

MINERA ESPERANZA
AUDITED FINANCIAL STATEMENTS
FOR THE FULL YEAR ENDED 31 DECEMBER 2009 AND 2008

(TRANSLATION FROM SPANISH VERSION TO BE
FILED WITH SUPERINTENDENCIA DE VALORES Y SEGUROS
DE CHILE 25TH MARCH 2010)

MINERA ESPERANZA

Financial statements for the years ended
December 31, 2009 and 2008 and independent
auditors' report - SVS

INDEPENDENT AUDITORS' REPORT


To the Shareholders of
Minera Esperanza

We have audited the accompanying balance sheets of Minera Esperanza as of December 31, 2009, and 2008 and the related statements of cash flows for the years then ended. These financial statements (including the related notes) are the responsibility of the management of Minera Esperanza. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Chile. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Company's management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such financial statements present fairly, in all material respects, the financial position of Minera Esperanza at December 31, 2009 and 2008 and its cash flows for the years then ended in conformity with accounting principles generally accepted in Chile.

The accompanying financial statements have been translated into English solely for the convenience of readers outside Chile.

The logo consists of the word "Deloitte" written in a stylized, cursive script. The letters are connected and have a fluid, handwritten appearance.

February 5, 2010

MINERA ESPERANZA

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

ASSETS	2009 ThUS\$	2008 ThUS\$
CURRENT ASSETS:		
Cash at banks and in hand	42	22
Time deposits	289,150	195,774
Money market funds	34,497	76,964
Sundry debtors	54,575	49,059
Account receivable from related company	354	
Inventories	2,958	8,538
Refundable taxes	53,186	80,591
Deferred taxes	375	608
Other assets		5,100
Total current assets	<u>435,137</u>	<u>416,656</u>
FIXED ASSETS:		
Mining properties	256,952	256,952
Constructions and infrastructure	41,884	
Machinery and equipment	135,662	74,563
Other fixed assets	938,300	315,872
Subtotal	1,372,798	647,387
Accumulated depreciation	<u>(31,064)</u>	<u>(6,873)</u>
Total fixed assets - net	<u>1,341,734</u>	<u>640,514</u>
OTHER ASSETS:		
Pre-operating costs	196,920	138,619
Intangibles	5,550	
Other assets	38,489	
Total other assets	<u>240,959</u>	<u>138,619</u>
TOTAL ASSETS	<u><u>2,017,830</u></u>	<u><u>1,195,789</u></u>

The accompanying notes are an integral part of these financial statements

LIABILITIES AND SHAREHOLDERS' EQUITY	2009 ThUS\$	2008 ThUS\$
CURRENT LIABILITIES:		
Short-term bank obligations - senior debt	8,047	
Accounts payable	122,965	36,125
Sundry creditors	1,955	9,607
Accounts payable to related companies	38,055	340,810
Accruals	5,034	3,576
Withholdings	1,087	549
Total current liabilities	<u>177,143</u>	<u>390,667</u>
LONG-TERM LIABILITIES:		
Bank obligations - senior debt	716,100	
Obligations with sponsors - subordinated debt	323,621	
Sundry creditors	9,838	9,817
Account payable to related company	27,283	90,000
Accruals	53,150	1,166
Deferred taxes	16,152	9,596
Total long-term liabilities	<u>1,146,144</u>	<u>110,579</u>
SHAREHOLDERS' EQUITY:		
Paid-in capital	718,787	718,787
Other reserves	(24,244)	(24,244)
Total shareholders' equity, net	<u>694,543</u>	<u>694,543</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	<u><u>2,017,830</u></u>	<u><u>1,195,789</u></u>

MINERA ESPERANZASTATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2009 AND 2008
(In thousands of United States dollars - ThUS\$)

	2009	2008
	ThUS\$	ThUS\$
NET CASH PROVIDED BY PRE - OPERATING ACTIVITIES:		
Net income for the year	-	-
(Increase) decrease in current assets:		
Sundry debtors and other	(5,516)	(10,192)
Inventories	5,580	(8,538)
Refundable taxes	27,405	(74,196)
Other assets	3,844	(5,314)
Increase (decrease) in current liabilities:		
Accounts payable	34,817	43,735
Accounts payable to related companies	(22,819)	71,121
Accruals, withholding and others	3,405	14,883
Deferred taxes	6,789	13,710
Interest payment on senior debt	(3,203)	
Net cash provided by pre-operating activities	<u>50,302</u>	<u>45,209</u>
CASH FLOW FROM INVESTING ACTIVITIES:		
Additions to fixed assets	(567,033)	(277,611)
Pre-operating costs	(85,463)	(186,017)
Net cash used in investing activities	<u>(652,496)</u>	<u>(463,628)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Capital contribution		350,349
Loans obtained senior debt	716,100	
Loans obtained subordinated debt	320,200	
Payment of loans to related companies	(346,158)	340,810
Up-front fee payment and other financing costs	(37,019)	
Net cash provided by financing activities	<u>653,123</u>	<u>691,159</u>
NET INCREASE IN CASH AND CASH EQUIVALENT	50,929	272,740
CASH AND CASH EQUIVALENT AT BEGINNING OF YEAR	<u>272,760</u>	<u>20</u>
CASH AND CASH EQUIVALENT AT END OF YEAR	<u><u>323,689</u></u>	<u><u>272,760</u></u>
	ThUS\$	ThUS\$
SUPPLEMENTAL INFORMATION:		
Decommissioning cost of fixed assets (Note 3)	49,661	224
Committed cash flows for executing the project	467,852	422,277
Capital contribution in assets and others		267,787
Committed cash flows from interest and senior debt expenses	<u>11,468</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, as a contractual 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 December 31, 2009 and 2008.

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

In agreement with 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 the 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. General - The financial statements at December 31, 2009 and 2008 have been prepared in accordance with accounting principles generally accepted in Chile.

b. Basis of preparation of the financial statements - 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 Chilean Central Bank 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 Chilean Central Bank of Ch\$507.1 for US\$1 in 2009 (\$636.45 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 year end.

d. Money market funds - These include investments in fixed income mutual funds, which are valued at their respective value of the installment at each year 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. Capitalizable interest - The Company capitalizes interest associated to financing, recording it within fixed assets as "Other assets". These expenses are amortized under the straight line method over the useful life of the minesite.

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. Vacation - The annual cost of employee 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 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. 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. Financing costs - The Company capitalizes Financing costs, recording them as deferred assets in Other long term assets, which are amortized over the of capital debt amortization period.

l. Derivative contracts- The Company holds interest rate derivatives in order to cover the floating rate exposure related with the Senior Debt. These operations qualify as hedge operations of expected transaction. The applicable unrealized income or loss is recognized in income for the period, when contracts are settled or no longer comply with the hedge characteristic.

m. Severance indemnity - The Company records this obligation at its current value for all its personnel and it is recorded in long term liabilities under “Provisions”.

n. 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.

o. Cash equivalent - For purposes of the statement of cash flows, cash equivalent includes time deposits and readily realizable financial investments maturing within 90 days, including debt security mutual fund units, according to the cash surplus investment policies defined to that effect.

p. Reclassifications - For comparative purposes, some items have been reclassified in the financial statements at December 31, 2008.

3. CHANGES IN ACCOUNTING ESTIMATES

Based on a closure cost study, in 2009 the Company updated the mine closure provision. This change implied an increase in the provision, which is divided into two concepts: a) Decommissioning of the fixed assets, which generated the recognition of an asset of ThUS\$49,661, which is presented in Other Fixed Assets and will be depreciated using the straight line method over a useful life of 20 years or underlying assets and b) Environmental restoration or remediation cost, which is considered an administrative expense in the period in which it is incurred or accrued at December 31, 2009, represents a value of ThUS\$21.

This new mine closure study also considered a change in the discount rate used for measure the provision, which dropped from 6.5% to 2.74% (average TIPS rate over the last 12.5 years), which represented at December 31, 2009 an increase in the finance costs of ThUS\$1,361.

4. TIME DEPOSITS

The detail of time deposits is as follows:

	Currency	2009 ThUS\$	2008 ThUS\$
Foreign time deposits	US\$	146,210	53,521
Local financial investments	Ch\$	12,789	95,196
Local financial investments	US\$	<u>130,151</u>	<u>47,057</u>
Total		<u><u>289,150</u></u>	<u><u>195,774</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>34,497</u>	<u>76,964</u>

6. SUNDRY DEBTORS

The balance of sundry debtors is as follows:

	2009 ThUS\$	2008 ThUS\$
Advances to suppliers (i)	48,674	47,409
Advances and loans for employees	5,755	1,591
Other	<u>146</u>	<u>59</u>
Total	<u>54,575</u>	<u>49,059</u>

(i) They correspond to advances made, with agreed guarantees.

7. INVENTORIES

The detail of the inventories is as follows:

	2009 ThUS\$	2008 ThUS\$
Stock pile mineral Materials	<u>2,958</u>	<u>7,558</u> <u>980</u>
Total	<u>2,958</u>	<u>8,538</u>

8. INCOME TAX AND DEFERRED TAXES

a. Refundable Taxes

The detail of refundable taxes is as follows:

	2009 ThUS\$	2008 ThUS\$
VAT credit	23,735	66,233
Tax recoverable from the absorption of tax losses	28,627	13,788
Other credits	824	570
	<u>53,186</u>	<u>80,591</u>
Total	<u>53,186</u>	<u>80,591</u>

- b. Income tax** - At December 31, 2009 and 2008 the Company did not record an income tax provision or specific mining tax provision, as it did not generate tax results.

At December 31, 2009, the Company accrued tax losses of ThUS\$20,669 (ThUS\$11,683, in 2008 modified in April 2009). The specific mining tax accrued losses of ThUS\$18,840.

c. Deferred taxes

The detail of deferred taxes is as follows:

	2009			2008		
	Assets		Liabilities	Assets		Liabilities
	Short term ThUS\$	Long term ThUS\$	Long term ThUS\$	Short term ThUS\$	Long term ThUS\$	Long term ThUS\$
Temporary differences						
Tax loss carry forward		3,514				
Fixed assets depreciation		615		98	4,965	
Vacation accrual	214					
Severance indemnity provision		209				1,918
Mine closure provision, net		662			41	
Labor benefits provision		8		510		
Leased assets, net		330	820		84	1,426
Pre-operational costs			14,767			11,342
Financing cost			6,543			
Specific mining tax	161	3,303	2,663			
Total deferred taxes	<u>375</u>	<u>8,641</u>	<u>24,793</u>	<u>608</u>	<u>5,090</u>	<u>14,686</u>

At December 31, 2009, long-term deferred tax assets are presented net in long-term liabilities for ThUS\$16,152.

The effect of deferred taxes of the year of ThUS\$6,789 is presented as an increase in pre-operational costs.

9. FIXED ASSETS

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>256,952</u>
Constructions and infrastructure:		
Buildings and construction	<u>41,884</u>	<u> </u>
Machinery and equipment:		
Mobile equipment	134,764	74,334
Minor machinery and equipment	<u>898</u>	<u>229</u>
Total machinery and equipment	<u>135,662</u>	<u>74,563</u>
Other fixed assets:		
Projects in progress	856,838	286,019
Leased assets	19,933	29,121
Cost mine closure - decommissioning (Note 3)	49,661	214
Capitalizable interest	11,350	
Others	<u>518</u>	<u>518</u>
Total other fixed assets	<u>938,300</u>	<u>315,872</u>
Total fixed assets - gross	<u>1,372,798</u>	<u>647,387</u>
Accumulated depreciation	(30,829)	(6,829)
Accumulated amortization	<u>(235)</u>	<u>(44)</u>
Total accumulated depreciation	<u>(31,064)</u>	<u>(6,873)</u>
Total fixed assets - net	<u><u>1,341,734</u></u>	<u><u>640,514</u></u>

10. PRE-OPERATING 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)	19,630	20,511
Mine project costs	80,109	41,787
Company set - up costs	39,628	24,927
Capitalized income	16,444	21,555
Financing costs	564	156
Others	<u>12,164</u>	<u>1,302</u>
Total pre-operational costs	<u><u>196,920</u></u>	<u><u>138,619</u></u>

- (i) Corresponds 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. BANK OBLIGATIONS - SENIOR DEBT

On May 15, 2009, a US\$1,050 million “project finance” loan was signed in the United States, which will be used to finance 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 million and Japanese and European banks that finance the remaining US\$400 million. The partners guarantee the loan in proportion to their participation, until the project passes its “completion test”.

At December 31, 2009, the entity has received 4 drafts from the respective bank institutions. The balance is as follows:

Financial institutions	Interest rate	Short term ThUS\$	Long term ThUS\$
Japan Bank for International Cooperation - JBIC	LIBOR+1,375%	2,148	272,500
Export Development Canada - EDC	LIBOR+2,75%	1,809	136,500
KfW IPEX-Bank GmbH	LIBOR+2,75%	454	34,100
Calyon New York and others (Agent)	LIBOR+2,75%	<u>3,636</u>	<u>273,000</u>
Total		<u><u>8,047</u></u>	<u><u>716,100</u></u>

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

The debt considers Commitment Fees, as agreed in contracts and applicable to a percentage of the available credit line of 1% for all the creditor banks, with the exception of JBIC whose rate is 0.5%. At December 31, 2009 the amount totals ThUS\$3,322, which is recorded in other long-term assets and has been deferred for amortization over the term of the loan.

Obtaining this loan implied the payment of an upfront fee for ThUS\$20,625. In addition, there are costs related to lawyers, advisors, administrative personnel, and technicians for ThUS\$14,542, which are recorded in other long-term assets and have been deferred for their amortization over the term of the loan.

12. OBLIGATIONS WITH SPONSORS – SUBORDINATED DEBT

The partners agreed to grant subordinated financing, in order to guarantee the senior debt, proportionally to their ownership interests, as follows:

	Million US\$
Antofagasta Minerals S.A.	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% ownership in Minera El Tesoro, respectively.

At December 31, 2009, the balance is as follows:

	Interest rate	Long term ThUS\$
Antofagasta Minerals	LIBOR+3,75%	155,058
Minera El Tesoro	LIBOR+3,75%	102,109
Marubeni LP Holding B.V.	LIBOR+3,75%	<u>66,454</u>
Total		<u><u>323,621</u></u>

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

The balance considers interest payable calculated at LIBOR plus a spread that varies between 3.75% and 4.75% depending on the phase of the project. During 2009, the spread was of 3.75%.

13. 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>354</u>	<u> </u>

b. Accounts payable - short-term:

Company	Type of relationship	2009 ThUS\$	2008 ThUS\$
Antofagasta Minerals S.A.	Parent company	3,395	612
Inmobiliaria Punta de Rieles Ltda. (i)	Indirect		339,585
Minera El Tesoro (Note 18)	Common shareholders	33,985	344
Minera Michilla S. A.	Common shareholder	163	61
Minera Los Pelambres	Common shareholder	3	
Aguas de Antofagasta S.A.	Indirect	268	208
Train Ltda.	Indirect	41	
Ferrocarril Antofagasta a Bolivia	Common shareholder	44	
El Tesoro SPV Bermuda Limited	Indirect	<u>156</u>	<u> </u>
Total		<u>38,055</u>	<u>340,810</u>

- (i) In 2008, the account payable to Inmobiliaria Punta de Rieles Ltda., is expressed in US dollars. The interest was 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 18)	Common shareholders	<u>27,283</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	2008	2009	2008
			ThUS\$	ThUS\$	ThUS\$	ThUS\$
Antofagasta Minerals S.A.	Parent	Capital contribution		269,289		
		Administrative services	5,367	2,506	4,510	2,106
		Expense reimbursement	8	132	8	132
		Subordinated loan	154,140			
		Interest	918			
Minera El Tesoro	Common shareholders	Sundry services	1,558	1,357	1,309	1,140
		Sale minerals contract	34,406	90,000	(28,913)	
		Subordinated loan	100,000			
		Interest	2,109			
Minera Michilla S. A.	Common shareholder	Administrative services	280	58	235	49
		Expense reimbursement		1		1
		Rental	4	3	4	3
Minera Los Pelambres	Common shareholder	Expense reimbursement	34	12	28	10
Inmobiliaria Punta de Rieles Ltda.	Indirect	Loans obtained		339,585		4,296
		Loan payment	346,158		6,573	
Aguas de Antofagasta S.A.	Indirect	Purchase of raw water	2,381	1,624	2,001	1,365
El Tesoro SPV Bermuda Limited	Indirect	Expense reimbursement	156		156	
Train Ltda.	Indirect	Transport services	41		34	
Ferrocarril Antofagasta a Bolivia	Common shareholder	Payment of rights	44		37	
Marubeni LP Holding B.V. (Ex - Esp Investment B.V.)	Shareholder	Capital contribution		215,636		
		Subordinated loan	66,060			
		Interest	393			
Los Pelambres Investment Company	Shareholder	Capital contribution		134,400		
Banco de Chile	Indirect	Placements	5,168,501	128,435	(1,509)	(673)
		Guarantees	17,501	204,071	(24)	(1,360)

14. SUNDRY CREDITORS

	2009		2008	
	Short term ThUS\$	Long term ThUS\$	Short term ThUS\$	Long term ThUS\$
Caterpillar Leasing Chile S.A. (a)	915	4,532	1,011	5,831
Promet Servicios S.A. (b)	1,300	5,647	9,202	4,936
Subtotal	2,215	10,179	10,213	10,767
Less: Unearned interest	(260)	(341)	(606)	(950)
Total	1,955	9,838	9,607	9,817

- 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 plus spread of 2.83%.
- b) During August 2008, the Company signed a lease contract with a 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 1.5%.

15. ACCRUALS AND WITHHOLDINGS

The detail of this item is as follows:

	2009	2008
	ThUS\$	ThUS\$
Short term:		
Vacation accrual	1,255	577
Employee benefits accrual	<u>3,779</u>	<u>2,999</u>
Total	<u><u>5,034</u></u>	<u><u>3,576</u></u>
Withholdings	<u><u>1,087</u></u>	<u><u>549</u></u>
Long term:		
Severance indemnity provision	2,081	927
Mine closure provision (Note 3)	<u>51,069</u>	<u>239</u>
Total	<u><u>53,150</u></u>	<u><u>1,166</u></u>

16. DERIVATIVE CONTRACTS

In order to mitigate risks from fluctuations in LIBO interest rate related with payment flows of senior and subordinated debts, the Company entered into swap operations with an interest rate in two phases during 2009. The first phase considers a maximum notional amount of US\$787.8 million with an average fixed rate of 1.353% and expiring on February 2011. The second phase considers a maximum notional amount of US\$840.0 million, with an average fixed rate of 3.372% and expiring on February 2018.

At December 31, 2009, the restatement at fair value of these derivative operations implies unrealized loss of US\$5.6 million.

17. 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
Capital contribution (1)	268,976	(1,189)	267,787
Capital contribution (2)	158,349		158,349
Capital contribution (3)	192,000		192,000
Balance at December 31, 2008	<u>718,787</u>	<u>(24,244)</u>	<u>694,543</u>
Balance at January 1, 2009	<u>718,787</u>	<u>(24,244)</u>	<u>694,543</u>
Balance at December 31, 2009	<u>718,787</u>	<u>(24,244)</u>	<u>694,543</u>

- (1) At the first Shareholders' Extraordinary Meeting held on July 25, 2008, the majority shareholder, Antofagasta Minerals S.A., made a capital increase of ThUS\$268,976 through ownership and control of mining concessions, studies, services and fixed assets. The difference between these values and the applicable book value recorded at the date of the contributions, is presented in "Other reserves" net of deferred taxes.
- (2) At the Second Extraordinary Shareholders' Meeting, dated August 12, 2008, it was agreed to increase the paid-in capital by ThUS\$158,349. The contribution of the principal shareholder, Antofagasta Minerals S.A., and ESP Investment B.V. was ThUS\$313 and ThUS\$158,036 respectively.
- (3) At the Extraordinary Shareholders' Meeting held on November 18, 2008, it was agreed to increase the paid-in capital by ThUS\$192,000. The contributions of Los Pelambres Investment Company Limited and ESP Investment B.V. were ThUS\$134,400 and ThUS\$57,600, respectively.

b. At December 31, 2009, equity ownership is as follows:

	Contribution in ThUS\$	Ownership %
Antofagasta Minerals S.A.	368,750	51.302%
Marubeni LP Holding B.V. (i)	215,636	30.000%
Los Pelambres Investment Company Limited	<u>134,401</u>	<u>18.698%</u>
Total	<u>718,787</u>	<u>100.000%</u>

- (i) At December 9, 2008, in Amsterdam, Holland, it was established by means of a public deed that Marubeni LP Holding B.V. is merged with ESP Investment B.V., by the absorption of the latter. This transaction was legalized in Chile on July 27, 2009, by the Foreign Office.

18. COMMITMENTS, GUARANTEES AND CONTINGENCIES

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 for the sale of the ore.

At December 31, 2009, the amount payable to Minera El Tesoro for this item is ThUS\$61,087, of which ThUS\$33,804 is included in short-term accounts payable to related companies (Note 13b) and ThUS\$27,283 in long term accounts payable to related companies (Note 13c).

- During 2009, the Company has signed long-term agreements for future sale commitments of copper concentrate for a total of 300,000 tons per year, committing approximately 43% of the annual production to Japanese companies. These contracts have been signed based on the experience obtained from other companies related with the group and considering requirements in accordance with financing obtained by the Company.

II. Guarantees

Guarantees given to third parties:

- The Company has granted 12 performance bonds in favor of the Regional Director of the Antofagasta Region Highway Department for total of UF7,749.93, equivalent to ThUS\$320, 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 12 promissory notes, for a total of 2,941,120.25 UTM (Monthly Tax Units), equivalent to ThUS\$213,801, as sufficient guarantee for VAT advances made on future exports 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 the project (Note 11) includes covenants that include the following aspects:
 - i. Modifications are prohibited by the by-laws of shareholders agreements.
 - ii. The creditors' environmental and social requirements must be met.
 - iii. Asset protection.
 - iv. Important physical changes in the project's 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 coverage 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 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 from 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\$159,096, 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 five legal actions in which the Company is the plaintiff and four in which the Company is the defendant, which are derived from its operations. In the opinion of management and its legal counsel, there is no significant loss contingency in legal action in which the Company is the defendant.

IV. Encumbrances

The Company has duly registered immovable assets (operating mining concessions) on its behalf. However, there are mining concessions additionally taxed, from usufruct, easement and mortgage in favor of different beneficiaries and registered in the Antofagasta Commerce Registrar of Real Estate Property. Likewise, other Company assets, such as mobile equipment, vehicles, brands, credits resulting from sales contracts, are subject to encumbrances.

19. SUBSEQUENT EVENTS

Between January 1, 2010 and the date on which these financial statements are issued, no other significant events occurred that could materially affect them.

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