

MINERA LOS PELAMBRES
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 LOS PELAMBRES

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

INDEPENDENT AUDITORS' REPORT

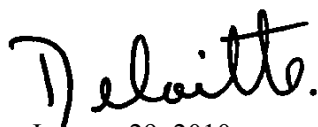
To the Shareholders of
Minera Los Pelambres

We have audited the accompanying balance sheets of Minera Los Pelambres as of December 31, 2009, and 2008 and the related statements of income and of cash flows for the years then ended. These financial statements (including the related notes) are the responsibility of the management of Minera Los Pelambres. 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 Los Pelambres at December 31, 2009 and 2008 and the results of its operations 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.



January 29, 2010

MINERA LOS PELAMBRES

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

	2009 ThUS\$	2008 ThUS\$
ASSETS		
CURRENT ASSETS:		
Cash at bank and in hand	2,818	821
Time deposits	103,518	221,926
Marketable securities	279,417	103,114
Trade debtors - net	220,938	
Sundry debtors	14,521	7,898
Note receivable	390	231
Account receivable from related companies	569	1
Inventories, net	54,073	55,334
Refundable taxes	17,227	92,503
Prepaid expenses	18,250	11,686
Deferred taxes	869	59,776
Other current assets	97	14
Total current assets	<u>712,687</u>	<u>553,304</u>
FIXED ASSETS:		
Land	4,969	4,969
Constructions and infrastructure	1,714,284	1,557,199
Machinery and equipment	913,523	838,187
Other fixed assets	616,685	341,181
Subtotal	3,249,461	2,741,536
Accumulated depreciation	<u>(715,309)</u>	<u>(594,219)</u>
Total fixed assets, net	<u>2,534,152</u>	<u>2,147,317</u>
OTHER ASSETS:		
Intangibles - net	123,434	123,220
Others	48,341	42,202
Total other assets	<u>171,775</u>	<u>165,422</u>
TOTAL ASSETS	<u><u>3,418,614</u></u>	<u><u>2,866,043</u></u>

The accompanying notes are an integral part of these financial statements

	2009 ThUS\$	2008 ThUS\$
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Bank loans	245,090	225,007
Bank loans: short-term portion of long-term debt	178,304	76,826
Accounts payable	125,210	115,198
Sundry creditors	6,568	1,421
Accounts payable to related companies	707	1,322
Accruals	14,259	10,810
Withholdings and others	28,762	3,231
Income tax payable	8,354	
Unearned income		274,168
	<u>607,254</u>	<u>707,983</u>
Total current liabilities	607,254	707,983
LONG-TERM LIABILITIES:		
Bank loans	404,000	76,667
Account payable to related company	149	157
Accruals	59,517	15,880
Deferred taxes	265,422	239,238
	<u>729,088</u>	<u>331,942</u>
Total long-term liabilities	729,088	331,942
SHAREHOLDERS' EQUITY:		
Paid-in capital	373,820	373,820
Retained earnings:		
Retained earnings	1,452,298	1,611,443
Net income for the year	956,154	1,020,855
Interim dividends	(700,000)	(1,180,000)
	<u>2,082,272</u>	<u>1,826,118</u>
Total shareholders' equity, net	2,082,272	1,826,118
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	<u>3,418,614</u>	<u>2,866,043</u>

MINERA LOS PELAMBRES

STATEMENTS OF INCOME FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008 (In thousands of United States dollars - ThUS\$)

	2009 ThUS\$	2008 ThUS\$
REVENUES	2,024,521	2,170,255
OPERATING COSTS	<u>(670,448)</u>	<u>(676,224)</u>
OPERATING MARGIN	1,354,073	1,494,031
ADMINISTRATIVE AND SELLING EXPENSES	<u>(118,534)</u>	<u>(148,200)</u>
OPERATING INCOME	<u>1,235,539</u>	<u>1,345,831</u>
OTHER INCOME (EXPENSES):		
Financial income	1,911	10,793
Other income	2,570	6,714
Financial expenses	(20,233)	(11,734)
Other expenses	(12,125)	(5,455)
Exchange differences	<u>191</u>	<u>(58,013)</u>
Other expenses - net	<u>(27,686)</u>	<u>(57,695)</u>
INCOME BEFORE INCOME TAX	1,207,853	1,288,136
INCOME TAX	<u>(251,699)</u>	<u>(267,281)</u>
NET INCOME FOR THE YEAR	<u><u>956,154</u></u>	<u><u>1,020,855</u></u>

The accompanying notes are an integral part of these financial statements

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

	2009	2008
	ThUS\$	ThUS\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income for the year	956,154	1,020,855
Charges (credits) to income not representing cash flows:		
Depreciation and amortization	127,481	80,838
Mark to Market	(268,361)	197,636
Provision for finalization (Final liquidations)	(20,935)	16,878
Provision for obsolescence of materials	1,561	
Accruals and others	1,458	3,355
Accrued interest	728	1,166
Project write offs	6	1,150
(Profit) loss on sales of fixed assets	(2)	1
Exchange differences	(191)	58,013
Others	(392)	(553)
(Increase) decrease in current assets:		
Trade debtors	66,932	72,749
Sundry debtors	(6,623)	12,237
Notes receivable	(159)	95
Accounts receivable from related companies	(568)	3
Inventories	(300)	(7,605)
Refundable taxes	85,888	(80,033)
Prepaid expenses	(6,564)	223
Other current assets	(6,222)	(2,061)
Increase (decrease) in current liabilities:		
Accounts payable	(5,249)	1,186
Accounts payable to related companies	(1,046)	92
Accruals short-term	(3,274)	(6,495)
Withholdings	25,531	(40,858)
Income tax payable and deferred taxes	103,911	41,476
Unearned income	(274,168)	274,168
Net cash provided by operating activities	<u>775,596</u>	<u>1,644,516</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Additions to fixed assets - net	(465,040)	(445,459)
Sales of fixed assets	<u>2</u>	<u>60</u>
Net cash used in investing activities	<u>(465,038)</u>	<u>(445,399)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Loans obtained	1,308,000	224,000
Payment of dividends	(700,000)	(1,180,000)
Loan repayment	<u>(858,666)</u>	<u>(81,442)</u>
Net cash used in financing activities	<u>(250,666)</u>	<u>(1,037,442)</u>
TOTAL POSITIVE CASH FLOWS FOR THE YEAR	59,892	161,675
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>325,861</u>	<u>164,186</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u><u>385,753</u></u>	<u><u>325,861</u></u>
SUPPLEMENTAL INFORMATION:		
Decommissioning cost of fixed assets (Note 3)	38,649	
Interest paid	18,443	9,477
Others		<u>1,709</u>

The accompanying notes are an integral part of these financial statements:

MINERA LOS PELAMBRES

NOTES TO THE FINANCIAL STATEMENTS (In thousands 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 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 December 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\$) as a result 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 year-end:

		2009	2008
Closing foreign currency exchange rate (Chilean peso/US dollar)	Ch\$	507.10	636.45
Unidad de fomento (inflation index - linked units of account)	Ch\$	20,942.88	21,452.57

Exchange differences are recognized in results for the year.

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

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. The products in process, defined as security stock, are presented under Other long term assets.

Raw and other materials, as well as supplies and spare parts in the warehouse, are stated at average purchase cost. At each year-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 and also includes the short term portion of deferred expenses related to bank financing.

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 properties 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 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 - 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 amortized based on the extraction of proven and provable ore reserves.

i. Finance charges - The cost of obtaining financial debt have been capitalized as deferred charges in Prepaid expenses and Others in Other long term assets which are amortized over the life of the loan.

j. Vacations - The annual cost of employee vacations is included in the determination of income on the accrual basis.

k. 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.

l. 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.

m. 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.

n. 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.

o. 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. Also, estimated losses resulting from the arbitration of disputed invoiced quantities are recorded.

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

3. CHANGE IN 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 of ThUS\$38,649, 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 December 31, 2009, represents a value of ThUS\$378.

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 December 31, 2009, it represented an effect on financial costs of ThUS\$1,158.

4. TIME DEPOSITS

The detail of time deposits is as follows:

	Currency	2009 ThUS\$	2008 ThUS\$
Foreign time deposits	US\$	39.456	131.833
Local time deposits	US\$	40.003	81.510
Local time deposits	Ch\$	24.059	8.583
Total time deposits		<u>103.518</u>	<u>221.926</u>

5. MONEY MARKETS FUNDS

The detail of money markets funds is as follows:

	Currency	2009 ThUS\$	2008 ThUS\$
A.M. Deutsche Foreign Investments (*)	US\$	100.707	37.547
A.M. Blackrock Foreign Investments (*)	US\$	100.400	37.298
Foreign mutual funds	US\$	63.125	19.092
Local mutual funds	Ch\$	15.185	9.177
Total investments in money market funds		<u>279.417</u>	<u>103.114</u>

(*) The fair value of this portfolio at December 31, 2009, represented a net effect of a loss in income of ThUS\$11 (net loss of ThUS\$3 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	98.721	46.543
Asia Pacific	7.613	17.148
Asia Pacific – related (*)	94.023	85.986
Latin America		459
North America	2.515	
Mark to market estimation and metal content adjustment	(2.819)	(271.180)
Final liquidations (**)	19.934	(181.006)
	<u>219.987</u>	<u>(302.050)</u>
Local debtors	<u>951</u>	<u>27.882</u>
Total (***)	<u><u>220.938</u></u>	<u><u>(274.168)</u></u>

(*) Invoicing for 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 year end, not yet collected or paid.

(***) At December 31, 2008, the credit balance is presented as a zero balance, because it has been re-classified to Unearned Income.

7. INVENTORIES - NET

The detail of inventories is as follows:

	2009	2008
	ThUS\$	ThUS\$
Finished products	3.475	8.041
Work in progress	16.330	17.114
Raw materials	43.431	37.781
Provision for obsolescence of materials	(9.163)	(7.602)
	<u>54.073</u>	<u>55.334</u>
Total	<u><u>54.073</u></u>	<u><u>55.334</u></u>

The long-term products in process, amounted to ThUS\$30,024 in 2009 (ThUS\$30,145 in 2008) and are presented under Others in Other long term assets, as described in Note 2e.

8. FIXED ASSETS - NET

Fixed assets are recorded as described 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	647.784	690.210
Infrastructure	1.045.488	847.050
Installations	<u>21.012</u>	<u>19.939</u>
Total constructions and infrastructure	<u>1.714.284</u>	<u>1.557.199</u>
Machinery and equipment:		
Machinery and equipment	815.314	739.582
Furniture and fixtures	3.617	3.617
Information technology and communication equipment	20.299	20.299
Mobile equipment	73.994	74.390
Vehicles	<u>299</u>	<u>299</u>
Total machinery and equipment	<u>913.523</u>	<u>838.187</u>
Other fixed assets:		
Ongoing works El Mauro dam		23.982
Ongoing works Re-powering II	427.669	212.414
Projects in progress	92.727	47.158
Mining properties	12.643	12.643
Prestripping	44.824	44.824
Other fixed assets - decommissioning (Note 3)	38.649	
Fixed assets for disposal	<u>173</u>	<u>160</u>
Total other fixed assets	<u>616.685</u>	<u>341.181</u>
Total fixed assets, gross	<u>3.249.461</u>	<u>2.741.536</u>
Accumulated depreciation of construction and infrastructure	(321.419)	(253.655)
Accumulated depreciation of machinery and equipment	(373.220)	(323.027)
Accumulated depreciation of other fixed asset - decommissioning	(1.406)	
Amortization properties and prestripping	<u>(19.264)</u>	<u>(17.537)</u>
Total accumulated depreciation and amortization	<u>(715.309)</u>	<u>(594.219)</u>
Total fixed assets – net	<u><u>2.534.152</u></u>	<u><u>2.147.317</u></u>

9. 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:

	2009 ThUS\$	2008 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>15.894</u>	<u>10.695</u>
Total intangibles	183.954	178.755
Accumulated amortization	<u>(60.520)</u>	<u>(55.535)</u>
Total intangibles - net	<u><u>123.434</u></u>	<u><u>123.220</u></u>

10. BANKS LOANS

a. Short-term

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

At December 31, 2009, the balance of this short-term financing was of ThUS\$245,090, with a total weighted average interest rate of 1.74% and an average duration of 1 month (ThUS\$225,007 in 2008, with a total weighted average interest rate of 6.14% and an average duration of 4 months), which is detailed as follows:

Financial institutions	2009 ThUS\$	2008 ThUS\$
Scotiabank	86.021	50.110
Chile	70.021	30.199
Estado	50.016	
BBVA	25.029	
HSBC Chile	14.003	
Santander		105.579
Bice		<u>39.119</u>
Total	<u><u>245.090</u></u>	<u><u>225.007</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 year, from June 2005.

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

Furthermore, at the end of 2009, the Company obtained financing for its expansion project (PID final stage), to re-finance its short-term debt, and for its operational needs for an amount of ThUS\$505,000 in the form of a Club Deal. This loan is payable in 10 six-month installments due on June 10 and December 10 of each year, starting from June 2010.

Obtaining this credit involved payment of an upfront commission of ThUS\$4,040, which has been deferred and will be amortized over the period of the loan.

The detail of long-term bank loans is as follows:

At December 31, 2009:

	Interest rate six-month %	Short term ThUS\$	Long term ThUS\$
Citibank and others	0,7400	76.690	
Club Deal loan	2,0844	<u>101.614</u>	<u>404.000</u>
Total		<u><u>178.304</u></u>	<u><u>404.000</u></u>

At December 31, 2008:

	Interest rate six-month %	Short term ThUS\$	Long term ThUS\$
Citibank and others	2,4900	<u>76.826</u>	<u>76.667</u>
Total		<u><u>76.826</u></u>	<u><u>76.667</u></u>

11. ACCOUNTS PAYABLE

The detail of accounts payable is as follows:

	2009 ThUS\$	2008 ThUS\$
Invoices payable	88.271	95.745
Withholdings from contractors	16.656	8.233
Insurance policies payable	20.283	11.220
	<u>125.210</u>	<u>115.198</u>
Total	<u><u>125.210</u></u>	<u><u>115.198</u></u>

12. ACCRUALS

The detail of accruals is as follows:

	2009 ThUS\$	2008 ThUS\$
Short-term:		
Personnel benefits	14.148	10.608
Sundry	111	202
	<u>14.259</u>	<u>10.810</u>
Total	<u><u>14.259</u></u>	<u><u>10.810</u></u>
	2009 ThUS\$	2008 ThUS\$
Long-term:		
Severance indemnity	15.709	12.257
Mine closure costs	43.808	3.623
	<u>59.517</u>	<u>15.880</u>
Total	<u><u>59.517</u></u>	<u><u>15.880</u></u>

13. INCOME AND DEFERRED TAXES

a. Recoverable taxes include the following:

	2009	2008
	ThUS\$	ThUS\$
Current assets:		
Specific tax on petroleum products	597	375
Value added tax	13.299	26.346
Estimated monthly tax payments and income tax refundable, net		65.626
Other withholding taxes recoverable	<u>3.331</u>	<u>156</u>
Total short-term	<u>17.227</u>	<u>92.503</u>
Other assets:		
Additional tax for advisory services	<u>6.456</u>	<u>4.919</u>
Total long-term	<u>6.456</u>	<u>4.919</u>

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

b. Income Tax

The provision for first category income tax at December 31, 2009 and 2008 was 17% of taxable income of ThUS\$782,022 and ThUS\$995,736, respectively, calculated as provided for in the Chilean Income Tax Law. The provision for the specific mining tax at December 31, 2009 and 2008 was 4% of the net operating taxable income of ThUS\$837,795 and ThUS\$1,415,092, respectively.

At December 31, 2009 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, donations credits and credits from purchases of fixed assets.

At December 31, 2008, monthly provisional payments were higher than the income tax calculated for the year and therefore the surplus of ThUS\$65,626 has been reclassified to refundable taxes, as indicated in Note 12a.

	2009	2008
	ThUS\$	ThUS\$
Income tax provision	(132.944)	(169.275)
Specific mining tax provision	(33.512)	(56.604)
Monthly provisional payments	155.227	223.817
Technical consulting services additional tax	512	381
Refundable training expenses	207	157
Credits for donations	2.109	1.486
Credits for purchases of fixed assets	47	38
	<u> </u>	<u> </u>
Income tax and specific mining payable	<u>(8.354)</u>	<u> </u>

c. Deferred taxes

At December 31, 2009 and 2008, the detail of accumulated deferred taxes balances was 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			908		2.651			
Provision for price and quantity variations	481				46.100			
Allowance for uncollectible accounts	95				57			
Provision for vacations	627				537			
Provision donations	1.112				238			
Provision for obsolete supplies	1.601				1.296			
Severance indemnity		2.635				2.057		
Provision for mine closure		1.116				616		
Refinancing costs			210	595			58	
Indirect manufacturing expense			1.869				2.186	
Indirect manufacturing charges			265				245	
Depreciation of fixed assets				225.093			201.507	
Preoperational expenses				32.410			32.372	
Deferred mining taxes	879	2.372	674	13.447	11.957	484	571	
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	
Total deferred taxes	<u>4.795</u>	<u>6.123</u>	<u>3.926</u>	<u>271.545</u>	<u>62.836</u>	<u>3.157</u>	<u>3.060</u>	
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	

The net asset for short-term deferred taxes is presented in short-term assets, for ThUS\$869 (ThUS\$59,776 in 2008).

The net liability for long-term deferred taxes is presented in long-term liabilities for ThUS\$265,422 (ThUS\$239,238 in 2008).

The breakdown of the income tax expense is as follows:

	2009 ThUS\$	2008 ThUS\$
Current tax expense:		
Provision for income tax of the year	(132.944)	(169.275)
(Deficit) surplus of prior year income tax provision	(371)	38
Provision for specific mining tax	(33.512)	(56.604)
Surplus of prior year specific minning tax	219	36
Deferred taxes:		
Changes in deferred taxes during the period	(70.808)	(45.833)
Deferred taxes for specific mining tax	(14.283)	4.357
Income tax expense	<u>(251.699)</u>	<u>(267.281)</u>

14. SHAREHOLDERS' EQUITY

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

Concepts	Paid-in capital ThUS\$	Retained earnings ThUS\$	Total ThUS\$
Balances at January 1, 2008	373.820	1.611.443	1.985.263
Net income for the year		1.020.855	1.020.855
Interim dividends		(1.180.000)	(1.180.000)
		<u>1.452.298</u>	<u>1.826.118</u>
Balances at December 31, 2008	<u>373.820</u>	<u>1.452.298</u>	<u>1.826.118</u>
Balances at January 1, 2009	373.820	1.452.298	1.826.118
Net income for the year		956.154	956.154
Interim dividends		(700.000)	(700.000)
		<u>1.708.452</u>	<u>2.082.272</u>
Balances at December 31, 2009	<u>373.820</u>	<u>1.708.452</u>	<u>2.082.272</u>

- b. Shareholdings of the subscribed and paid-in capital are as follows at December 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 dividend paid to the Company's shareholders in 2009, at the ordinary meetings N° 134, dated on November 26, 2009, for ThUS\$700,000.
- d. The Board of Directors approved the interim dividend paid to the Company's shareholders in 2008, at the ordinary meetings N° 124, of March 26, 2008, N°125, of on May 16, 2008, extraordinary meeting of July 30, 2008 and N°126, of August 28, 2008 for ThUS\$300,000, ThUS\$300,000, ThUS\$420,000 and ThUS\$160,000, respectively.

15. BALANCES AND TRANSACTIONS WITH RELATED COMPANIES

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 other companies are related to the Company through common ownership.

At December 31, 2009:

Related party	Transaction description	Transaction Effect on results		Assets ThUS\$	Liabilities ThUS\$
		amount ThUS\$	charge (credit) ThUS\$		
Antofagasta Minerals S.A.	Administrative services received	2.191	1.841		587
	Technical support received	1.457	1.225		
	Recovery of expenses	396	333		112
	Rental of offices in Apoquindo	1.005	555		
	Water rights				8
	Expense collection	600	(594)	563	
Minera El Tesoro	Expense collection	168	(141)		
Minera Esperanza	Expense collection	34	(28)	3	
Other related	Services and others	3.063	3.047	3	
LP Investment Co. Ltd.	20% withholding on disallowed exp.	809	809		
Nippon LP Resources BV	20% withholding on disallowed exp.	395	395		
MM LP Holding BV	20% withholding on disallowed exp.	237	237		
Total short-term				569	707
Antofagasta Minerals S.A.	Water rights				149
Total long-term					149

At December 31, 2008:

Related party	Transaction description	Transaction amount ThUS\$	Effect on results charge (credit) ThUS\$	Assets ThUS\$	Liabilities ThUS\$
Antofagasta Minerals S.A.	Administrative services received	870	731		709
	Technical support received	1.595	1.340		300
	Recovery of expenses	694	583		190
	Rental of offices in Apoquindo	65	55		65
	Water rights				8
	Expense collection	591	(573)		
Minera Michilla S.A.	Rental of offices in Santiago	201	201		
Minera El Tesoro	Expense collection	200	(168)		
	Purchase of materials	89	75		
Minera Esperanza	Expense collection	12	(10)		
Serv. de Trans. Integrado Ltda.	Services of transport	50	42		50
Other related	Services and others	3.486	3.385	1	
LP Investment Co. Ltd.	20% withholding on disallowed exp.	250	250		
Nippon LP Resources BV	20% withholding on disallowed exp.	122	122		
MM LP Holding BV	20% withholding on disallowed exp.	73	73		
Total short-term				<u>1</u>	<u>1.322</u>
Antofagasta Minerals S.A.	Water rights				<u>157</u>
Total long-term					<u>157</u>

16. OTHER INCOME AND EXPENSES

The detail of other income and expenses is as follows:

	2009 ThUS\$	2008 ThUS\$
Non-operating income:		
Indemnities received	1.894	4.975
Purchase orders not invoiced		1.709
Gain on sale of fixed assets	2	
Other income	<u>674</u>	<u>30</u>
Total	<u>2.570</u>	<u>6.714</u>
Non-operating expenses:		
Provision donations	6.541	
Contribution to Minera Los Pelambres Foundation	3.047	3.384
Write-off of retentions	1.441	445
Write-off of credits of donations	363	
Provision for write-off of housing loans	139	131
Write-off of project	6	1.150
Loss on sale of fixed assets		1
Other expenses	<u>588</u>	<u>344</u>
Total	<u>12.125</u>	<u>5.455</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:

- Matter** : New Works Lawsuit at Tranque El Mauro.
Parties : Flores Tapia, Cristián Andrés and others versus Minera Los Pelambres.
Case records : N° 7.957-2008, Los Vilos First Instance and Guarantee Court.
Quantum : Quantum has not been determined. Therefore, it is impossible to indicate a potential loss amount.
Status : On December 4, 2008, the court ruled a temporary works suspension at Tranque El Mauro. This has not had a major effect, as on the said date works were already completed.
During this trial, response and evidence summons, position dismissal, and the court inspection have already been carried out. Currently, two expert reports are outstanding.
- Matter** : Ruin and New Works Lawsuit at Tranque El Mauro.
Parties : Defensa de Comunidad Pueblo de Caimanes (Caimanes Community Defense) versus Minera Los Pelambres.
Case records : N° 7.981-2008, Los Vilos First Instance and Guarantee Court.
Quantum : No quantum has been determined. Therefore, it is impossible to indicate a potential loss amount.
Status : The court accepted an incidental plea for invalidation and dismissed the new works lawsuit as it should not be processed together with a ruin works lawsuit. Ruin works lawsuit is still being processed, and the court inspection indicated by law has already taken place. Currently, an expert's report is pending, ordered by the court. In connection with this, on November 17, 2009, the court accepted a legal impediment requested by Minera Los Pelambres against the expert appointed by the court. The plaintiffs appealed against the said decision, but their appeal was not accepted. The plaintiffs also appealed against the said appeal rejection. This appeal is pending for decision at La Serena Court of Appeal.
- Matter** : Precautionary Measure and Ordinary Conciliation Annulment Procedure.
Parties : Gallardo Rojas, Alfredo and other versus Ugarte Elgueta, Víctor and others.
Case records : N° 28.409-2008, 8° Santiago Civil Court.
Quantum : The action for annulment has no quantum. With regards to losses, defendants are jointly and severally sued (118 in total) for the amount of \$332,285,000 corresponding to each one of the three.
Status : On March 25, 2009, the Company submitted an incidental plea due to irregularities in the form the action suit was set forth. To this date, said

incidental plea has not been resolved. Also, the action suit and precautionary measure have not been notified to every defendant. In addition, Agrícola, Ganadera y Forestal Tipay, Mr. Victor Ugarte, Ms. Stella Bañados, as well as individuals represented by Mr. Fernando Dougnac have submitted incidental pleas. On September 29, 2009, the Court lifted the precautionary measure initially ruled against the rest of the plaintiffs. Appeals submitted against said decision are still outstanding.

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 force 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 force 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 Cuncumen river, for UF71,030, equivalent to a total of ThUS\$2,933 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\$70,464 to guarantee compliance with contracts and in the case of equipment, its quality and performance.

IV. RESTRICTIONS ON OPERATIONS OR LIMITS

As a result of obligations undertaken with financial institutions indicated in Note 10b, the Company must comply with certain conditions regarding financial indebtedness, EBITDA ratio regarding financial expenses, maintaining a minimum equity level, distributing dividends and hedging operations, in addition to other restrictions common to this type of operations.

V. MINERAL SALES 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 mineral in accordance with the agreed contracts amount to:

Years	ThUS\$
2010	1,400,000
2011	1,100,000

18. SUBSEQUENT EVENTS

On January 25, 2010, the Company signed a financing contract for ThUS\$245,000, whose associated drawdowns shall take place after compliance with certain operational conditions. This credit, together with the ThUS\$505,000 commercial credit indicated in Note 10b, form the financing for the comprehensive development project final stage. This new credit has a 7-year term and is payable in 14 six-monthly installments.

Between January 1 and the date of issuance of these financial statements (January 29, 2010), no other significant events have taken place that could materially affect them.

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