

**MINERA ESPERANZA**  
ANAUDITED FINANCIAL STATEMENTS  
FOR THE FIRST QUARTER ENDED 31 MARCH 2010 AND 2009

(TRANSLATION FROM SPANISH VERSION TO BE  
FILED WITH SUPERINTENDENCIA DE VALORES Y SEGUROS  
DE CHILE 27<sup>TH</sup> MAY 2010)

## MINERA ESPERANZA

BALANCE SHEETS AT MARCH 31, 2010 AND 2009  
(In thousands of United States dollars - ThUS\$)

ASSETS	2010 ThUS\$	2009 ThUS\$
CURRENT ASSETS:		
Cash at banks and in hand	883	44
Time deposits	32,502	145,430
Money market funds	72,595	70,033
Sundry debtors	40,955	98,631
Account receivable from related company	688	
Inventories	2,330	12,444
Refundable taxes	41,892	39,778
Deferred taxes	304	608
Other assets		2,157
Total current assets	<u>192,149</u>	<u>369,125</u>
FIXED ASSETS:		
Mining properties	256,952	256,952
Constructions and infrastructure	41,884	
Machinery and equipment	138,335	120,812
Other fixed assets	<u>1,124,708</u>	<u>333,227</u>
Subtotal	1,561,879	710,991
Accumulated depreciation and amortization	<u>(36,598)</u>	<u>(12,071)</u>
Total fixed assets - net	<u>1,525,281</u>	<u>698,920</u>
OTHER ASSETS:		
Pre-operating costs	235,255	167,780
Intangibles	5,844	
Other assets	<u>39,467</u>	
Total other assets	<u>280,566</u>	<u>167,780</u>
TOTAL ASSETS	<u>1,997,996</u>	<u>1,235,825</u>

The accompanying notes are an integral part of these financial statements

<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>2010</b> ThUS\$	<b>2009</b> ThUS\$
<b>CURRENT LIABILITIES:</b>		
Short-term bank obligations - senior debt	2,561	
Accounts payable	121,165	56,735
Sundry creditors	1,049	8,436
Accounts payable to related companies	31,128	343,655
Accruals	2,449	1,602
Withholdings	908	1,495
	<u>159,260</u>	<u>411,923</u>
<b>LONG-TERM LIABILITIES:</b>		
Bank obligations - senior debt	716,100	
Obligations with sponsors - subordinated debt	327,064	
Sundry creditors	8,803	9,557
Account payable to related company	23,961	90,000
Accruals	53,824	1,238
Deferred taxes	14,441	28,564
	<u>1,144,193</u>	<u>129,359</u>
<b>SHAREHOLDERS' EQUITY:</b>		
Paid-in capital	718,787	718,787
Other reserves	(24,244)	(24,244)
	<u>694,543</u>	<u>694,543</u>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<u><u>1,997,996</u></u>	<u><u>1,235,825</u></u>

**MINERA ESPERANZA****STATEMENTS OF CASH FLOWS**

FOR THE THREE MONTH PERIODS ENDED MARCH 31, 2010 AND 2009

(In thousands of United States dollars - ThUS\$)

	<b>2010</b>	<b>2009</b>
	ThUS\$	ThUS\$
<b>NET CASH PROVIDED BY PRE - OPERATING ACTIVITIES:</b>		
Net income for the period	-	-
(Increase) decrease in current assets:		
Sundry debtors and other	13,620	(49,572)
Inventories	628	(3,906)
Refundable taxes	11,294	40,813
Other assets	(69)	2,944
Increase (decrease) in current liabilities:		
Accounts payable	(9,227)	22,458
Accounts payable to related companies	(7,140)	2,845
Accruals, withholding and others	(2,090)	(4,014)
Deferred taxes	(1,640)	18,747
Interest payment on senior debt	(11,166)	
Net cash (used in) provided by pre-operating activities	<u>(5,790)</u>	<u>30,315</u>
<b>CASH FLOW FROM INVESTING ACTIVITIES:</b>		
Additions to fixed assets	(180,941)	(63,604)
Pre-operating costs	<u>(30,676)</u>	<u>(23,964)</u>
Net cash used in investing activities	<u>(211,617)</u>	<u>(87,568)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Other financing costs	<u>(302)</u>	<u></u>
Net cash used in financing activities	<u>(302)</u>	<u>-</u>
<b>NET DECREASE IN CASH AND CASH EQUIVALENT</b>	(217,709)	(57,253)
<b>CASH AND CASH EQUIVALENT AT BEGINNING OF PERIOD</b>	<u>323,689</u>	<u>272,760</u>
<b>CASH AND CASH EQUIVALENT AT END OF PERIOD</b>	<u>105,980</u>	<u>215,507</u>
	MUS\$	MUS\$
<b>SUPPLEMENTAL INFORMATION:</b>		
Committed cash flows for executing the project	358,224	355,742
Committed cash flows from interest and senior debt expenses	<u>2,561</u>	<u></u>

The accompanying notes are an integral part of these financial statements

## MINERA ESPERANZA

### NOTES TO THE FINANCIAL STATEMENTS

(In thousands of US dollars - ThUS\$)

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#### 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 March 31, 2010 and 2009.

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 March 31, 2010 and 2009 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 pesos 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\$524.46 for US\$1 in 2010 (Ch\$583.26 for US\$1 in 2009).

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 period 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 period 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 contracts qualify as hedge operations of expected transaction. In addition, the Company entered into forward exchange contracts with financial institutions in order to cover variations of the US dollar in short term commitments in Chilean pesos. These agreements were defined as expected transactions hedge against exchange rate variation. 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 “Accruals” item.

**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 March 31, 2009.

### 3. TIME DEPOSITS

The detail of time deposits is as follows:

	<b>Currency</b>	<b>2010</b> ThUS\$	<b>2009</b> ThUS\$
Foreign time deposits	US\$	8,000	37,402
Local financial investments	Ch\$	10,501	81,638
Local financial investments	US\$	<u>14,001</u>	<u>26,390</u>
Total		<u><u>32,502</u></u>	<u><u>145,430</u></u>

#### 4. MONEY MARKET FUNDS

The detail of investments in money market funds is as follows:

	<b>Currency</b>	<b>2010</b> ThUS\$	<b>2009</b> ThUS\$
Foreign mutual funds	US\$	155	
Local mutual funds	Ch\$	<u>72,440</u>	<u>70,033</u>
Total		<u><u>72,595</u></u>	<u><u>70,033</u></u>

#### 5. SUNDRY DEBTORS

The balance of sundry debtors is as follows:

	<b>2010</b> ThUS\$	<b>2009</b> ThUS\$
Advances to suppliers (i)	38,210	97,378
Advances and loans for employees	2,621	1,182
Other	<u>124</u>	<u>71</u>
Total	<u><u>40,955</u></u>	<u><u>98,631</u></u>

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

#### 6. INVENTORIES

The detail of the inventories is as follows:

	<b>2010</b> ThUS\$	<b>2009</b> ThUS\$
Stock pile mineral		10,608
Materials	<u>2,330</u>	<u>1,836</u>
Total	<u><u>2,330</u></u>	<u><u>12,444</u></u>

## 7. INCOME TAX AND DEFERRED TAXES

### a. Refundable Taxes

The detail of refundable taxes is as follows:

	<b>2010</b>	<b>2009</b>
	ThUS\$	ThUS\$
VAT credit	13,447	16,602
Tax recoverable from the absorption of tax losses	27,680	22,809
Other credits	<u>765</u>	<u>367</u>
Total short-term	<u><u>41,892</u></u>	<u><u>39,778</u></u>

- b. Income tax** - At March 31, 2010 and 2009 the Company did not record an income tax provision or specific mining tax provision, as it did not generate tax results.

At March 31, 2010, the Company accrued tax losses of ThUS\$28,138 (ThUS\$32,343, in 2009). The specific mining tax accrued losses of ThUS\$22,114.

### c. Deferred taxes

The detail of deferred taxes is as follows:

Temporary differences	<b>2010</b>			<b>2009</b>		
	<u>Assets</u>		<u>Liabilities</u>	<u>Assets</u>		<u>Liabilities</u>
	<b>Short term</b>	<b>Long term</b>	<b>Long term</b>	<b>Short term</b>	<b>Long term</b>	<b>Long term</b>
	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$
Tax loss carry forward		4,784				
Fixed assets depreciation		321			4,965	
Vacation accrual	194			98		
Severance indemnity provision		263				1,918
Mine closure provision, net		826			41	
Reserve pre-operation expenses provision		244				
Labor benefits provision		12		510		
Oxide sale income		6,321				
Leased assets, net			709		62	1,426
Pre-operational costs			19,683			30,288
Financing cost			6,709			
Specific mining tax	<u>110</u>		<u>111</u>			
Total deferred taxes	<u><u>304</u></u>	<u><u>12,771</u></u>	<u><u>27,212</u></u>	<u><u>608</u></u>	<u><u>5,068</u></u>	<u><u>33,632</u></u>

At March 31, 2010, long-term deferred tax assets are presented net in long-term liabilities for ThUS\$14,441 (ThUS\$28,564 at March 31, 2009).

The effect of deferred taxes of the period of ThUS\$1,640 is presented as a decrease in pre-operational costs.

## 8. FIXED ASSETS

Fixed assets are stated as indicated in Note 2f, and their detail is as follows:

	<b>2010</b> ThUS\$	<b>2009</b> ThUS\$
<b>Mining properties</b>	<u>256,952</u>	<u>256,952</u>
<b>Constructions and infrastructure:</b>		
Buildings and construction	<u>41,884</u>	<u></u>
<b>Machinery and equipment:</b>		
Mobile equipment	137,437	120,583
Minor machinery and equipment	<u>898</u>	<u>229</u>
Total machinery and equipment	<u>138,335</u>	<u>120,812</u>
<b>Other fixed assets:</b>		
Projects in progress	1,034,812	303,374
Leased assets	19,933	29,121
Cost mine closure - decommissioning	49,646	214
Capitalizable interest	19,799	
Others	<u>518</u>	<u>518</u>
Total other fixed assets	<u>1,124,708</u>	<u>333,227</u>
Total fixed assets - gross	<u>1,561,879</u>	<u>710,991</u>
Accumulated depreciation	(36,306)	(12,008)
Accumulated amortization	<u>(292)</u>	<u>(63)</u>
Total accumulated depreciation and amortization	<u>(36,598)</u>	<u>(12,071)</u>
Total fixed assets - net	<u><u>1,525,281</u></u>	<u><u>698,920</u></u>

## 9. PRE-OPERATING COSTS

The detail is as follows:

	<b>2010</b> ThUS\$	<b>2009</b> ThUS\$
Primary implementations and constructions	16,056	16,056
Feasibility engineering and early works	12,325	12,325
Plant project costs (i)	19,372	20,000
Mine project costs	92,110	53,858
Company set - up costs	51,904	41,582
Capitalized income	29,208	21,168
Financing costs	984	1,817
Others	13,296	974
	<u>235,255</u>	<u>167,780</u>
Total pre-operational costs	<u>235,255</u>	<u>167,780</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.

## 10. 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 March 31, 2010, the entity has received 4 drafts from the respective bank institutions. The balance is as follows:

<b>Financial institutions</b>	<b>Interest rate</b>	<b>Short term</b> ThUS\$	<b>Long term</b> ThUS\$
Japan Bank for International Cooperation - JBIC	LIBOR+1.375%	650	272,500
Export Development Canada - EDC	LIBOR+2.75%	587	136,500
KfW IPEX-Bank GmbH	LIBOR+2.75%	149	34,100
Calyon New York y otros (Agent)	LIBOR+2.75%	1,175	273,000
		<u>2,561</u>	<u>716,100</u>
Total		<u>2,561</u>	<u>716,100</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 March 31, 2010 the amount totals ThUS\$3,996, 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\$14,846, which are recorded in other long-term assets and have been deferred for their amortization over the term of the loan.

## 11. 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:

	MThUS\$
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 March 31, 2010, the balance is as follows:

	<b>Interest rate</b>	<b>Long term ThUS\$</b>
Antofagasta Minerals	LIBOR+3.75%	156,693
Minera El Tesoro	LIBOR+3.75%	103,217
Marubeni LP Holding B.V.	LIBOR+3.75%	<u>67,154</u>
Total		<u><u>327,064</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 2010, the spread was of 3.75%.

## 12. BALANCES AND TRANSACTIONS WITH RELATED COMPANIES

### a. Account receivable - short-term:

<b>Company</b>	<b>Type of relationship</b>	<b>2010</b> ThUS\$	<b>2009</b> ThUS\$
Minera El Tesoro	Common shareholders	<u>688</u>	<u></u>

### b. Accounts payable - short-term:

<b>Company</b>	<b>Type of relationship</b>	<b>2010</b> ThUS\$	<b>2009</b> ThUS\$
Antofagasta Minerals S.A.	Parent company	1,310	1,162
Inmobiliaria Punta de Rieles Ltda. (i)	Indirect		341,856
Minera El Tesoro (Note 17)	Common shareholders	29,155	209
Minera Michilla S.A.	Common shareholder	95	
Minera Los Pelambres	Common shareholder	8	3
Aguas de Antofagasta S.A.	Indirect	392	269
Train Ltda	Indirect	12	
El Tesoro SPV Bermuda Limited	Indirect	<u>156</u>	<u>156</u>
Total		<u>31,128</u>	<u>343,655</u>

(i) In 2009, the account payable to Inmobiliaria Punta de Rieles Ltda., was 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:

<b>Company</b>	<b>Type of relationship</b>	<b>2010</b> ThUS\$	<b>2009</b> ThUS\$
Minera El Tesoro (Note 17)	Common shareholders	<u>23,961</u>	<u>90,000</u>

#### d. Transactions with related parties

The main transactions with related companies during 2010 and 2009 are as follows:

Company	Relationship	Transaction	Amount of the transaction		Effect on pre-operational costs charge (credit)	
			2010 ThUS\$	2009 ThUS\$	2010 ThUS\$	2009 ThUS\$
Antofagasta Minerals S.A.	Parent	Administrative services	4,264	964	3,584	810
		Expense reimbursement	285	12	285	12
		Interests	1,635			
Minera El Tesoro	Common shareholders	Sundry services	428	341	360	287
		Sale minerals contract	9,840		(8,269)	
		Interests	1,108			
Minera Michilla S.A.	Common shareholder	Administrative services	94		79	
Minera Los Pelambres	Common shareholder	Expense reimbursement	14	8	12	6
Inmobiliaria Punta de Rieles Ltda.	Indirect	Loans obtained		2,271		2,271
Aguas de Antofagasta S.A.	Indirect	Purchase of raw water	964	793	809	666
Train Ltda.	Indirect	Transport services	42		35	
Marubeni LP Holding B.V. (Ex - Esp Investment B.V.)	Shareholder	Interests	701			
Banco de Chile	Indirect	Placements	1,018,322	2,362,311	(67)	(9,200)
		Guarantees		4,656		(24)

#### 13. SUNDRY CREDITORS

	2010		2009	
	Short term ThUS\$	Long term ThUS\$	Short term ThUS\$	Long term ThUS\$
Caterpillar Leasing Chile S.A. (a)	913	4,299	979	5,375
Promet Servicios S.A. (b)	368	4,773	7,623	4,935
Subtotal	1,281	9,072	8,602	10,310
Less: Unearned interest	(232)	(269)	(166)	(753)
Total	1,049	8,803	8,436	9,557

- a) The Company has signed a financial lease contract for the acquisition of 6 Caterpillar trucks, model 797, payable in 66 monthly installments starting May 2008, adjustable and accruing interest at LIBOR 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%.

#### 14. ACCRUALS AND WITHHOLDINGS

The detail of this item is as follows:

	<b>2010</b> ThUS\$	<b>2009</b> ThUS\$
<b>Short term:</b>		
Vacation accrual	1,144	764
Employee benefits accrual	<u>1,305</u>	<u>838</u>
Total	<u>2,449</u>	<u>1,602</u>
Withholdings	<u>908</u>	<u>1,495</u>
<b>Long term:</b>		
Severance indemnity provision	1,170	572
Mine clousure provision (i)	<u>52,654</u>	<u>666</u>
Total	<u>53,824</u>	<u>1,238</u>

- (i) During 2009, the Company updated “Mine closure cost” provision recorded for these effects, on the basis of a closure costs study.

#### 15. DERIVATIVE CONTRACTS

- a. In order to mitigate risks from fluctuations in LIBOR 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 March 31, 2010, the restatement at fair value of these derivative operations implies unrealized loss of ThUS\$16,384.

- b. At March 31, 2010, there are forward exchange contracts in force with different domestic banks, for hedging against exchange rate variations of the US dollar given the short term obligations of the Company in Chilean pesos.

These contracts restatement at fair value imply unrealized income for ThUS\$2,084.

## 16. SHAREHOLDERS' EQUITY

- a. The following are the shareholders' equity movements:

	<b>Paid-in capital</b> ThUS\$	<b>Other reserves</b> ThUS\$	<b>Total equity</b> ThUS\$
Balance at January 1, 2009	718,787	(24,244)	694,543
Balance at March 31, 2009	718,787	(24,244)	694,543
Balance at January 1, 2010	718,787	(24,244)	694,543
Balance at March 31, 2010	718,787	(24,244)	694,543

- b. At March 31, 2010, equity ownership is as follows:

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

- (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.

## 17. 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 March 31, 2010, the amount payable to Minera El Tesoro for this item is ThUS\$52,818, of which ThUS\$28,857 is included in short-term accounts payable to related companies (Note 12b) and ThUS\$23,961 in long term accounts payable to related companies (Note 12c).

- 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. Other guarantees**

### **Guarantees given to third parties:**

- The Company has granted 26 performance bonds in favor of the Regional Director of the Antofagasta Region Highway Department for total of UF3,070, equivalent to ThUS\$123, 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 February 9, 2009 and November 30, 2010.
- The Company has issued 4 performance bonds through banks for UF63,507 equivalent to ThUS\$2,543 in favor of the Water Board of the Chilean Ministry of Public Works as collateral for any possible costs incurred in a possible abandonment of the concentrate duct, aqueduct, thickened tailings, and related works during their construction and operation. Said Bonds are in force between May 11, 2009 and January 26, 2011.
- The Company issued a performance bond in favor of Aguas de Antofagasta S.A., in order to guarantee the correct execution of works in accordance with the agreement of October 20, 2009 for UF7,000, equivalent to ThUS\$280. Said bonds will be in force until August 31, 2010.
- The Company issued Standby letter of credit in favor of Eathisa S.A., in order to guarantee the total compliance of product import obligations in agreement with the purchase order N° 700P-MR-321 “Self-cleaning filters for sea water” for ThUS\$564. Said letter is in force until October 30, 2010.
- The Company has granted the Chilean Treasury 15 promissory notes, for a total of 3,342,157.87 UTM (Monthly Tax Units), equivalent to ThUS\$234,205, 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 10) 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\$171,894, which are to guarantee the faithful fulfillment of the contracts and the quality and proper operation in the case of equipment.

### **III. Contingencies**

In the opinion of management and its legal advisors, there are no legal actions that represent a loss contingency for significant values.

### **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.

## **18. SUBSEQUENT EVENTS**

Between April 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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