

MINERA LOS PELAMBRES
UNAUDITED FINANCIAL STATEMENTS
FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2009 AND 2008

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

MINERA LOS PELAMBRES

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

	2009 ThUS\$	2008 ThUS\$
ASSETS		
CURRENT ASSETS:		
Cash at bank and in hand	1,532	360
Time deposits	149,217	279,234
Money market funds	320,504	177,464
Trade debtors - net	260,465	89,345
Sundry debtors	3,014	6,637
Notes receivable	453	178
Accounts receivable from relates companies	31	21
Inventories - net	92,514	74,526
Refundable taxes	16,602	13,762
Prepaid expenses	4,998	5,498
Deferred taxes	299	42,680
Other current assets	16	16
Total current assets	<u>849,645</u>	<u>689,721</u>
FIXED ASSETS:		
Land	4,969	4,969
Constructions and infrastructure	1,557,550	864,450
Machinery and equipment	839,272	719,457
Other fixed assets	739,868	972,602
Subtotal	3,141,659	2,561,478
Accumulated depreciation	<u>(683,666)</u>	<u>(571,465)</u>
Total fixed assets - net	<u>2,457,993</u>	<u>1,990,013</u>
OTHER ASSETS:		
Intangibles - net	119,586	124,148
Other	13,615	11,938
Total other assets	<u>133,201</u>	<u>136,086</u>
TOTAL ASSETS	<u><u>3,440,839</u></u>	<u><u>2,815,820</u></u>

The accompanying notes are an integral part of these financial statements

	2009	2008
	ThUS\$	ThUS\$
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Bank loans	385,220	
Bank loans: short-term portion of long-term debt	77,176	78,619
Dividend payable		160,000
Accounts payable	94,301	76,523
Sundry creditors	1,234	7
Accounts payable to related companies	437	954
Accruals	8,599	9,787
Withholdings	22,826	35,338
Income tax payable	10,374	37,895
Advance payments from customers	19,185	
	<u>619,352</u>	<u>399,123</u>
LONG-TERM LIABILITIES:		
Bank loans	38,333	115,000
Accounts payable to related company	157	165
Accruals	57,399	15,860
Deferred taxes	256,209	164,557
	<u>352,098</u>	<u>295,582</u>
SHAREHOLDERS' EQUITY:		
Paid-in capital	373,820	373,820
Retained earnings:		
Retained earnings	1,452,298	1,611,443
Net income for the period	643,271	1,315,852
Interim dividends		<u>(1,180,000)</u>
	<u>2,469,389</u>	<u>2,121,115</u>
Total shareholders' equity, net	<u>2,469,389</u>	<u>2,121,115</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	<u><u>3,440,839</u></u>	<u><u>2,815,820</u></u>

MINERA LOS PELAMBRES

STATEMENTS OF INCOME FOR THE NINE - MONTH PERIODS ENDED SEPTEMBER 30, 2009 AND 2008 (In thousand of United States dollars - ThUS\$)

	2009 ThUS\$	2008 ThUS\$
REVENUES	1,396,087	2,305,124
OPERATING COSTS	<u>(479,653)</u>	<u>(506,062)</u>
OPERATING MARGIN	916,434	1,799,062
ADMINISTRATIVE AND SELLING EXPENSES	<u>(84,065)</u>	<u>(115,285)</u>
OPERATING INCOME	<u>832,369</u>	<u>1,683,777</u>
OTHER INCOME (EXPENSES):		
Financial income	1,596	8,984
Other income	1,879	5,005
Financial expenses	(17,549)	(8,417)
Other expenses	(5,556)	(3,214)
Foreign currency exchange differences	<u>1,662</u>	<u>(30,293)</u>
Other expenses - net	<u>(17,968)</u>	<u>(27,935)</u>
INCOME BEFORE INCOME TAX	814,401	1,655,842
INCOME TAX	<u>(171,130)</u>	<u>(339,990)</u>
NET INCOME FOR THE PERIOD	<u><u>643,271</u></u>	<u><u>1,315,852</u></u>

The accompanying notes are an integral part of these financial statements

MINERA LOS PELAMBRES

STATEMENTS OF CASH FLOWS FOR THE NINE - MONTH PERIODS ENDED SEPTEMBER 30, 2009 AND 2008 (In thousand of United States dollars - ThUS\$)

	2009	2008
	ThUS\$	ThUS\$
NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Net income for the period	643,271	1,315,852
Charges (credits) to income not representing cash flows:		
Depreciation and amortisation	93,847	56,308
Mark to Market	(269,081)	127,323
Provision for finalisation (Final liquidations)	(31,906)	1,521
Accruals and other long-term	(560)	1,771
Accrued interest	1,729	1,953
Write-off of fixed assets		234
(Profit) loss on sales of fixed assets	(2)	1
Foreign currency exchange differences	(1,662)	30,293
Other		(48)
(Increase) decrease in current assets:		
Trade debtors	39,063	70,131
Sundry debtors	4,884	13,498
Notes receivable	(222)	148
Accounts receivable from related companies	(30)	(17)
Inventories	(7,035)	59
Refundable taxes	84,176	63,872
Prepaid expenses	6,688	6,411
Other current assets	(2)	(775)
Increase (decrease) in current liabilities:		
Accounts payable	(46,453)	(36,470)
Accounts receivable to related companies	(1,324)	(299)
Accruals short-term	(5,317)	(12,288)
Withholdings	19,595	(8,751)
Income tax payable	94,046	(2,694)
Advance payments from customers	(254,983)	
Net cash provided by operating activities	<u>368,722</u>	<u>1,628,033</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Additions to fixed assets - net	(344,999)	(272,113)
Sales of fixed assets	2	60
Net cash used in investing activities	<u>(344,997)</u>	<u>(272,053)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Loans obtained	569,000	
Payment of dividends		(1,020,000)
Loan repayment	(447,333)	(43,108)
Net cash provided by (used in) financing activities	<u>121,667</u>	<u>(1,063,108)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	145,392	292,872
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	<u>325,861</u>	<u>164,186</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u><u>471,253</u></u>	<u><u>457,058</u></u>
SUPPLEMENTAL INFORMATION:		
Decommissioning cost of fixed assets (Note 3)	38,649	
Interest paid	15,512	6,137

The accompanying notes are an integral part of these financial statements

MINERA LOS PELAMBRES

NOTES TO THE FINANCIAL STATEMENTS AT SEPTEMBER 30, 2009 AND 2008
(In thousand of United States Dollars - ThUS\$)

1. INCORPORATION OF THE COMPANY

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

According to the requirements of Law 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 Resolution 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 the Annual Report, to the SVS, in the manner and at the time stipulated in such Resolution. Thus, as a Company receiving foreign investment earmarked for developing mining projects, it claimed the rights stipulated in the 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 September 30, 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\$) due to the granting of a special authorization from the Chilean Internal Revenue Service.

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

		2009	2008
Closing foreign currency exchange rate (Chilean peso/US dollar)	Ch\$	550.36	551.31
Unidad de Fomento (inflation index-linked units of account)	Ch\$	20,834.45	20,988.34

Foreign currency exchange differences are recognized in the determination of net income for the period.

c. Time deposits - Time deposits are stated at original investment amount plus accrued interest at the end of the period.

d. Money market funds - Money market funds are investments in mutual funds presented at their market value and cash surpluses managed by Asset Managers, who manage a portfolio of instruments with a strategy to achieving a return on such surpluses. The investments in Asset Managers, are stated 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 mineral inventories are stated at weighted average cost in conformity with the method of full absorption, that is including indirect manufacturing overhead and depreciation of fixed assets related to Company production units.

Raw and other materials, as well as supplies and spare parts in the warehouse, are stated at average purchase cost. At 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 contracted 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 the 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 cost.

Prestripping and preparation and development of the mine relates to the accumulated cost during the project's construction period and/or its capitalisable expansions or optimisations, 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 costs are amortised based on the extraction of proven and probable ore reserves.

h. Intangibles - Intangible assets are mainly pre-operating costs, including original feasibility studies and others aimed at increasing 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 amortised based on the extraction of proven and provable ore reserves.

i. Vacations - The annual cost of employee vacations is included in the determination of income 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 on 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 has employees whose individual employment contract stipulates payment of severance indemnities and also the Board of Directors has the authority to grant severance indemnities to non-union employees. The severance indemnities are structured based on the years of service provided by the employee and their salary upon resignation. The severance indemnities are payable upon voluntary or involuntary resignation by the employee. The Company records the severance indemnity at net present value and as a long-term liability under the “Accruals” item.

l. Mine closure - 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.

m. Cash equivalents - For cash flow statement purposes, cash equivalents include time deposits and readily determinable financial investments maturing within 90 days, including money market funds and the investments with Asset Managers who manage the short-term portfolio, according to the Company’s defined cash surplus investment policies.

n. Revenue - Copper concentrate sales are recognized upon shipment, net of treatment and refining charges, and valued in conformity with contract clauses, which contain a provisional price. At period end, revenues are adjusted on a “mark to market” basis, when this value is less than the amount provisionally recorded, considering contract clauses on dates for calculating final prices. The September 30 forward price of copper concentrate as of the date for calculating final prices with the customer, usually 3 to 4 months after shipment, is factored into the “mark to market” adjustment. Also, estimated losses resulting from the arbitration of disputed invoiced quantities are recorded.

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

3. CHANGES ACCOUNTING ESTIMATE

Based on a new study of closure costs, in 2009 the Company updated the 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 whose value is ThUS\$38,649 at September 30, 2009, which is stated in Other Fixed Assets and will be depreciated using the straight line method over a useful life of 28 years, 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 September 30, 2009, represents a value of ThUS\$283.

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 September 30, 2009, it represented an effect on financial costs of ThUS\$869.

4. TIME DEPOSITS

The detail of time deposits is as follows:

	Currency	2009 ThUS\$	2008 ThUS\$
Foreign time deposits	US\$	75,460	91,404
Local time deposits	US\$	62,023	180,191
Local time deposits	Ch\$	<u>11,734</u>	<u>7,639</u>
Total time deposits		<u><u>149,217</u></u>	<u><u>279,234</u></u>

5. MONEY MARKET FUNDS

The detail of money market funds is as follows:

	Currency	2009 ThUS\$	2008 ThUS\$
A.M. Deutsche Foreign Investments (*)	US\$	119,649	72,310
A.M. Blackrok Foreign Investments (*)	US\$	118,383	72,203
Foreign money market funds	US\$	60,117	24,031
Local money market funds	Ch\$	<u>22,355</u>	<u>8,920</u>
Total investments in money market funds		<u><u>320,504</u></u>	<u><u>177,464</u></u>

(*) Recording this portfolio at fair value at September 30, 2009, represented a net effect of a loss on income of ThUS\$8 (charge of ThUS\$149 in 2008).

6. TRADE DEBTORS - NET

The balance of trade debtors, segregated by geographical area, is as follows:

	2009	2008
	ThUS\$	ThUS\$
Foreign debtors		
Europe	99,100	87,008
Asia Pacific	5,286	44,574
Asia Pacific – related parties (*)	117,213	139,595
Latin America	344	991
North America		11,544
Mark to market estimation and metal content adjustment	(2,099)	(200,868)
Final liquidations (**)	<u>40,621</u>	<u>(37,631)</u>
Total foreign debtors	<u>260,465</u>	<u>45,213</u>
Local debtors		<u>44,132</u>
Total	<u><u>260,465</u></u>	<u><u>89,345</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.

7. INVENTORIES - NET

The detail of inventories is as follows:

	2009	2008
	ThUS\$	ThUS\$
Finished products	8,496	1,485
Work in progress	48,088	41,169
Raw materials	43,373	40,809
Provision for obsolescence of materials	<u>(7,443)</u>	<u>(8,937)</u>
Total	<u><u>92,514</u></u>	<u><u>74,526</u></u>

8. FIXED ASSETS - NET

Fixed assets are recorded as outlined in Note 2g. The detail is as follows:

	2009 ThUS\$	2008 ThUS\$
Land	<u>4,969</u>	<u>4,969</u>
Constructions and infrastructure:		
Buildings and construction	690,547	622,665
Infrastructure	847,050	224,892
Installations	<u>19,953</u>	<u>16,893</u>
Total constructions and infrastructure	<u>1,557,550</u>	<u>864,450</u>
Machinery and equipment:		
Machinery and equipment	741,063	626,391
Furniture and fixtures	3,617	3,617
Information technology and communication equipment	20,299	18,360
Mobile equipment	73,994	70,790
Vehicles	<u>299</u>	<u>299</u>
Total machinery and equipment	<u>839,272</u>	<u>719,457</u>
Other fixed assets:		
Works in progress El Mauro dam		606,448
Works in progress Re-powering II	519,844	207,791
Projects in progress	123,738	100,736
Mining properties	12,643	12,643
Prestripping	44,824	44,824
Other fixed assets - decommissioning (Note 3)	38,649	
Fixed assets for disposal	<u>170</u>	<u>160</u>
Total other fixed assets	<u>739,868</u>	<u>972,602</u>
Total fixed assets, gross	<u>3,141,659</u>	<u>2,561,478</u>
Accumulated depreciation of construction and infrastructure	(302,162)	(244,162)
Accumulated depreciation of machinery and equipment	(361,619)	(310,344)
Accumulated depreciation of other fixed asset - decommissioning	(1,055)	
Amortisation properties and prestripping	<u>(18,830)</u>	<u>(16,959)</u>
Total accumulated depreciation and amortisation	<u>(683,666)</u>	<u>(571,465)</u>
Total fixed assets – net	<u><u>2,457,993</u></u>	<u><u>1,990,013</u></u>

9. INTANGIBLES - NET

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

	2009	2008
	ThUS\$	ThUS\$
Cost of initial studies transferred from Minera El Chacay	8,487	8,487
Costs of support management prior to construction stage	8,204	8,204
Preoperating costs of construction stage	137,912	137,912
Costs of start-up, balance of construction	4,957	4,957
Preoperating gains and losses	8,500	8,500
Easements, water rights, software, trade marks, patents and other rights	<u>10,695</u>	<u>9,934</u>
 Total intangibles	 178,755	 177,994
 Accumulated amortisation	 <u>(59,169)</u>	 <u>(53,846)</u>
 Total intangibles - net	 <u><u>119,586</u></u>	 <u><u>124,148</u></u>

10. BANK LOANS

a. Short-term

The Company had at the end of 2008, and during the first months of 2009, short-term bank financing in US dollars with various local financial institutions.

At September 30, 2009, the balance of this short-term financing was of ThUS\$385,220, with a weighted average interest rate of 1.68% and an average duration of 5 months, which is detailed as follows:

At September 30, 2009:

Financial institutions	Short term ThUS\$
Estado	115,515
Scotiabank	100,086
BBVA	75,246
Calyon	40,019
Chile	30,271
Santander	14,047
HSBC	<u>10,036</u>
 Total	 <u><u>385,220</u></u>

b. Long-term

The Company has long-term financing from banking institutions denominated in US dollars. Bank loans correspond, to the refinanced balance in 2004 by a syndicate of foreign banks led by Citibank, duly approved and registered with the Central Bank of Chile. This loan is payable in 12 semiannual installments, with maturity on September 15 and December 15 of each period, from June 2005.

Up-front commissions of ThUS\$2,070 were paid to acquire the financing, which were deferred and are being amortised over the term of the loan.

At September 30, 2009:

Financial institutions	Interest rate %	Short term ThUS\$	Long term ThUS\$
Citibank and others	1.4900	<u>77,176</u>	<u>38,333</u>
Total		<u><u>77,176</u></u>	<u><u>38,333</u></u>

At September 30, 2008:

Financial institutions	Interest rate %	Short term ThUS\$	Long term ThUS\$
Citibank and others	3.4275	<u>78,619</u>	<u>115,000</u>
Total		<u><u>78,619</u></u>	<u><u>115,000</u></u>

11. ACCOUNTS PAYABLE

The detail of accounts payable is as follows:

	2009 ThUS\$	2008 ThUS\$
Invoices payable	75,635	65,792
Withholdings from contractors	16,524	7,200
Insurance policies payable	2,142	3,155
Other		<u>376</u>
Total	<u><u>94,301</u></u>	<u><u>76,523</u></u>

12. ACCRUALS

The detail of accruals is as follows:

	2009 ThUS\$	2008 ThUS\$
Short-term:		
Personnel benefits	8,578	9,689
Sundry	<u>21</u>	<u>98</u>
Total	<u><u>8,599</u></u>	<u><u>9,787</u></u>
	2009 ThUS\$	2008 ThUS\$
Long-term:		
Severance indemnity	13,975	12,759
Mine closure costs	<u>43,424</u>	<u>3,101</u>
Total	<u><u>57,399</u></u>	<u><u>15,860</u></u>

13. INCOME AND DEFERRED TAXES

a. Recoverable taxes include the following:

	2009 ThUS\$	2008 ThUS\$
Current assets:		
Specific tax on petroleum products	413	370
Value added tax	13,169	12,239
Income tax refundable (*)	2,981	1,153
Other withholding taxes recoverable	<u>39</u>	<u></u>
Total short-term	<u><u>16,602</u></u>	<u><u>13,762</u></u>
Other assets:		
Additional tax for advisory services	<u>5,689</u>	<u>5,102</u>
Total long-term	<u><u>5,689</u></u>	<u><u>5,102</u></u>

(*) As at September 30, 2009 and 2008, the balance receivable that is still pending from the Chilean Tax Authorities (Internal Revenue Service) is shown as the remnant of the income tax return of the years 2008 and 2007, respectively, which is included in the item short term recoverable taxes.

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

b. Income Tax

The provision for first category income tax at September 30, 2009 and 2008 was 17% of the taxable income of ThUS\$444,742 and ThUS\$1,688,027, respectively, calculated as provided for in the Chilean Income Tax Law. The provision for the specific mining tax at September 30, 2009 and 2008 was 4% of the net operating taxable income of ThUS\$473,089 and ThUS\$1,730,168, respectively.

At September 30, 2009 and 2008 the provision for income tax and specific mining tax is presented in income tax payable in current liabilities net of monthly provisional payments, training credits and donation credits.

	2009	2008
	ThUS\$	ThUS\$
Income tax provision	(75,606)	(286,964)
Specific mining tax provision	(18,924)	(69,208)
Monthly provisional payments	82,559	316,855
Technical consulting services additional tax	536	405
Refundable training expenses	80	102
Credits for donations	981	915
	<u> </u>	<u> </u>
Income and specific mining tax payable	<u>(10,374)</u>	<u>(37,895)</u>

c. Deferred taxes

At September 30, 2009 and 2008, the detail of accumulated deferred taxes balances is as follows:

	Deferred taxes							
	2009				2008			
	Asset		Liability		Asset		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\$	
Provision for final liquidations			2,773		40			
Provision for quantity and price variations	358				34,148			
Allowance for uncollectible accounts	83				69			
Provision for vacations	527				580			
Provision donations	207							
Advance payments from customers	3,261							
Provision for obsolete materials	1,263				1,519			
Severance indemnity		2,343				2,140		
Provision for mine closure, net		812				527		
Refinancing costs			59	14			59	73
Indirect manufacturing expense			2,339				1,501	
Indirect manufacturing charges			281				265	
Fixed assets depreciation				217,773				135,744
Preoperational expenses				31,284				26,615
Specific mining taxes	1,258	551	1,206	10,844	8,554	503	418	5,295
Other					25		12	
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total deferred taxes	<u>6,957</u>	<u>3,706</u>	<u>6,658</u>	<u>259,915</u>	<u>44,935</u>	<u>3,170</u>	<u>2,255</u>	<u>167,727</u>

The net asset for short-term deferred taxes is presented in short-term asset for ThUS\$299 (ThUS\$42,680 in 2008).

The net liability for long-term deferred taxes is presented in long-term liabilities for ThUS\$256,209 (ThUS\$164,557 in 2008).

The breakdown of income tax expense is as follows:

	2009	2008
	ThUS\$	ThUS\$
Current tax expense:		
Provision for income tax of the period	(75,606)	(286,964)
(Deficit) surplus of prior year income tax provision	(371)	38
Provision for specific mining tax	(18,924)	(69,208)
Surplus of prior year specific minning tax	219	36
Deferred taxes:		
Changes in deferred taxes during the period	(62,794)	11,820
Deferred taxes for specific mining tax	<u>(13,654)</u>	<u>4,288</u>
Income tax expense	<u><u>(171,130)</u></u>	<u><u>(339,990)</u></u>

14. SHAREHOLDERS' EQUITY, NET

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

Concepts	Paid-in capital	Retained earnings	Total
	ThUS\$	ThUS\$	ThUS\$
Balances at January 1, 2008	373,820	1,611,443	1,985,263
Net income for the period		1,315,852	1,315,852
Interim dividends		(1,180,000)	(1,180,000)
		<u> </u>	<u> </u>
Balances at September 30, 2008	<u>373,820</u>	<u>1,747,295</u>	<u>2,121,115</u>
Balances at January 1, 2009	373,820	1,452,298	1,826,118
Net income for the period		643,271	643,271
		<u> </u>	<u> </u>
Balances at September 30, 2009	<u><u>373,820</u></u>	<u><u>2,095,569</u></u>	<u><u>2,469,389</u></u>

b. Shareholdings of the subscribed and paid-in capital are as follows at September 30, 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, held on March 26, 2008 and N° 125, held on May 16, 2008, the Extraordinary meeting, held on July 30, 2008 and the Ordinary meeting N° 126 held on August 28, 2008 for ThUS\$300,000, ThUS\$300,000, ThUS\$420,000 and ThUS\$160,000 respectively.

15. BALANCES AND TRANSACTIONS WITH RELATED PARTIES

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

The detail at September 30, 2009:

Related party	Transaction description	Transaction amount	Effect on results charge (credit)	Asset	Liability
		ThUS\$	ThUS\$	ThUS\$	ThUS\$
Antofagasta Minerals S.A.	Administrative services received	1,220	1,025		305
	Technical support received	1,069	899		124
	Recovery of expenses	287	241		
	Rental of offices in Apoquindo	773	426		
	Water rights				8
	Expense collection	30	(25)	6	
Minera El Tesoro	Expense collection	124	(104)	15	
Minera Esperanza	Expense collection	25	(21)	3	
Other related	Services and others	3,054	3,047	7	
LP Investment Co. Ltd.	20% withholding on disallowed expense	809	809		
Nippon LP Resources BV	20% withholding on disallowed expense	395	395		
MM LP Holding BV	20% withholding on disallowed expense	237	237		
Total short-term				31	437
Antofagasta Minerals S.A.	Water rights				157
Total long-term					157

The detail at September 30, 2008:

Related party	Transaction description	Transaction amount ThUS\$	Effect on results charge (credit) ThUS\$	Asset ThUS\$	Liability ThUS\$
Antofagasta Minerals S.A.	Administrative services received	470	616		562
	Technical support received	1,289	1,083		124
	Recovery of expenses	594	500		267
	Expense collection	42	(26)	2	
Minera Michilla S.A.	Rental of offices in Santiago	184	184		
Minera El Tesoro	Expense collection	155	(130)	16	
	Purchase of materials	89	74		
Minera Esperanza	Expense collection	3	(3)	3	
Other related	Services and others	2,381	2,281		1
LP Investment Co. Ltd.	20% withholding on disallowed expense	250	250		
Nippon LP Resources BV	20% withholding on disallowed expense	122	122		
MM LP Holding BV	20% withholding on disallowed expense	73	73		
Total short-term				<u>21</u>	<u>954</u>
Antofagasta Minerals S.A.	Water rights				<u>165</u>
Total long-term					<u>165</u>

16. OTHER INCOME AND EXPENSES

The detail of other income and expenses is as follows:

	2009 ThUS\$	2008 ThUS\$
Other income:		
Indemnities received	1,502	4,975
Gain on sale of fixed assets	2	
Other income	<u>375</u>	<u>30</u>
Total	<u>1,879</u>	<u>5,005</u>
Other expenses:		
Contribution to Minera Los Pelambres Foundation	3,047	2,281
Write-off of retentions	1,441	445
Write-off of credits of donations	529	
Provision for write-off of housing loans	112	130
Write-off of projects		234
Loss on sale of fixed assets		1
Other expenses	<u>427</u>	<u>123</u>
Total	<u>5,556</u>	<u>3,214</u>

17. 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 versus 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, the position absolution and the inspection by the court have been carried out in this trial. Two expert reports have not yet been issued.

Subject : Injunction of New and Ruinous Construction Work at El Mauro Dam.
Parties : Defense of Community of Caimanes Village versus Minera Los Pelambres.
Trial No. : N°7.981-2008, 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 : Accepting procedural nullity promoted by this party, the court rejected the reporting of new construction work as it is not appropriate to process this reporting in a procedure in conjunction with a reporting of noisy construction work. The reporting of noisy construction work is still being processed. The inspection by the court was already carried out in accordance with the law. An expert report that was instructed by the court has not yet been issued. However, on August 21, 2009 Minera Los Pelambres filed an appeal against the expert appointed by the court. This appeal has been accepted to be processed and is still being processed.

Subject : Precautionary Measure and Common Lawsuit for Nullity of Agreement.
Parties : Gallardo Rojas, Alfredo and other versus Ugarte Elgueta, Víctor and others.
Trial No. : N°28.409-2008, 8th Civil Court of Santiago.
Amount : No amount has been claimed in the nullity suit. The defendants (118 in all) are being sued for damages worth Ch\$332,285,000 by each one (three).
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. Also, neither the claim nor the

precautionary measure has been notified to all the defendants. Also, Agrícola, Ganadera y Forestal Tipay, Mr. Victor Ugarte, Mrs. Stella Bañados, and Mr. Fernando Dougnac have filed dilatory pleas. On September 29, 2009 the court released the precautionary measure initially instructed against the rest of the defendants. The remedies against that resolution are still being processed.

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 a possible abandonment of the construction and operation of the Los Quillayes tailings dam. Such bonds are in effect until July 4, 2010.
- 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 a possible abandonment of the construction and operation of the El Mauro tailings dam. Such bonds are in effect until October 26, 2010.
- The Company provided a 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 the Cuncumen river, for UF71,030, equivalent to a total of ThUS\$2,689. 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 amount for ThUS\$70,311 to guarantee compliance with contracts and in the case of equipment, its quality and performance.

IV. RESTRICTIONS TO OPERATIONS OR LIMITS

The original bank loan contract resulting from the refinancing mentioned in Note 10 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 effect 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:

Year	ThUS\$
2009	542,000
2010	1,154,000

18. SUBSEQUENT EVENTS

Between October 1 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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