

MINERA ESPERANZA
ANAUDITED FINANCIAL STATEMENTS
FOR THE FIRST QUARTER ENDED 31 MARCH 2009 AND 2008

(TRANSLATION FROM SPANISH VERSION TO BE
FILED WITH SUPERINTENDENCIA DE VALORES Y SEGUROS
DE CHILE 28TH MAY 2009)

MINERA ESPERANZA

BALANCE SHEETS AT MARCH 31, 2009 AND 2008
(In thousands of United States Dollars - ThUS\$)

ASSETS	2009 ThUS\$	2008 ThUS\$
CURRENT:		
Cash at banks and in hand	44	7
Time deposits	145,430	29,309
Marketable securities	70,033	1,920
Sundry debtors	98,631	62,691
Inventories	12,444	
Recoverable taxes	39,778	12,539
Deferred taxes	608	
Other assets	2,157	56,532
Total current assets	369,125	162,998
FIXED ASSETS:		
Mining properties	256,952	3,287
Machinery and equipment	120,812	35
Other fixed assets	333,013	27,644
Subtotal	710,777	30,966
Less: Accumulated depreciation	(12,071)	(2)
Total fixed assets	698,706	30,964
OTHER ASSETS:		
Pre-operating costs	167,781	41,753
Other long-term assets	213	
Deferred taxes		4,722
Total other assets	167,994	46,475
TOTAL ASSETS	1,235,825	240,437

The accompanying notes are an integral part of these financial statements

LIABILITIES AND SHAREHOLDERS' EQUITY	2009 ThUS\$	2008 ThUS\$
CURRENT:		
Accounts payable	50,439	4,323
Accounts payable to related companies	343,655	159,343
Accruals	7,898	13
Withholdings	1,495	351
Sundry creditors	8,436	
Total current liabilities	<u>411,923</u>	<u>164,030</u>
LONG-TERM:		
Accounts payable to related company	90,000	
Sundry creditors	9,557	
Accruals	1,238	
Deferred taxes	28,564	
Total long-term liabilities	<u>129,359</u>	<u>-</u>
SHAREHOLDERS' EQUITY:		
Paid-in capital	718,787	99,462
Other reserves	<u>(24,244)</u>	<u>(23,055)</u>
Total shareholders' equity, net	<u>694,543</u>	<u>76,407</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	<u><u>1,235,825</u></u>	<u><u>240,437</u></u>

MINERA ESPERANZA

STATEMENTS OF CASH FLOWS FOR THE THREE MONTH PERIODS ENDED MARCH 31, 2009 AND 2008 (In thousands of United States Dollars - ThUS\$)

	2009 ThUS\$	2008 ThUS\$
Net income for the period	-	-
(Increase) decrease in assets that affect cash flows:		
Sundry debtors	(49,572)	(23,824)
Inventories	(3,906)	
Recoverable taxes	40,813	(6,144)
Other assets	2,944	(56,532)
Increase (decrease) in liabilities that affect cash flows:		
Accounts payable	22,458	2,117
Accounts payable to related companies	2,845	(18,879)
Accruals, withholding of taxes payable and others	(4,014)	348
Deferred taxes	18,747	
Net cash provided (used) by pre-operating activities	<u>30,315</u>	<u>(102,914)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Due to related companies		<u>159,343</u>
Net cash provided by financing activities	<u>-</u>	<u>159,343</u>
CASH FLOW FROM INVESTING ACTIVITIES:		
Investments in fixed assets	(63,604)	(23,306)
Pre-operating costs	(23,964)	(1,907)
Net cash used in investing activities	<u>(87,568)</u>	<u>(25,213)</u>
NET CASH FLOWS FOR THE PERIOD	(57,253)	31,216
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>215,507</u></u>	<u><u>31,236</u></u>

The accompanying notes are an integral part of these financial statements

MINERA ESPERANZA

NOTES TO THE FINANCIAL STATEMENTS

(In thousands 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 periods ended March 31, 2008 and 2009.

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

According to applicable regulations issued by the 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 resolutions, 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 PRINCIPLES

a. Basis of presentation - The financial statements at March 31, 2009 and 2008 have been prepared in accordance with accounting principles generally accepted in Chile.

b. Accounting period - The financial statements cover the periods from January 1 to March 31, 2009 and 2008.

c. 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\$583.26 for US\$1 in 2009 (Ch\$437.71 for US\$1 in 2008).

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

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

e. Marketable securities - These include investments in fixed incomes mutual fund units of debt securities, which are valued at their respective value of the installment at each period end.

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

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

g. 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.

h. 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.

i. Personnel vacation - The annual cost of personnel vacation is recognized as part of pre-operational costs in the financial statements on an accrual basis.

j. 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.

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

l. Mine closure provision - The Company provides all mine closure costs and work abandonment at their net present value in agreement with corporate regulations.

m. 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 marketable securities.

n. Reclassifications - For comparative purposes, certain reclassifications have been made in the financial statements at March 31, 2008.

3. TIME DEPOSITS

The detail of time deposits is as follows:

	Currency	2009 ThUS\$	2008 ThUS\$
Time deposits overseas	US\$	37,402	29,309
Local financial investments	Ch\$	81,638	
Local financial investments	US\$	<u>26,390</u>	<u> </u>
Total		<u><u>145,430</u></u>	<u><u>29,309</u></u>

4. MARKETABLE SECURITIES

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

	Currency	2009 ThUS\$	2008 ThUS\$
Local mutual funds	Ch\$	<u>70,033</u>	<u>1,920</u>
Total		<u><u>70,033</u></u>	<u><u>1,920</u></u>

5. SUNDRY DEBTORS

The balance of sundry debtors is as follows:

	2009 ThUS\$	2008 ThUS\$
Advances to suppliers for equipment purchases	97,378	61,677
Others	<u>1,253</u>	<u>1,014</u>
Total	<u><u>98,631</u></u>	<u><u>62,691</u></u>

6. INVENTORIES

The detail is as follows:

	2009 ThUS\$	2008 ThUS\$
Stockpile mineral	10,608	
Supplies	<u>1,836</u>	<u> </u>
Total	<u><u>12,444</u></u>	<u><u> </u></u>

7. INCOME TAX AND DEFERRED TAXES

- a. Income tax** - At March 31, 2009 and 2008 the Company did not record an income tax provision, as it did not generate tax results.

At March 31, 2009, the Company accrued tax losses for ThUS\$32,343.

The detail of refundable taxes is as follows:

	2009 ThUS\$	2008 ThUS\$
VAT tax credit	16,602	12,362
Tax recoverable	22,809	
Other	<u>367</u>	<u>177</u>
Total	<u><u>39,778</u></u>	<u><u>12,539</u></u>

b. Deferred taxes

The detail of deferred taxes is as follows:

	2009			2008
	Assets		Liabilities	Assets
	Short term	Long term	Long term	Long term
	ThUS\$	ThUS\$	ThUS\$	ThUS\$
Temporary differences				
Vacation accrual	98			
Bonus provision	510			
Mine closure provision		41		
Fixed assets depreciation		4,965		
Leased assets, net		62	1,426	
Pre-operational costs			30,288	4,722
Severance indemnity			1,918	
Total deferred taxes	<u>608</u>	<u>5,068</u>	<u>33,632</u>	<u>4,722</u>

At March 31, 2009, long-term deferred tax liabilities are presented net in long-term liabilities for ThUS\$28,564.

The effect of deferred taxes of the period of ThUS\$32,678 is presented as a reduction in pre-operational costs.

8. FIXED ASSETS

At March 31, 2009 and 2008, fixed assets are stated as indicated in Note 2g, 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	120,583	
Minor machinery and equipment	<u>229</u>	<u>35</u>
Total machinery and equipment	<u>120,812</u>	<u>35</u>
Other fixed assets:		
Projects in progress	303,374	27,644
Leased assets	29,121	
Others	<u>518</u>	
Total other fixed assets	<u>333,013</u>	<u>27,644</u>
Total fixed assets - gross	<u>710,777</u>	<u>30,966</u>
Accumulated depreciation	(12,008)	(2)
Accumulated amortization	<u>(63)</u>	
Total accumulated depreciation	<u>(12,071)</u>	<u>(2)</u>
Total fixed assets - net	<u><u>698,706</u></u>	<u><u>30,964</u></u>

9. 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)	20,000	6,138
Mine project costs	53,858	4,386
Company start-up costs	41,582	2,452
Capitalized loss	21,168	184
Others	<u>2,792</u>	<u>212</u>
Total pre-operational costs	<u><u>167,781</u></u>	<u><u>41,753</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.

10. BALANCES AND TRANSACTIONS WITH RELATED COMPANIES

a. Due to - Short-term:

Company	Type of relationship	2009 ThUS\$	2008 ThUS\$
Antofagasta Minerals S.A.	Parent company	1,162	2,230
Inmobiliaria Punta de Rieles Ltda. (i)	Indirect	341,856	157,113
Minera El Tesoro	Common shareholder	209	
Minera Los Pelambres	Common shareholder	3	
Aguas de Antofagasta S.A.	Indirect	269	
El Tesoro SPV Bermuda Limited	Indirect	156	
		<u> </u>	<u> </u>
Total		<u>343,655</u>	<u>159,343</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 1.25%. Balances with the other companies do not accrue interest.

b. Accounts payable – long-term:

Company	Type of relationship	2009 ThUS\$	2008 ThUS\$
Minera El Tesoro (Note 13)	Common shareholder	<u>90,000</u>	<u> </u>
Total		<u>90,000</u>	<u>-</u>

c. 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	2008	2009	2008
			ThUS\$	ThUS\$	ThUS\$	ThUS\$
Antofagasta Minerals S.A.	Parent	Administrative services	964	691	810	581
		Expense reimbursement	12	1,442	12	1,442
Minera El Tesoro	Common shareholder	Sundry services	341	22	287	18
Minera Los Pelambres	Common shareholder	Expense reimbursement	8		6	
Inmobiliaria Punta de Rieles Ltda.	Indirect	Loan	2,271	157,112	2,271	1,112
Aguas de Antofagasta S.A.	Indirect	Purchase of raw water	793		666	
Banco de Chile	Indirect	Placements	2,362,311	95,905	(9,200)	(534)
		Guarantees	4,656		(24)	
Entel S.A.	Indirect	Communication services	3		3	

11. SUNDRY CREDITORS

	2009		2008	
	Short term ThUS\$	Long term ThUS\$	Short term ThUS\$	Long term ThUS\$
Caterpillar Leasing Chile S.A. (a)	979	5,375		
Promet Servicios S.A. (b)	7,623	4,935		
Subtotal	8,602	10,310	-	-
Less: Unearned interest	(166)	(753)		
Total	8,436	9,557	-	-

- 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 (2.8%).
- b) During August 2008, the Company signed a lease contract with purchase option related to the plant construction camp. This contract has a duration of 32 months plus the purchase option with an implicit interest rate of 4.2%.

12. SHAREHOLDERS' EQUITY

a. The following are the shareholders' equity movements during 2009 and 2008:

	Paid-in capital ThUS\$	Other reserves ThUS\$	Total equity ThUS\$
Balance at January 1, 2008	99,462	(23,055)	76,407
Balance at March 31, 2008	99,462	(23,055)	76,407
Balance at January 1, 2009	718,787	(24,244)	694,543
Balance at March 31, 2009	718,787	(24,244)	694,543

b. At March 31, 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%

13. GUARANTEES AND COMMITMENTS

I. Commitments

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 (Note 10b) for the sale of the ore, which should occur during the second half of 2010.

II. Guarantees

Guarantees from third parties:

- The Company has provided a bank guarantee in the amount of UF1,500 to the Regional Director of Roads, Antofagasta Region, to guarantee that the works in the Caleta Michilla sector are carried out correctly. Said guarantee is valid until May 15, 2010.
- The Company has provided a bank guarantee in the amount of UF500 to the Regional Director of Roads, Antofagasta Region, to guarantee that the traffic signs in the Caleta Michilla sector are applied out correctly. Said guarantee is valid until November 16, 2009.
- The Company has provided a bank guarantee in the amount of UF1,500 to the Regional Director of Roads, Antofagasta Region, to guarantee that the instruction of the Governmental Inspector regarding the works to be carried out in the Caleta Michilla sector are obeyed. Said guarantee is valid until November 16, 2009.
- The Company has provided a bank guarantee in the amount of UF1,500 to the Regional Director of Roads, Antofagasta Region, to cover possible damages top third parties in the Caleta Michilla sector. Said guarantee is valid until November 16, 2009.

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\$537,565, which are to guarantee the faithful fulfilment of the contacts and the quality and proper operation in the case of equipment.

14. SUBSEQUENT EVENTS

Between April 1 and May 15, 2009, the date on which these financial statements were issued, no significant events occurred that could materially affect them.

* * * * *