ThUS\$
Cash & banks	PESOS	16,915	27,901
Cash & banks	DOLLARS	4,155	6,685
Cash & banks	OTHER CURRENCIES	467	571
Time deposits	PESOS	167,614	176,279
Time deposits	OTHER CURRENCIES	158	0
Time deposits	DOLLARS	166,439	141,652
Marketable securities	PESOS	23,883	21,427
Marketable securities	U.F.	0	0
Marketable securities	DOLLARS	6	6
Trade accounts receivable	PESOS	86,207	219,530
Trade accounts receivable	U.F.	0	0
Trade accounts receivable	DOLLARS	68,071	35,995
Trade accounts receivable	OTHER CURRENCIES	3,959	4,519
Notes receivable	PESOS	6,907	12,615
Notes receivable	U.F.	0	79
Notes receivable	DOLLARS	1,097	1,085
Notes receivable	OTHER CURRENCIES	633	1,777
Sundry debtors	PESOS	16,568	13,297
Sundry debtors	U.F.	3,063	753
Sundry debtors	DOLLARS	11,115	921
Sundry debtors	OTHER CURRENCIES	142	134
Notes & accounts receivable related companies	PESOS	3,111	8,350
Notes & accounts receivable related companies	U.F.	0	0
Notes & accounts receivable related companies	DOLLARS	82	1
Inventories	PESOS	92,674	76,505
Inventories	DOLLARS	316,470	309,376
Inventories	OTHER CURRENCIES	0	0
Recoverable taxes	PESOS	47,976	18,752
Recoverable taxes	DOLLARS	10,209	4,721
Recoverable taxes	OTHER CURRENCIES	1,284	3,720
Prepaid expenses	PESOS	6,658	2,274
Prepaid expenses	U.F.	207	0
Prepaid expenses	DOLLARS	991	1,350
Prepaid expenses	OTHER CURRENCIES	51	103
Deferred taxes (net)	PESOS	3,187	1,991
Deferred taxes (net)	DOLLARS	15,403	591
Deferred taxes (net)	OTHER CURRENCIES	737	0
Other current assets	PESOS	3,872	6,160
Other current assets	DOLLARS	4,642	23,804
Marketable securities	OTHER CURRENCIES	0	0
Property, plant & equipment			
Land & plantations	PESOS	9,881	1,665
Land & plantations	DOLLARS	6,510	10,046
Buildings & infrastructure	PESOS	44,087	5,625
Buildings & infrastructure	DOLLARS	441,272	447,845
Machinery & equipment	PESOS	132,757	10,689
Machinery & equipment	DOLLARS	1,641,355	1,665,231
Other fixed assets	PESOS	65,052	32,349
Other fixed assets	DOLLARS	425,575	449,554
Incremental value technical appraisal	PESOS	18,903	2,436
Incremental value technical appraisal	DOLLARS	85,341	101,469
Accumulated depreciation	PESOS	(131,410)	(10,758)
Accumulated depreciation	DOLLARS	(1,551,665)	(1,614,769)
Other assets			
Investments in related companies	PESOS	0	36
Investments in related companies	DOLLARS	89,303	118,298
Investments in other companies	PESOS	0	0
Investments in other companies	DOLLARS	0	0
Goodwill	PESOS	189	198
Goodwill	DOLLARS	2,165	3,174
Negative goodwill	PESOS	(16,706)	(18,162)
Negative goodwill	DOLLARS	(6,836)	(6,836)
Long-term debtors	PESOS	2,725	1,955
Long-term debtors	U.F.	4,045	3,556
Long-term debtors	DOLLARS	118	143
Long-term debtors	OTHER CURRENCIES	16	0
Notes & accounts receivable related companies	PESOS	1,958	0
Notes & accounts receivable related companies	DOLLARS	0	0
Long-term deferred taxes	PESOS	0	0
Long-term deferred taxes	DOLLARS	0	0
Intangible assets	PESOS	1,119	1,127
Intangible assets	DOLLARS	3,348	3,065
Amortization intangible assets	PESOS	(490)	(342)
Amortization intangible assets	DOLLARS	(81)	(30)
Other long-term assets	PESOS	9,261	9,154
Other long-term assets	U.F.	8,949	0
Other long-term assets	DOLLARS	76,360	90,116
Other long-term assets	OTHER CURRENCIES	365	1,420
Total Assets	PESOS	612,898	621,053
	DOLLARS	1,811,445	1,793,493
	OTHER CURRENCIES	7,812	12,244
	U.F.	16,264	4,388

Local and Foreign Currencies – Current Liabilities	Currency	Up to 90 days				90 days to one year			
		2009		2008		2009		2008	
		Amount	Average annual interest rate	Amount	Average annual interest rate	Amount	Average annual interest rate	Amount	Average annual interest rate
		ThUS\$	%	ThUS\$	%	ThUS\$	%	ThUS\$	%
Borrowings from banks & financial instit – short term	Pesos	0	0.00	1,694	6.1	0	0.00	6,328	6.65
Borrowings from banks & financial instit – short term	Dollars	9,846	6.65	18,646	4.2928	7,683	5.69	35,864	5.0027
Borrowings from banks & financial instit – short term	Other currencies	239	2.916	968	0.00	848	4.35	1,047	5.83
Borrowings from banks & financial instit – current portion long term	Pesos	0	0.00	2,913	7.62	368	4.77	7,011	7.12
Borrowings from banks & financial instit – current portion long term	U.F.	0	0	295	3.93	0	0.00	441	4.50
Borrowings from banks & financial instit – current portion long term	Dollars	448	3.21	2,364	5.8958	50,852	2.0550	7,262	4.2753
Borrowings from banks & financial instit – current portion long term	Other currencies	0	0	0	0	0	0.00	0	0
Bonds payable – current portion	U.F.	0	0.0000	0	0.00	8,860	3.4330	1,669	3.4333
Bonds payable – current portion	Dollars	4,302	7.375	4,302	7.375	803	3.6625	1,112	5.18875
Long-term liabilities – current portion	Pesos	0	0	0	0	0	0	0	0
Long-term liabilities – current portion	U.F.	15	2.38	154	2.38	0	0.00	462	2.38
Long-term liabilities – current portion	Dollars	0	0	0	0	4,781	0.00000	6,491	4.69375
Dividends payable	Pesos	711	0	1,698	0	0	0	0	0
Dividends payable	Dollars	28,105	0	28,410	0	13,759	0	0	0
Dividends payable	Other currencies	0	0	0	0	0	0	0	0
Accounts payable	Pesos	59,656	0	88,356	0	0	0	0	0
Accounts payable	Dollars	21,947	0	5,453	0	0	0	0	0
Accounts payable	Other currencies	807	0	1,842	0	0	0	0	0
Notes payable	Pesos	0	0	0	0	0	0	3	0
Notes payable	Dollars	12,835	5.05	8,277	3.1944	7,040	0	20,998	3.73
Notes payable	Other currencies	0	0	0	0	0	0	0	0
Sundry creditors	Pesos	2,385	1.012	1,590	0.3216	3,509	2.7	1,229	5.16
Sundry creditors	U.F.	0	0	0	0	232	0	246	0
Sundry creditors	Dollars	968	4.75	386	5.785	2,189	0.0000	1,234	5.4235
Sundry creditors	Other currencies	0	0	0	0	0	0	0	0
Notes payable related companies	Pesos	30,781	3.73	9,994	0	0	0	0	0
Notes payable related companies	Dollars	64,014	0.34211	39,165	4.9575	5,700	0.3333	19,551	4.9575
Provisions	Pesos	14,391	0	11,331	0	23,418	0	20,221	0
Provisions	Dollars	3,847	0	4,066	0	6,206	0	15,968	0
Provisions	Other currencies	1,009	0	1,620	0	0	0	0	0
Withholdings	Pesos	16,764	0	11,047	0	0	0	0	0
Withholdings	Other currencies	914	0	497	0	0	0	0	0
Withholdings	Dollars	72	0	0	0	0	0	0	0
Income tax	Pesos	72	0	0	0	0	0	2,082	0
Income tax	Dollars	0	0	0	0	1	0	10,869	0
Income tax	Other currencies	0	0	0	0	0	0	274	0
Unearned income	Pesos	2,241	0	3,203	0	0	0	0	0
Unearned income	Dollars	48	0	144	0	0	0	0	0
Deferred taxes	Pesos	0	0	0	0	0	0	0	0
Deferred taxes	Dollars	0	0	0	0	0	0	0	0
Other current liabilities	Pesos	59,449	0	0	0.00	0	0	12,976	7.30
Other current liabilities	U.F.	0	0	0	0	5	0	5	0
Other current liabilities	Dollars	6,878	0	0	0	695	0	839	0
Withholdings	Dollars	0	0	0	0	0	0	0	0
Total	Pesos	186,450		131,826		27,295		49,850	
	Dollars	153,310		111,213		99,709		120,188	
	Other currencies	2,969		4,927		848		1,321	
	U.F.	15		449		9,097		2,823	

Local and Foreign Currencies – Long-Term Liabilities at 30/06/2009

	Currency	1 to 3 years		3 to 5 years		5 to 10 years		Over 10 years	
		Amount	Average annual interest rate	Amount	Average annual interest rate	Amount	Average annual interest rate	Amount	Average annual interest rate
		ThUS\$	%	ThUS\$	%	ThUS\$	%	ThUS\$	%
Borrowings from banks & financial institutions – long term	Pesos	8,462	4,7700	25,387	4,7700				
Borrowings from banks & financial institutions – long term	U.F.	0	0,00						
Borrowings from banks & financial institutions – long term	Dollars	117,978	2,0232	25,434	2,2560	13,366	0,0000		
Bonds payable	U.F.	28,629	3,6	107,360	3,233	71,574	3,6	21,473	3,607
Bonds payable	Dollars					171,480	4,85000	200,000	7,375
Sundry creditors	Pesos	6,532	5,0060	4,510	5,6300	2,764	6,35	0	
Sundry creditors	U.F.	0	0,00	0	0,00				
Sundry creditors	Dollars	1,143	6,41000	0	0,00000	0		0	
Provisions	Pesos	21,436	5,22000	12,176	5,23000	31,368	4,90000	8,348	5,770
Provisions	Dollars	7,475		1,111					
Deferred taxes	Pesos	0							
Deferred taxes	Dollars	27,110		1,168		2,335			
Other long term liabilities	Pesos	0							
Other long term liabilities	Dollars	13,729	1,29600	2,128	2,67100			0	
Other long term liabilities	U.F.	0						0	
Total long-term liabilities	Pesos	36,430		42,073		34,132		8,348	
	U.F.	28,629		107,360		71,574		21,473	
	Dollars	167,435		29,841		187,181		200,000	

Local and Foreign Currencies – Long-Term Liabilities at 30/06/2008

	Moneda	1 to 3 years		3 to 5 years		5 to 10 years		Over 10 years	
		Amount	Average annual interest rate	Amount	Average annual interest rate	Amount	Average annual interest rate	Amount	Average annual interest rate
		ThUS\$	%	ThUS\$	%	ThUS\$	%	ThUS\$	%
Borrowings from banks & financial institutions	Pesos	6,666	8.60	1,669	8.60				
Borrowings from banks & financial institutions – long term	U.F.	1,779	8.60	0	0.00				
Borrowings from banks & financial institutions – long term	Dollars	113,853	3.305	58,887	3.3122	6,762	4.3202		
Bonds payable	U.F.	21,000	3.4333	104,999	3.4333	69,999	3.4333	35,000	3.3444
Bonds payable	Dollars	0		0		171,480	6.3658	200,000	7.375
Sundry creditors	Pesos	5,898	3.646	3,174	5.254	3,009	6.26	0	0.00
Sundry creditors	U.F.	1,200	2.15	878	2.15				
Sundry creditors	Dollars	2,124	6.2298	173	5.458				
Provisions	Pesos	20,968	5.49778	11,601	5.5657	25,799	5.6982	6,125	6.000
Provisions	Dollars	3,302		3,284					
Deferred taxes	Pesos	5,272							
Deferred taxes	Dollars	22,957							
Other long term liabilities	Pesos	2							
Other long term liabilities	Dollars	20,393	4.9676	3,096	4.6938	0	0.000		
Total long-term liabilities	Pesos	38,806		16,444		28,808		6,125	
	U.F.	23,979		105,877		69,999		35,000	
	Dollars	162,629		65,440		178,242		200,000	
		0		0		0		0	

32.- Sanctions

No kinds of sanctions have been applied by the Superintendency of Securities and Insurance or by other administrative authorities during the 2009 and 2008 periods, to the Company or its subsidiaries or to its directors or managers acting as such.

33.- Subsequent events

As resolved by the ordinary shareholders meeting of CAP S.A. held on April 13, 2009, final dividend No.97 for Ch\$ 100 per share, equivalent to ThUS\$ 28,104, was paid on July 13.

On July 23, 2009, Cía. Minera Huasco S.A. paid to the subsidiary Cía. Minera Del Pacífico S.A. a dividend of ThUS\$ 16,000.

On August 10, 2009, the Company made public confidential information it had sent to the Superintendency of Securities and Insurance on July 13. This referred to the board meeting of July 10, 2009 authorizing the president of the Company to commence conversations with Mitsubishi Corporation ("Mitsubishi") to analyze the possibility of restructuring the way in which Mitsubishi participates in the Company's mining business through its incorporation in the subsidiary Compañía Minera del Pacífico S.A. ("CMP"). Mitsubishi currently participates in the Company's mining business through a 50% shareholding in Compañía Minera Huasco S.A. and its shareholding in CAP (19.3%) indirectly in CMP.

There is presently no definition about the form and terms and conditions in which the incorporation of Mitsubishi in CMP might take place, all aspects of this still remaining pending prior to being submitted to the boards of the respective companies.

There have been no other significant events between July 1 and August 10, 2009, the date of issue of these consolidated financial statements, that might affect them.

34.- The Environment

Items and amounts disbursed to June 30 each year with respect to improvements and/or investments in processes are as follows:

	2009	2008
	ThUS\$	ThUS\$
Expenses incurred by Compañía Siderúrgica Huachipato S.A.		
San Vicente Bay environmental vigilance & cleaning plan	23	78
Environmental management expenses	200	640
Improvements to interior roads	78	470
External de-sulfurization of cast iron	0	1,018
Forestation & garden maintenance program	114	181
Phenols biological treatments	1	157
Water treatment & neutralization system	70	376
Noise mitigation lime plant	227	0
Interconnection discharges 1, 2, 3 & 4	0	13
Coke plant coal yard sprinklers	30	0
Thermal plant	88	0
Air quality monitoring	242	319
Total operation	1,073	3,252
Expenses incurred by Compañía Minera del Pacífico S.A.		
Supervision & analysis	246	109
Consultancies & improvement projects	465	1,653
Total	711	1,762
Expenses incurred by the Cintac S.A. group		
Regulation of installations	0	0
Liquid waste treatment	30	49
Steam extraction	0	0
Total	30	49
Global Total	1,814	5,063
Forthcoming disbursements on environmental projects		
		ThUS\$
In Compañía Siderúrgica Huachipato S.A.		679
In Compañía Minera del Pacífico S.A.		1,688
In Cintac S.A. group of companies		18
Total committed disbursements		2,385

35.- Adoption of International Financial Reporting Standards

As is public knowledge, Chile is committed to develop a convergence plan for fully adopting the International Financial Reporting Standards (IFRS). In accordance with the instructions in this respect issued by the Chilean Institute of Accountants and the Superintendency of Securities and Insurance through its Circular 427 of December 28, 2007, the Company and its subsidiaries will adopt these standards as from January 1, 2010. Consequently, there will be changes to the balances of equity on that date and the results of future years will be affected. In 2010, the financial statements for the year 2009 must be presented for comparison purposes in accordance with the new regulations, which could differ from those presented herein.