

MINERA ESPERANZA
ANAUDITED FINANCIAL STATEMENTS
FOR THE FIRST HALF ENDED 30 JUNE 2009 AND 2008

(TRANSLATION FROM SPANISH VERSION TO BE
FILED WITH SUPERINTENDENCIA DE VALORES Y SEGUROS
DE CHILE 26TH AUGUST 2009)

MINERA ESPERANZA

BALANCE SHEET AT JUNE 30, 2009 AND 2008 (In thousand of United States dollars - ThUS\$)

ASSETS	2009 ThUS\$	2008 ThUS\$
CURRENT ASSETS:		
Cash at banks and in hand	32	9
Time deposits	46,044	111,497
Money market funds	17,522	24,586
Sundry debtors	23,131	56,167
Account receivable from related company	393	
Inventories	1,120	45
Refundable taxes	39,509	25,594
Other assets		56,999
Total current assets	127,751	274,897
FIXED ASSETS:		
Mining properties	256,952	3,287
Machinery and equipment	133,668	43,387
Other fixed assets	572,349	58,174
Subtotal	962,969	104,848
Accumulated depreciation	(18,493)	(1,058)
Total fixed assets - net	944,476	103,790
OTHER ASSETS:		
Pre-operating costs	185,915	57,964
Deferred taxes		5,546
Total other assets	185,915	63,510
TOTAL ASSETS	1,258,142	442,197

The accompanying notes are an integral part of these financial statements

LIABILITIES AND SHAREHOLDERS' EQUITY	2009 ThUS\$	2008 ThUS\$
CURRENT LIABILITIES:		
Accounts payable	46,050	4,847
Sundry creditors	3,476	490
Accounts payable to related companies	377,828	265,385
Accruals	3,495	1,125
Withholdings	1,281	371
Total current liabilities	<u>432,130</u>	<u>272,218</u>
LONG-TERM LIABILITIES:		
Sundry creditors	11,312	3,572
Account payable to related company	41,409	90,000
Accruals	51,686	
Deferred taxes	27,062	
Total long-term liabilities	<u>131,469</u>	<u>93,572</u>
SHAREHOLDERS' EQUITY:		
Paid-in capital	718,787	99,462
Other reserves	(24,244)	(23,055)
Total shareholders' equity, net	<u>694,543</u>	<u>76,407</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	<u><u>1,258,142</u></u>	<u><u>442,197</u></u>

MINERA ESPERANZASTATEMENT OF CASH FLOW
FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2009 AND 2008
(In thousand of United States dollars - ThUS\$)

	2009	2008
	ThUS\$	ThUS\$
NET CASH PROVIDED BY PRE - OPERATING ACTIVITIES:		
Net income for the period	-	-
(Increase) decrease in current assets:		
Sundry debtors and other	21,797	(17,300)
Inventories	7,418	(45)
Refundable taxes	41,082	(19,199)
Other assets	5,314	(57,872)
Increase (decrease) in current liabilities:		
Accounts payable	18,995	1,348
Accounts payable to related companies	(18,114)	
Accruals, withholding and others	(6,602)	3,511
Deferred taxes	17,853	
Net cash provided (used in) by pre-operating activities	<u>87,743</u>	<u>(89,557)</u>
CASH FLOW FROM INVESTING ACTIVITIES:		
Additions to fixed assets	(266,135)	(58,152)
Sale of fixed assets		35
Pre-operating costs	<u>(36,917)</u>	<u>(52,760)</u>
Net cash used in investing activities	<u>(303,052)</u>	<u>(110,877)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Due to related companies	<u>6,147</u>	<u>336,506</u>
Net cash provided by financing activities	<u>6,147</u>	<u>336,506</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(209,162)	136,072
CASH AND CASH EQUIVALENT AT BEGINNING OF PERIOD	<u>272,760</u>	<u>20</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u><u>63,598</u></u>	<u><u>136,092</u></u>
SUPPLEMENTAL INFORMATION:		
Decommissioning cost of fixed assets (Note 3)	49,661	
Committed cash flows for executing the project	354,416	804,500
Committed cash flows for paying senior and subordinated debt charges	46,838	

The accompanying notes are an integral part of these financial statements

MINERA ESPERANZA

NOTES TO THE FINANCIAL STATEMENTS

(In thousand of US dollars - ThUS\$)

1. INCORPORATION AND COMPANY PURPOSE

The Company was incorporated on December 20, 2006, and is a contract mining company. Its corporate purpose is the exploration, development and exploitation of mining properties including all phases of the mining industry.

The Company is in a pre-operational stage and all its resources are used to develop the “Esperanza” mining project, likewise, all the costs and expenses for the year are being capitalized as pre-operating costs. Consequently, no Statement of Income is presented for the period ended June 30, 2009 and 2008.

The Company’s management estimates that commercial exploitation will begin during the second half of 2010.

In the agreement with applicable regulations issued by Superintendencia de Valores y Seguros (SVS) through Exempt Resolution N°549 dated September 23, 2005 and N°39 dated February 3, 2006, the Company shall deliver of the SVS its quarterly, and annual audited financial statements and an annual report as established by the aforementioned resolution, as it is a recipient of Foreign Investment aimed at the development of mining projects, according to foreign investment contracts signed by our shareholders ESP Investment BV. and Los Pelambres Investment Company Limited, pursuant to Article 11 ter of Decree Law 600 of 1974.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Basis of presentation - The financial statements at June 30, 2009 and 2008 has been prepared in accordance with accounting principles generally accepted in Chile.

b. Basis of preparation - The official accounting records of the Company are maintained in US dollars.

Transactions denominated in Chilean peso have been translated into United States dollars using the exchange rate reported by Central Bank of Chile on the date of the transaction. At period end, asset and liability balances for accounts recorded in Chilean pesos have been translated into United States dollars using the closing exchange rate published by the Banco Central de Chile of Ch\$531.76 for US\$1 in 2009 (\$526.05 for US\$1 in 2008).

The effects of exchange differences are recorded in pre-operating costs of the Company.

c. Time deposits - Investments in time deposits include capital plus readjustment and interest accrued at period end.

d. Money market funds - These include investments in fixed incomes mutual fund, which are valued at their respective value of the installment at each period end.

e. Inventories - Inventories are valued at weighted average acquisition cost.

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

Stockpile mineral that correspond to low grade oxides are valued at the lower of monthly extraction average cost and recoverable value.

f. Fixed assets - Fixed assets are presented at acquisition cost or book value at their date of contribution. Depreciation has been calculated by using the straight-line method, according to the estimated life of the mine or the useful lives of the assets, whichever is lower.

Mining properties are presented at their book value at the date of contribution.

Assets acquired under financial leases are not legally owned by the Company, and therefore it cannot freely dispose of them until it exercises the respective purchase option.

g. Pre-operating costs - These assets are presented at their book value at the date of contribution, and include items such as consulting costs, exploratory drilling, research and engineering, which will be amortized based on the future extraction of proven and probable mining reserves, once the Company begins operating.

h. Vacation - The annual cost of employee vacation is recognized as part of pre-operational costs in the financial statements on an accrual basis.

i. Income tax and deferred taxes - The Company records income tax on the basis of net taxable income determined in agreement with regulations established in the Income Law. Deferred taxes from temporary differences originated from those items that have a different treatment for tax and financial effects are determined and recorded in agreement with Technical Bulletin N°60 and complements of the Chilean Institute of Accountants.

j. Severance indemnity - The Company records severance indemnity at its net present value.

k. Mine closure provision - The Company records mine closure cost and abandonment of installations at net present value pursuant to the Company's policies and legal environment obligations with government offices. Such accruals are recorded in long-term liabilities under the "Accruals" item.

l. Statement of cash flows - The Company has defined as cash and cash equivalent, all easily realizable financial investments with 90 day maturities or less, including time deposits and money market funds.

m. Reclassifications - For comparative purposes, some items have been reclassified in the financial statements at June 30, 2008.

3. CHANGES IN THE ACCOUNTING ESTIMATE

Based on a study of closure costs, in 2009 the Company updated the mine closure provision made for that purpose. This change implied an increase in the provision, which is divided into two concepts - Decommissioning of the fixed assets, which generated recognition of an asset of ThUS\$49,661, which is stated in Other Fixed Assets and will be depreciated using the straight line method over a useful life of 20 years or underlying assets, and the environmental restoration or remediation cost, which is considered an administrative expense in the period in which it is incurred or accrued and, at June 30, 2009, represents a value of ThUS\$11.

This new mine closure study also considered a change in the discount rate used for appraising the provision, which dropped from 6.5% to 2.74% (average TIPS rate over the last 12.5 years). At June 30, 2009, it represented an effect on financial costs of ThUS\$681.

4. TIME DEPOSITS

The detail of time deposits is as follows:

	Currency	2009 ThUS\$	2008 ThUS\$
Foreign time deposits	US\$	18,416	51,497
Local financial investments	Ch\$	3,658	
Local financial investments	US\$	<u>23,970</u>	<u>60,000</u>
Total		<u><u>46,044</u></u>	<u><u>111,497</u></u>

5. MONEY MARKET FUNDS

The detail of investments in money market funds is as follows:

	Currency	2009 ThUS\$	2008 ThUS\$
Local mutual funds	Ch\$	<u>17,522</u>	<u>24,586</u>

6. SUNDRY DEBTORS

The balance of sundry debtors is as follows:

	2009 ThUS\$	2008 ThUS\$
Advances to suppliers for equipment purchases	20,551	54,989
Advances and loans for employee	2,431	358
Other	<u>149</u>	<u>820</u>
Total	<u><u>23,131</u></u>	<u><u>56,167</u></u>

7. INVENTORIES

The detail is as follows:

	2009 ThUS\$	2008 ThUS\$
Materials	<u>1,120</u>	<u>45</u>

8. INCOME TAX AND DEFERRED TAXES

- a. Income tax** - At June 30, 2009 and 2008 the Company did not record an income tax provision, as it did not generate tax results.

At June 30, 2009, the Company accrued tax losses for ThUS\$41,550 (ThUS\$81,105 in 2008).

The detail of refundable taxes is as follows:

	2009 ThUS\$	2008 ThUS\$
VAT tax credit	16,414	25,546
Tax recoverable from absorption of tax losses	22,535	
Other credits	<u>560</u>	<u>48</u>
Total	<u><u>39,509</u></u>	<u><u>25,594</u></u>

b. Deferred taxes

The detail of deferred taxes is as follows:

	2009		2008
	Assets	Liabilities	Assets
	Long term	Long term	Long term
	ThUS\$	ThUS\$	ThUS\$
Temporary differences			
Mine closure provision	333		
Pre-operational costs and expense and start-up amortization		33,916	4,722
Fixed assets depreciation	610		824
Leased assets, net	50	592	
Tax loss carry	6,453		
Total deferred taxes	<u>7,446</u>	<u>34,508</u>	<u>5,546</u>

At June 30, 2009, long-term deferred tax liabilities are presented net in long-term liabilities for ThUS\$27,062.

The effect of deferred taxes of the period of ThUS\$18,074 is presented as a increase in pre-operational costs.

9. FIXED ASSETS

At June 30, 2009, fixed assets are stated as indicated in Note 2f, and their detail is as follows:

	2009 ThUS\$	2008 ThUS\$
Mining properties	<u>256,952</u>	<u>3,287</u>
Machinery and equipment:		
Mobile equipment	133,439	43,190
Minor machinery and equipment	<u>229</u>	<u>197</u>
Total machinery and equipment	<u>133,668</u>	<u>43,387</u>
Other fixed assets:		
Projects in progress	502,237	53,767
Leased assets	19,933	4,062
Cost mine clousure - decommissioning (Note 3)	49,661	
Others	<u>518</u>	<u>345</u>
Total other fixed assets	<u>572,349</u>	<u>58,174</u>
Total fixed assets - gross	<u>962,969</u>	<u>104,848</u>
Accumulated depreciation	(18,372)	(1,052)
Accumulated amortization	<u>(121)</u>	<u>(6)</u>
Total accumulated depreciation	<u>(18,493)</u>	<u>(1,058)</u>
Total fixed assets - net	<u><u>944,476</u></u>	<u><u>103,790</u></u>

10. PRE-OPERATIONAL COSTS

The detail is as follows:

	2009 ThUS\$	2008 ThUS\$
Primary implementations and constructions	16,056	16,056
Feasibility engineering and early works	12,325	12,325
Plant project costs (i)	19,256	6,017
Mine project costs	58,953	10,414
Company constitution costs	49,142	7,173
Capitalized income	20,039	4,463
Financing costs	5,521	32
Others	<u>4,623</u>	<u>1,484</u>
Total pre-operational costs	<u><u>185,915</u></u>	<u><u>57,964</u></u>

- (i) Corresponds mainly to costs incurred in the Esperanza Project, which refer principally to advisories, services, and others. It also includes the costs associated to the principal contract with Aker Solutions for the design and construction of the main mining facilities.

11. BALANCES AND TRANSACTIONS WITH RELATED COMPANIES

a. Account receivable - short-term:

Company	Type of relationship	2009 ThUS\$	2008 ThUS\$
Minera El Tesoro	Common shareholders	<u>393</u>	<u> </u>

b. Accounts payable - short-term:

Company	Type of relationship	2009 ThUS\$	2008 ThUS\$
Antofagasta Minerals S.A.	Parent company	529	1,234
Inmobiliaria Punta de Rieles Ltda. (i)	Indirect	345,732	263,787
Minera El Tesoro (Note 15)	Common shareholders	31,029	144
Minera Michilla S. A.	Common shareholder	95	
Minera Los Pelambres	Common shareholder	3	
Aguas de Antofagasta S.A.	Indirect	283	220
El Tesoro SPV Bermuda Limited	Indirect	<u>157</u>	<u> </u>
Total		<u><u>377,828</u></u>	<u><u>265,385</u></u>

- (i) The account payable to Inmobiliaria Punta de Rieles Ltda. is expressed in US dollars, interest is calculated each quarter at LIBOR plus a spread of 2.75%. Balances with the other companies do not accrue interest.

c. Account payable - long-term:

Company	Type of relationship	2009 ThUS\$	2008 ThUS\$
Minera El Tesoro (Note 15)	Common shareholders	<u>41,409</u>	<u>90,000</u>

d. Transactions with related parties

The main transactions with related companies during 2009 and 2008 are as follows:

Company	Relationship	Transaction	Amount of the transaction		Effect on pre-operational costs charge (credit)	
			2009 ThUS\$	2008 ThUS\$	2009 ThUS\$	2008 ThUS\$
Antofagasta Minerals S.A.	Parent	Administrative services	1,954	1,407	1,642	1,183
		Expense reimbursement	7	604	7	604
Minera El Tesoro	Common shareholders	Sundry services	671	560	564	235
		Ore sales contract advance		90,000		
		Sale minerals	21,125		(17,752)	
Minera Michilla S. A.	Common shareholder	Sundry services	90		75	
Minera Los Pelambres	Common shareholder	Expense reimbursement	16		13	
Inmobiliaria Punta de Rieles Ltda.	Indirect	Loan	6,147	263,787	6,147	2,787
Aguas de Antofagasta S.A.	Indirect	Purchase of raw water	1,605	220	1,349	185
El Tesoro SPV Bermuda Limited	Indirect	Expense reimbursement	156		156	
Banco de Chile	Indirect	Placements	3,662,698	131,114	(1,456)	(730)
		Guarantees	4,656		(24)	
Entel S.A.	Indirect	Communication services	238	122	200	103

12. SUNDRY CREDITORS

	2009		2008	
	Short term ThUS\$	Long term ThUS\$	Short term ThUS\$	Long term ThUS\$
Caterpillar Leasing Chile S.A. (a)	953	5,121	738	4,114
Promet Servicios S.A. (b)	2,851	6,742		
Subtotal	3,804	11,863	738	4,114
Less: Unearned interest	(328)	(551)	(248)	(542)
Total	3,476	11,312	490	3,572

- a) The Company has signed a financial lease contract for the acquisition of 6 Caterpillar trucks, model 797, payable in 66 monthly installments starting May 2008, adjustable and accruing interest at LIBOR of 2.83%.
- b) During August 2008, the Company signed a lease contract with purchase option related to the plant construction camp. This contract has duration of 32 months plus the purchase option with an implicit interest rate of 1.5%.

13. ACCRUALS AND WITHHOLDINGS

The detail of this item is as follows:

	2009 ThUS\$	2008 ThUS\$
Short term:		
Vacation accrual	1,542	366
Employee benefits accrual	1,953	759
Total	3,495	1,125
Withholdings	1,281	371
Long term:		
Severance indemnity provision	1,307	
Mine closure provision (Note 3)	50,379	
Total	51,686	-

14. SHAREHOLDERS' EQUITY

a. The following are the shareholders' equity movements:

	Paid-in capital ThUS\$	Other reserves ThUS\$	Total equity ThUS\$
Balance at January 1, 2008	99,462	(23,055)	76,407
Balance at June 30, 2008	99,462	(23,055)	76,407
Balance at January 1, 2009	718,787	(24,244)	694,543
Balance at June 30, 2009	718,787	(24,244)	694,543

b. At June 30, 2009, equity ownership is as follows:

	Contribution in ThUS\$	Ownership %
Antofagasta Minerals S.A.	368,750	51.302%
ESP Investment B.V.	215,636	30.000%
Los Pelambres Investment Company Limited	134,401	18.698%
Total	718,787	100.000%

15. GUARANTEES, COMMITMENTS AND CONTINGENCIES

I. Commitments

- a) On April 21, 2008, Minera Esperanza and Minera El Tesoro signed a mineral sale purchase agreement. The object of this contract is the sale of oxide ore obtained by Minera Esperanza as a result of its pre-stripping process. Minera El Tesoro paid ThUS\$90,000 as an advance payment for the sale of the ore.

At June 30, 2009, the amount payable to Minera El Tesoro for this item is ThUS\$72,248, of which ThUS\$30,839 are included in short-term accounts payable to related companies (Note 11b) and ThUS\$41,409 in long term accounts payable (Note 11c).

- b) On May 15, 2009, a US\$1,050 millions "project finance" loan was signed in the United States, which will be used for financing the project. The loan was granted by a group of entities that includes governmental import and export promotion agencies from Japan, Canada and Germany that finance US\$650 millions and Japanese and European banks that finance the US\$400 millions remainder. The partners guarantee the loan in proportion to their participation, until the project passes its "completion test".

- c) Likewise, the partners agreed to grant subordinated financing proportionally to their ownership interests, in accordance of the following companies:

	US\$ millions
Antofagasta Minerlas	565.6
Marubeni LP Holding B.V.	242.4
Minera El Tesoro (*)	<u>100.0</u>
Total	<u><u>908.0</u></u>

- (*) The Antofagasta Minerals Group and Marubeni have a 70% and 30%, respectively of ownership in Minera El Tesoro.

This loan has a 12-year term and a 3 year grace period on capital payments.

II. Guarantees

Guarantees from third parties:

- The company has granted 12 performance bonds in favor of the Regional Director of the Antofagasta Region Highway Department for total of UF 7,749.93, to guarantee the correct execution of the work, compliance with the regional regulatory entity and to cover possible damages to third parties. These bonds will be in force between November 16, 2009 and August 31, 2010.
- The Company has granted the Chilean Treasury 5 promissory notes, for a total of 1,688,085.59 UTM (Monthly Tax Units), as sufficient guarantee for VAT advances made on future exports and in virtue of the Exempt Resolution N°81 dated December 20, 2008, of the Ministry of Economy, Promotion and Reconstruction. These promissory notes mature on August 31, 2014.
- The loan signed with the banks for financing (Note 15 I b) the project includes covenants that include the following aspects:
 - i. Modifications are permitted of by-laws of shareholders agreements.
 - ii. The creditors' environmental and social requirements must be met.
 - iii. Asset protection.
 - iv. Important changes in the project's physical require the consent of a majority of the creditors.
 - v. Changes in the Mining Plan must be notified if they significantly affect the annual budget.

- vi. Restricted payments (dividend payments or subordinated debt) can be made as of the beginning of commercial operations, within 30 days following the date of each senior debt payment, subject to the following conditions:
 - a) That no default exists;
 - b) That the required previous six month's debt hedge ratio has been observed;
 - c) If the restricted payment occurs before reaching Completion, the partners must be in compliance with their financial tests.
- As a result of the financing for the project, Minera Esperanza furnished the creditor banks with a package of guarantees on all of the movable and immovable properties. The shareholders of the Company (Marubeni LP Holding B.V., Antofagasta Minerals S.A. and Los Pelambres Investment Company) pledged their shares to the banks as collateral.

Guarantees received third parties:

- To date, the Company has received guarantee bonds and letters of credit, issued by local and foreign banks, provided by contractors and suppliers for an approximate amount of ThUS\$178,041, which are to guarantee the faithful fulfillment of the contracts and the quality and proper operation in the case of equipment.

III. Contingencies

- There are six legal actions in which the company is plaintiff and two in which the company is defendant, which are derived from its operations. In the opinion of management and its legal counsel, legal action in which the defendant is no contingency for loss of significant values.

IV. Encumbrances

- The Company has its real property assets (mining concessions) duly registered in its name. Without prejudice to this, there are mining concessions that are encumbered. Likewise, other Company assets, like mobile equipment, vehicles, brands, credits resulting from sales contracts, are subject to encumbrances.

16. SUBSEQUENT EVENTS

- a) On July 7, 2009, US\$80 million were received as part of the subordinated loan granted by Minera El Tesoro (Note 15 I b).
- b) On July 9, 2009, the first long term bank debt drawdown was made for US\$420 million, once contract conditions had been satisfactorily met (Note 15 I b).
- c) On July 10, 2009, the Company paid US\$346 millions corresponding to the loan with Inmobiliaria Punta de Rieles Ltda. (Nota 11b).
- d) On August 17, 2009, Minera El Tesoro granted US\$20 millions to Minera Esperanza, completing the subordinated loan (Nota 15 I b).

Between July 1 and the date on which financial statements were issued, no other significant events occurred that could materially affect them.

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