

**MINERA LOS PELAMBRES**  
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 28<sup>TH</sup> MAY 2009)

## MINERA LOS PELAMBRES

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

	2009 ThUS\$	2008 ThUS\$
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash at bank and in hand	2,596	375
Time deposits	54,330	315,339
Marketable securities	145,162	161,325
Trade debtors - net	139,168	291,822
Sundry debtors	5,386	10,450
Notes receivable	299	75
Account receivable from related companies	23	3
Inventories - net	100,554	101,448
Refundable taxes	101,484	86,034
Prepaid expenses	8,058	8,789
Deferred taxes	37,479	
Other current assets	15	21
Total current assets	<u>594,554</u>	<u>975,681</u>
<b>FIXED ASSETS:</b>		
Land	4,969	8,234
Constructions and infrastructure	1,557,199	861,284
Machinery and equipment	838,187	718,660
Other fixed assets	439,849	761,485
Subtotal	2,840,204	2,349,663
Accumulated depreciation	<u>(622,908)</u>	<u>(537,100)</u>
Total fixed assets - net	<u>2,217,296</u>	<u>1,812,563</u>
<b>OTHER ASSETS:</b>		
Intangibles - net	121,757	127,183
Other	12,731	15,916
Total other assets	<u>134,488</u>	<u>143,099</u>
<b>TOTAL ASSETS</b>	<u><u>2,946,338</u></u>	<u><u>2,931,343</u></u>

The accompanying notes are an integral part of these financial statements

	<b>2009</b>	<b>2008</b>
	ThUS\$	ThUS\$
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>CURRENT LIABILITIES:</b>		
Bank loans	501,821	
Bank loans: short-term portion of long- term debt	77,780	82,512
Dividends payable		300,000
Accounts payable	81,824	74,913
Notes payable	708	
Sundry creditors	1,133	78
Account payable to related companies	750	560
Accruals	4,513	5,817
Withholdings	11,832	37,140
Deferred taxes		4,974
	<u>680,361</u>	<u>505,994</u>
<b>LONG-TERM LIABILITIES:</b>		
Bank loans	76,667	153,333
Account payable to related company	157	165
Accruals	17,455	18,574
Deferred taxes	244,811	152,133
	<u>339,090</u>	<u>324,205</u>
<b>SHAREHOLDERS' EQUITY:</b>		
Paid-in capital	373,820	373,820
Retained earnings:		
Retained earnings	1,452,298	1,611,443
Net income for the period	100,769	415,881
Interim dividends		(300,000)
	<u>1,926,887</u>	<u>2,101,144</u>
Total shareholders' equity, net		
	<u>1,926,887</u>	<u>2,101,144</u>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<u><u>2,946,338</u></u>	<u><u>2,931,343</u></u>

## MINERA LOS PELAMBRES

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

	<b>2009</b> ThUS\$	<b>2008</b> ThUS\$
REVENUES	311,937	684,813
OPERATING COSTS	<u>(151,885)</u>	<u>(133,199)</u>
OPERATING MARGIN	160,052	551,614
ADMINISTRATIVE AND SELLING EXPENSES	<u>(26,219)</u>	<u>(29,322)</u>
OPERATING INCOME	<u>133,833</u>	<u>522,292</u>
OTHER INCOME (EXPENSES):		
Other income	1,174	19
Financial income	536	2,611
Financial expenses	(6,634)	(3,321)
Other expenses	(1,816)	(842)
Exchange differences	<u>1,656</u>	<u>5,264</u>
Other income (expenses) - net	<u>(5,084)</u>	<u>3,731</u>
INCOME BEFORE INCOME TAX	128,749	526,023
INCOME TAX	<u>(27,980)</u>	<u>(110,142)</u>
NET INCOME FOR THE PERIOD	<u><u>100,769</u></u>	<u><u>415,881</u></u>

The accompanying notes are an integral part of these financial statements

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

	<b>2009</b>	<b>2008</b>
	ThUS\$	ThUS\$
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>		
Net income for the period	100,769	415,881
Charges (credits) to income not representing cash flows:		
Depreciation and amortization	30,238	18,012
Mark to Market	(268,954)	(71,989)
Provision for finalization (Final liquidations)	(19,298)	(10,695)
Accruals and other long-term	(309)	287
Accrued interest	4,934	3,458
Exchange differences	(1,656)	(5,264)
Other		(1)
(Increase) decrease in current assets:		
Trade debtors	149,084	84,084
Sundry debtors	2,512	14,004
Notes receivable	(68)	251
Account receivable from related companies	(22)	1
Inventories	(15,075)	(26,863)
Refundable taxes	(5,729)	(449)
Prepaid expenses	3,628	3,120
Other assets	(1)	(710)
Increase (decrease) in current liabilities:		
Accounts payable	(46,220)	(34,316)
Notes payable	708	
Accounts payable to related companies	(572)	(693)
Accruals short-term	(9,126)	(16,257)
Withholdings	8,601	(6,949)
Income tax payable	27,870	19,121
Advance payment from clients	(274,168)	
Net cash (used in) provided by operating activities	<u>(312,854)</u>	<u>384,033</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Additions to fixed assets - net	<u>(84,919)</u>	<u>(68,792)</u>
Net cash used in investing activities	<u>(84,919)</u>	<u>(68,792)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Loans obtained	274,000	
Loan repayment		<u>(2,388)</u>
Net cash provided by (used in) financing activities	<u>274,000</u>	<u>(2,388)</u>
<b>NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(123,773)</b>	<b>312,853</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>	<u><b>325,861</b></u>	<u><b>164,186</b></u>
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<u><u><b>202,088</b></u></u>	<u><u><b>477,039</b></u></u>

The accompanying notes are an integral part of these financial statements

# MINERA LOS PELAMBRES

## NOTES TO THE FINANCIAL STATEMENTS

(In thousand of US dollars - ThUS\$)

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### 1. INCORPORATION OF THE COMPANY

Minera Los Pelambres is a contractual mining enterprise that started operations on June 4, 1996. The corporate purpose is exploring, developing and exploiting its mining properties, principally for the purpose of producing and selling copper concentrate, and of performing all the business activities associated with the mining industry.

According to the requirements of Law N°20,026 on the Specific Mining Tax published in the Official Gazette of June 16, 2005, and the relevant regulations issued by the Superintendence of Securities and Insurance (“SVS”) through its Exempt Resolutions N°549 of September 23, 2005 and N°39 of February 3, 2006, the Company shall deliver its Quarterly and Audited Annual Financial Statements, and an Annual Report, to the SVS, in the manner and at the time stipulated in such Resolutions. Thus, as a Company receiving foreign investments earmarked for developing mining projects, it claimed the rights stipulated in new article 11 Ter of Decree-Law 600 of 1974, setting an invariable 4% rate for the aforementioned Specific Mining Tax for a period of 12 years.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

**b. Basis of preparation** - The Company keeps its official accounting records in United States dollars (hereinafter US\$) having for this purpose a special authorization from the Chilean Internal Revenue Service.

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

		2009	2008
Closing exchange rate (Chilean peso/US dollar)	Ch\$	583.26	437.71
Unidad de Fomento (inflation index - linked units of account)	Ch\$	20,959.77	19,822.53

Exchange differences are recognized in results for the period.

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

**d. Marketable securities** - These are investments in mutual fund shares presented at their surrender price and cash surpluses managed by Asset Managers, who manage a portfolio of instruments with a view to achieving a return on such surpluses. The investments in Asset Managers, are stated in this item at their redemption value and are adjusted to their fair value at period-end, according to Technical Bulletin N°76 of the Chilean Institute of Accountants.

**e. Inventories** - In-process and processed minerals inventories are stated at weighted average cost in conformity with the method of full absorption, that is including indirect manufacturing overhead and depreciation of fixed assets related to Company production units.

Raw and other materials, as well as supplies and spare parts in the warehouse, are stated at average purchase cost. At each period end, this item is presented net of obsolescence provision.

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

**f. Prepaid expenses** - Prepaid expenses mainly include the prepaid portion of insurance policies taken-out to cover operating, transportation, civil liability, air and port handling risks, with premiums including brokerage commissions.

**g. Fixed assets** - Fixed assets are stated at purchase cost. Depreciation has been calculated based on production technical units, for assets subject to depreciation in accordance with proper technical indicators. For other fixed assets, depreciation is calculated using the straight-line method over the estimated useful life of the assets.

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

Prestripping and preparation and development of the mine relates to the accumulated cost during the project's construction period and/or its capitalizable expansions or optimizations, and to other geological and mining development costs incurred during the pre-operating stage, including planning, engineering, support equipment, maintenance, and supply costs, etc. necessary to dispose of waste and prepare the pit for exploitation.

Mining properties and prestripping are amortized on the basis of extraction of proven and probable ore reserves.

**h. Intangibles** - These are mainly pre-operating costs including original feasibility studies and others aimed at enlarging production capacity, as well as costs associated with management and support units incurred during project development. Costs involved in obtaining original project financing in the pre-operating phase are also included. These costs are amortized from a financial stand point on the basis of the extraction of proven and provable ore reserves.

**i. Vacations** - The annual cost of employee vacations is charged to results on the accrual basis.

**j. Income taxes and deferred taxes** - The Company calculates its first category income and specific mining tax provisions based on Net Taxable Income and Operating Taxable Income respectively, calculating them as provided for in the Chilean Income Tax and Specific Mining Tax Law.

The effects of deferred taxes for temporary differences, tax losses and other items that create differences between the tax and accounting basis of assets and liabilities are recorded following the standards set by Technical Bulletins N°60 and complements of the Chilean Institute of Accountants.

**k. Severance indemnities** - The Company accrues the severance indemnity liability at net present value for those employees whose individual employment contract envisages payment of severance indemnity and Board of Director decisions in the case of non-union employees. The severance indemnity liability is shown under long-term liabilities under the “Accruals” item.

**l. Mine closure** - The Company provides for mine closure cost and abandonment of installations at net present value pursuant to corporation policies and legal environment obligations entered into with government offices. Such accruals are presented in long-term liabilities under the “Accruals” item.

**m. Cash equivalents** - For purposes of the statement of cash flows, cash equivalent includes time deposits and readily realizable financial investments maturing within 90 days, including fixed-income mutual fund units and the investments made of the Asset Managers who handle the short-term portfolio, according to the cash surplus investment policies defined to that effect.

**n. Revenue** - Copper concentrate sales are recognized at shipping dates, net of treatment and refining charges, and valued in conformity with contract clauses, which carry a provisional price. At period-end, revenues are adjusted on a “mark to market” basis, when this value is less than the amount provisionally booked, considering to that end contract clauses on dates for calculating final prices. Also, estimated losses have been provided for in the arbitration of the invoiced quantities.

**o. Reclassifications** - For comparative purposes, some items have been reclassified in the financial statements at March 31, 2008.

### 3. TIME DEPOSITS

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

	<b>Currency</b>	<b>2009</b> ThUS\$	<b>2008</b> ThUS\$
Foreign time deposits	US\$	38,328	247,299
Local time deposits	US\$	16,002	49,020
Local time deposits	Ch\$		7,351
Local financial investments	Ch\$		11,669
Total time deposits		<u>54,330</u>	<u>315,339</u>

### 4. MARKETABLE SECURITIES

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

	<b>Currency</b>	<b>2009</b> ThUS\$	<b>2008</b> ThUS\$
A.M. Deutsche Foreign Investments (*)	US\$	37,582	71,400
A.M. Blackrock Foreign Investment (*)	US\$	37,346	76,420
Foreign mutual funds	US\$	54,100	
Local mutual funds	Ch\$	<u>16,134</u>	<u>13,505</u>
Total investments in mutual funds		<u>145,162</u>	<u>161,325</u>

(\*) The fair value of this portfolio at March 31, 2009, did not generate any effect on income for the period (net loss of ThUS\$182 in 2008).

5. TRADE DEBTORS - NET

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

	<b>2009</b>	<b>2008</b>
	ThUS\$	ThUS\$
<b>Foreign debtors</b>		
Europe	43,442	74,962
Asia Pacific	27,241	27,530
Asia Pacific - related parties (*)	84,859	111,474
North America	2,049	19,612
(Mark to market estimate and metal content adjustment)	(2,227)	(1,555)
Final liquidations (**)	<u>(16,697)</u>	<u>15,631</u>
 Total foreign debtors	 <u>138,667</u>	 <u>247,654</u>
 <b>Local debtors</b>	 <u>501</u>	 <u>44,168</u>
 Total	 <u><u>139,168</u></u>	 <u><u>291,822</u></u>

(\*) Invoicing for the sale of product to foreign customers either directly or indirectly related to Company shareholders, Nippon LP Resources B.V. and MM LP Holding B.V.

(\*\*) They correspond to final liquidations at each period end, not yet collected or paid.

6. INVENTORIES

The detail of inventories is as follows:

	<b>2009</b>	<b>2008</b>
	ThUS\$	ThUS\$
Finished products	15,607	34,898
Work in progress	47,582	39,363
Raw materials	44,808	36,124
Provision for obsolescence of materials	<u>(7,443)</u>	<u>(8,937)</u>
 Total	 <u><u>100,554</u></u>	 <u><u>101,448</u></u>

## 7. FIXED ASSETS

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

	<b>2009</b> ThUS\$	<b>2008</b> ThUS\$
Land	<u>4,969</u>	<u>8,234</u>
Constructions and infrastructure:		
Buildings and constructions	690,210	622,764
Infrastructure	847,050	221,627
Installations	<u>19,939</u>	<u>16,893</u>
Total constructions and infrastructure	<u>1,557,199</u>	<u>861,284</u>
Machinery and equipment:		
Machinery and equipment	739,582	625,366
Furniture and fixtures	3,617	3,617
Information technology and communication equipment	20,299	18,360
Mobile equipment	74,390	71,018
Vehicles	<u>299</u>	<u>299</u>
Total machinery and equipment	<u>838,187</u>	<u>718,660</u>
Other fixed assets:		
Works in progress El Mauro dam		556,090
Works in progress Re-powering II	290,230	86,039
Projects in progress	91,992	61,686
Mining properties	12,643	12,643
Prestripping	44,824	44,824
Fixed assets for disposal	<u>160</u>	<u>203</u>
Total other fixed assets	<u>439,849</u>	<u>761,485</u>
Total fixed assets, gross	<u>2,840,204</u>	<u>2,349,663</u>
Accumulated depreciation of constructions and infrastructure	(268,799)	(233,418)
Accumulated depreciation of machinery and equipment	(336,058)	(287,948)
Amortization of mining properties and prestripping	<u>(18,051)</u>	<u>(15,734)</u>
Total accumulated depreciation and amortization	<u>(622,908)</u>	<u>(537,100)</u>
Total fixed assets – net	<u><u>2,217,296</u></u>	<u><u>1,812,563</u></u>

## 8. INTANGIBLES - NET

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

	<b>2009</b> ThUS\$	<b>2008</b> ThUS\$
Cost of initial studies transferred from Minera El Chacay	8,487	8,487
Costs of support management prior to construction stage	8,204	8,204
Preoperating costs of construction stage	137,912	137,912
Costs of start-up, balance of construction	4,957	4,957
Preoperating gains and losses	8,500	8,500
Easements, water rights, software, trade marks, patents and other	<u>10,695</u>	<u>9,528</u>
Total intangibles	178,755	177,588
Accumulated amortization	<u>(56,998)</u>	<u>(50,405)</u>
Total intangibles - net	<u><u>121,757</u></u>	<u><u>127,183</u></u>

## 9. BANK LOANS

The Company has long-term financing from banking institutions agreed in US dollars.

This outstanding debt was fully refinanced in 2004 by a syndicate of foreign banks headed by Citibank and duly approved and registered with Chile's Central Bank. This loan will be repaid in 12 semi-annual installments, which mature every June 15 and every December 15 of each year, starting on June 15, 2005.

This refinancing meant paying an up-front commission of ThUS\$2,070, which has been deferred and is being amortized over the term of the new loan.

In addition, the Company had in 2008, and during the first months of 2009, short-term bank financing in US dollars with various local financial institutions. At March 31, 2009, the balance of this short-term financing was of ThUS\$501,821, with a weighted average interest rate of 4.88% and an average duration of 5 months, which is detailed as follows:

**At March 31, 2009:**

<b>Financial institutions</b>	<b>Short-term ThUS\$</b>
Estado	130,795
Santander	129,554
Scotiabank	75,292
BBVA	55,226
Itaú	40,472
Bice	39,835
Chile	30,647
Total	<u>501,821</u>

<b>Financial institutions</b>	<b>Interest rate %</b>	<b>Short-term ThUS\$</b>	<b>Long-term ThUS\$</b>
Citibank and others	2.4900	<u>77,780</u>	<u>76,667</u>
Total		<u>77,780</u>	<u>76,667</u>

**At March 31, 2008:**

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

## 10. ACCOUNTS PAYABLE

The detail of this item is as follows:

	<b>2009 ThUS\$</b>	<b>2008 ThUS\$</b>
Invoices payable	71,450	65,152
Withholdings from contractors	10,374	5,321
Insurance policies payable		3,973
Other		467
Total	<u>81,824</u>	<u>74,913</u>

## 11. ACCRUALS

The detail of this item is as follows:

	<b>2009</b>	<b>2008</b>
	ThUS\$	ThUS\$
<b>Short-term:</b>		
Personnel benefits	4,403	5,549
Sundry	<u>110</u>	<u>268</u>
Total	<u><u>4,513</u></u>	<u><u>5,817</u></u>
	<b>2009</b>	<b>2008</b>
	ThUS\$	ThUS\$
<b>Long-term:</b>		
Severance indemnity	13,610	15,689
Mine closure costs	<u>3,845</u>	<u>2,885</u>
Total	<u><u>17,455</u></u>	<u><u>18,574</u></u>

## 12. INCOME AND DEFERRED TAXES

### a. Recoverable taxes include the following:

	<b>2009</b>	<b>2008</b>
	ThUS\$	ThUS\$
<b>Current assets:</b>		
Specific tax on petroleum products	564	1,087
Value added tax	19,318	10,081
Monthly Provisional Payments and income tax credit, net	81,602	74,831
Other withholding taxes recoverable	<u>          </u>	<u>35</u>
Total short-term	<u><u>101,484</u></u>	<u><u>86,034</u></u>
<b>Other assets (long term):</b>		
Additional tax for advisory services	<u>5,368</u>	<u>6,426</u>
Total long-term	<u><u>5,368</u></u>	<u><u>6,426</u></u>

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

### b. Income tax

No provision for first category income tax was recorded at March 31, 2009 as the Company presented tax losses for ThUS\$179,063. At March 31, 2008 the provision was 17% of the net taxable income of ThUS\$440,280, calculated as provided for in the Chilean Income Tax Law.

No provision for the specific mining tax at March 31, 2009 was recorded as there was no operating net income. At March 31, 2008 the provision was 4% of the net operating taxable income of ThUS\$404,327.

However, as of 2008 there is no credit of 2% over the specific mining tax, as this tax franchise ends.

At March 31, 2009 and 2008 as monthly provisional payments are higher than the income tax calculated for the year, the surplus of ThUS\$81,602 (ThUS\$74,831 in 2008) has been reclassified to refundable taxes, as indicated in Note 12a).

	<b>2009</b>	<b>2008</b>
	ThUS\$	ThUS\$
Income tax provision		(457,657)
Specific mining tax provision		(66,647)
Monthly provisional payments		521,866
Technical consulting services additional tax		581
Refundable training expenses		188
Credits from donations		1,630
Credits from purchases of fixed assets		39
	<u>          </u>	<u>          </u>
Income and specific mining tax payable		<u><u>          </u></u>

### c. Deferred taxes

At March 31, 2009 and 2008, the detail of accumulated deferred tax balances was as follows:

	2009				2008			
	Asset		Liability		Asset		Liability	
	Short-term ThUS\$	Long-term ThUS\$	Short-term ThUS\$	Long-term ThUS\$	Short-term ThUS\$	Long-term ThUS\$	Short-term ThUS\$	Long-term ThUS\$
Provision for final liquidation			630				2,037	
Provision for price and quantity variations	378				265			
Allowance for uncollectible accounts	69				121			
Provision for vacations	449				562			
Provision donations	238							
Provision for obsolete materials	1,240				1,492			
Tax loss	30,441							
Severance indemnity		2,284				2,594		
Provision for mine closure		654				490		
Refinancing costs			58	44			59	103
Indirect manufacturing expense			3,106				4,144	
Indirect manufacturing charges			252				263	
Depreciation of fixed assets				207,268				128,455
Preoperational expenses				32,010				22,569
Specific mining tax	9,506	968	796	9,395	580	610	1,522	4,700
Other					31			
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total deferred taxes	<u>42,321</u>	<u>3,906</u>	<u>4,842</u>	<u>248,717</u>	<u>3,051</u>	<u>3,694</u>	<u>8,025</u>	<u>155,827</u>

The net asset of ThUS\$37,479 for short-term deferred taxes is presented in current assets (short-term liabilities for ThUS\$4,974 in 2008).

The net liability of ThUS\$244,811 (ThUS\$152,133 in 2008) for long-term deferred taxes is presented in long-term liabilities.

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

	<b>2009</b> ThUS\$	<b>2008</b> ThUS\$
<b>Current tax expense:</b>		
Provision for income tax for the period		(74,848)
Deficit of prior year income tax provision	(98)	
Provision for specific mining tax		(16,173)
Deficit of prior year specific mining tax	(12)	
<b>Deferred taxes:</b>		
Changes in deferred taxes during the period	(24,740)	(15,033)
Deferred taxes for specific mining tax	<u>(3,130)</u>	<u>(4,088)</u>
Total charge to income	<u><u>(27,980)</u></u>	<u><u>(110,142)</u></u>

### 13. SHAREHOLDERS' EQUITY, NET

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

<b>Items</b>	<b>Paid-in capital</b> ThUS\$	<b>Retained earnings</b> ThUS\$	<b>Total</b> ThUS\$
Balance at January 1, 2008	373,820	1,611,443	1,985,263
Net income for the period		415,881	415,881
Interim dividends		(300,000)	(300,000)
		<u>                    </u>	<u>                    </u>
Balance at March 31, 2008	<u>373,820</u>	<u>1,727,324</u>	<u>2,101,144</u>
Balance at January 1, 2009	373,820	1,452,298	1,826,118
Net income for the period		100,769	100,769
		<u>                    </u>	<u>                    </u>
Balance at March 31, 2009	<u><u>373,820</u></u>	<u><u>1,553,067</u></u>	<u><u>1,926,887</u></u>

b. Shareholdings of the subscribed and paid-in capital are as follows at March 31, 2009:

Shareholders	Number of shares	Subscribed and paid-in capital	
		ThUS\$	%
LP Investment Co. Ltd.	191,379,489	191,380	51.20
Nippon LP Resources BV	93,454,920	93,455	25.00
MM LP Holding BV	56,072,952	56,073	15.00
Antofagasta Minerals S.A.	32,912,319	32,912	8.80
Total	373,819,680	373,820	100.00

c. The Board of Directors approved the interim dividends paid to the Company's shareholders in 2008, in the Ordinary meetings N°124, dated March 26, 2008 for ThUS\$300,000.

#### 14. BALANCES AND TRANSACTIONS WITH RELATED PARTIES

The following is a detail of transactions and balances with related parties. Antofagasta Minerals S.A., LP Investment Co. Ltd., Nippon LP Resources BV, and MM LP Holding BV are shareholders of the Company. The others companies are related to the Company through common owners.

##### At March 31, 2009:

Related party	Transaction description	Transaction amount	Effect on income charge (credit)	Asset	Liability
		ThUS\$	ThUS\$	ThUS\$	ThUS\$
Antofagasta Minerals S.A.	Administrative services received	238	200		531
	Technical support received	340	285		
	Recovery of expenses	211	177		211
	Rental of offices in Apoquindo	199	168		
	Water rights				8
	Expense collection	7	(6)	5	
Minera El Tesoro	Expenses collection	39	(32)	13	
Minera Esperanza	Expenses collection	8	(6)	3	
Other related companies	Services and others	1,236	1,236	2	
Total short-term				23	750
Antofagasta Minerals S.A.	Water rights				157
Total long-term					157

**At March 31, 2008:**

<b>Related party</b>	<b>Transaction description</b>	<b>Transaction amount ThUS\$</b>	<b>Effect on income charge (credit) ThUS\$</b>	<b>Asset ThUS\$</b>	<b>Liability ThUS\$</b>
Antofagasta Minerals S.A.	Administrative services received				72
	Technical support received	482	405		2
	Recovery of expenses	404	340		438
	Expense collection	10	(9)	3	
Minera Michilla S.A.	Rental of offices in Santiago	63	63		22
	Expenses collection	17	(14)		
Minera El Tesoro	Expenses collection	51	(43)		
	Purchase of materials	26	23		26
Other related	Services and others	587	583		
Total short-term				<u>3</u>	<u>560</u>
Antofagasta Minerals S.A.	Water rights				165
Total long-term				<u></u>	<u>165</u>

**15. OTHER INCOME AND EXPENSES**

The detail of other income and expenses is as follows:

	<b>2009 ThUS\$</b>	<b>2008 ThUS\$</b>
<b>Other income:</b>		
Indemnities received	1,001	
Other income	<u>173</u>	<u>19</u>
Total	<u>1,174</u>	<u>19</u>
<b>Other expenses:</b>		
Contribution to Minera Los Pelambres Foundation	1,235	564
Donations for education	364	
Provision for write-off of housing loans	39	53
Other expenses	<u>178</u>	<u>225</u>
Total	<u>1,816</u>	<u>842</u>

## 16. CONTINGENCIES, GUARANTEES AND ENCUMBRANCES

### I. LAWSUITS:

The Company's Management is aware of legal disputes in which Minera Los Pelambres is either the main or subsidiary defendant, or the plaintiff, which to the best of its knowledge do not significantly affect these financial statements. The detail of the most significant lawsuits is as follows:

**Subject** : Denouncement of New Construction Work at El Mauro Dam.  
**Parties** : Flores Tapia, Cristián Andrés and others with Minera Los Pelambres.  
**Trial No.** : 7.957-2008, Court of First Instance of Los Vilos.  
**Amount** : There is no amount calculated. Therefore, it is not possible to indicate a potential loss amount.  
**Status** : On December 4, 2008 the court decided to instruct a temporary stoppage of the construction work at El Mauro Dam. This has not had a major impact as the construction work was already completed at that date. The summon of plea and evidence was performed on January 26, 2009. On the same date Minera Los Pelambres responded the denouncement. Also, the inspection by the court and expert testimony are pending.

**Subject** : Injunction of New and Ruinous Construction Work at El Mauro Dam.  
**Parties** : Arroyo Correa, Roberto and others with Minera Los Pelambres.  
**Trial No.** : N°7.981-2008, Court of First Instance of Los Vilos.  
**Amount** : There is no amount calculated. Due to the above, it is not possible to indicate a potential loss amount.  
**Status** : At January 27, 2009, a petition was filed asking the court to declare the nullification of the proceedings due to errors in the way the lawsuit was prepared, petition which has not been solved to date.

**Subject** : Lawsuit for Nullification of Settlement and Indemnity of Damages.  
**Parties** : Gallardo Rojas, Alfredo and other with Ugarte Elgueta, Víctor and others.  
**Trial No.** : N°28.409-2008, 8th Civil Court of Santiago  
**Amount** : The nullification lawsuit does not involve any amount. However, as regards damages, all defendants (there are 118 defendants) are being sued jointly and severally to pay Ch\$332,285,000 to each plaintiff (3 plaintiffs).  
**Status** : On March 25, 2009, the Company filed a dilatory petition asking the court to order the plaintiffs to correct errors made in the lawsuit. To date the court has not issued any resolution regarding the petition. To date the lawsuit has not been served to all the defendants.

## **II. ENCUMBRANCES:**

The Company's assets are not subject to any mortgages, encumbrances or prohibitions.

## **III. OTHER GUARANTEES**

### **Guarantees Provided:**

- The Company has issued performance bonds through banks for ThUS\$12,655 on behalf of the Water Board of the Chilean Ministry of Public Works as collateral for any possible costs incurred in an possible abandonment of the construction and operation of the Los Quillayes tailings dam. Such bonds are in force until July 3, 2009.
- The Company has issued performance bonds through banks for ThUS\$4,877 on behalf of the Water Board of the Chilean Ministry of Public Works as collateral for any possible costs incurred in an possible abandonment of the construction and operation of the El Mauro tailings dam. Such bonds are in force until October 26, 2009.
- The Company has issued bank guarantees in favor of the Water Board of the Chilean Ministry of Public Works, to guarantee the reposition costs for any possible abandonment of tailings dam systems and re-circulation of water of the El Mauro tailings Dam project for UF17.526, equivalent to ThUS\$630 as a requirement for river flows modification permits.
- The Company provided bank guarantee in favor of the Chilean Department of Public Works, Water Section, in order to guarantee the modification or demolition cost of the natural water project, a tunnel to divert Cuncumen river, for UF71,030, equivalent to a total of ThUS\$ 2,553 Such bonds are in force until March 31, 2010.

### **Guarantees received:**

- To date, performance bonds and letters of credits, issued by foreign or local banks in favor of the Company, have been provided by contractors and suppliers for an approximate total amount of ThUS\$90,761 to guarantee compliance with contracts and, in the case of equipment, their quality and performance.

## **IV. RESTRICTIONS TO OPERATIONS OR LIMITS**

The bank loan contract resulting from the refinancing mentioned in Note 9 includes certain restrictions regarding indebtedness, dividend distribution and hedging operations.

## V. MINERAL SALE AGREEMENTS

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

The sale agreements of minerals in accordance with the agreed contracts amount to:

<b>Year</b>	<b>ThUS\$</b>
2009	842,000
2010	754,000

## 17. SUBSEQUENT EVENTS

Between April 1, 2009 and the date on which these financial statements were issued, there have been no subsequent events that could materially affect them.

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