

MINERA ESPERANZA
UNAUDITED FINANCIAL STATEMENTS
FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2010 AND 2009

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

MINERA ESPERANZA

BALANCE SHEETS AT SEPTEMBER 30, 2010 AND 2009

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

ASSETS	2010 ThUS\$	2009 ThUS\$
CURRENT ASSETS:		
Cash at banks and in hand	46	150
Time deposits	129,005	74,020
Marketable securities	90,617	109,928
Sundry debtors	44,667	44,621
Account receivable from related company	262	535
Inventories	23,885	1,210
Refundable taxes	35,179	47,524
Deferred taxes	2,450	666
Total current assets	<u>326,111</u>	<u>278,654</u>
FIXED ASSETS:		
Land	600	
Mining properties	253,664	256,952
Constructions and infrastructure	70,120	26,885
Machinery and equipment	168,828	135,598
Other fixed assets	1,651,221	699,171
Subtotal	2,144,433	1,118,606
Accumulated depreciation	<u>(49,152)</u>	<u>(24,166)</u>
Total fixed assets - net	<u>2,095,281</u>	<u>1,094,440</u>
OTHER ASSETS:		
Pre-operating costs	291,815	213,083
Intangibles	10,779	
Other assets	42,254	37,560
Total other assets	<u>344,848</u>	<u>250,643</u>
TOTAL ASSETS	<u><u>2,766,240</u></u>	<u><u>1,623,737</u></u>

The accompanying notes are an integral part of these financial statements

LIABILITIES AND SHAREHOLDERS' EQUITY	2010 ThUS\$	2009 ThUS\$
CURRENT LIABILITIES:		
Short-term bank obligations - senior debt	3,523	3,122
Accounts payable	208,129	75,107
Sundry creditors	2,154	2,645
Accounts payable to related companies	38,286	33,439
Accruals	7,174	3,920
Withholdings	1,582	797
Total current liabilities	<u>260,848</u>	<u>119,030</u>
LONG-TERM LIABILITIES:		
Bank obligations - senior debt	1,050,000	540,400
Obligations with sponsors - subordinated debt	687,195	146,186
Sundry creditors	3,654	10,252
Account payable to related company	17,317	34,346
Accruals	55,162	52,362
Deferred taxes	10,323	26,618
Total long-term liabilities	<u>1,823,651</u>	<u>810,164</u>
SHAREHOLDERS' EQUITY:		
Paid-in capital	718,787	718,787
Other reserves	(24,244)	(24,244)
Net loss for the period	(12,802)	
Total shareholders' equity, net	<u>681,741</u>	<u>694,543</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	<u><u>2,766,240</u></u>	<u><u>1,623,737</u></u>

MINERA ESPERANZA

STATEMENT OF LOSS FOR THE NINE - MONTH PERIOD ENDED AT SEPTEMBER 30, 2010 (In thousands of United States dollars - ThUS\$)

	ThUS\$
REVENUES	
OPERATING COSTS	<u> </u>
OPERATING MARGIN	-
ADMINISTRATIVE AND SELLING EXPENSES	<u>(15,424)</u>
OPERATING INCOME	<u>(15,424)</u>
NON OPERATING INCOME (EXPENSE):	<u> </u>
LOSS BEFORE INCOME TAX	(15,424)
INCOME TAX	<u>2,622</u>
NET LOSS FOR THE PERIOD	<u><u>(12,802)</u></u>

The accompanying notes are an integral part of this financial statement

MINERA ESPERANZA

STATEMENTS OF CASH FLOWS

FOR THE NINE - MONTH PERIODS ENDED SEPTEMBER 30, 2010 AND 2009

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

	2010 ThUS\$	2009 ThUS\$
NET CASH PROVIDED BY PRE - OPERATING ACTIVITIES:		
Net loss for the period	(12,802)	
(Increase) decrease in current assets:		
Sundry debtors and other	9,908	4,438
Inventories	(20,927)	7,328
Refundable taxes	18,007	33,067
Other assets	8,139	4,304
Increase (decrease) in current liabilities:		
Accounts payable	74,655	33,379
Accounts payable to related companies	4,432	(22,789)
Accruals, withholding and others	4,647	5,516
Deferred taxes	(7,905)	17,630
Interest payment on senior debt	(25,926)	(3,203)
Net cash provided by pre-operating activities	<u>52,228</u>	<u>79,670</u>
CASH FLOW FROM INVESTING ACTIVITIES:		
Additions to fixed assets	(741,811)	(416,390)
Pre-operating costs	<u>(96,749)</u>	<u>(57,171)</u>
Net cash used in investing activities	<u>(838,560)</u>	<u>(473,561)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Loans obtained senior debt	333,900	540,400
Loans obtained subordinated debt	349,500	145,000
Loan payment		(346,158)
Up-front fee payment and other financing costs	<u>(1,089)</u>	<u>(34,013)</u>
Net cash provided by financing activities	<u>682,311</u>	<u>305,229</u>
NET DECREASE IN CASH AND CASH EQUIVALENT	(104,021)	(88,662)
CASH AND CASH EQUIVALENT AT BEGINNING OF PERIOD	<u>323,689</u>	<u>272,760</u>
CASH AND CASH EQUIVALENT AT END OF PERIOD	<u>219,668</u>	<u>184,098</u>
	MUS\$	MUS\$
SUPPLEMENTAL INFORMATION:		
Committed cash flows for executing the project	244,801	532,624
Committed cash flows for interest and senior debt expenses	<u>3,523</u>	<u>3,122</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.

At September 30, 2010, the Company is still in the pre-operational development stage of its "Esperanza" mining project, therefore all its costs and expenses to that date have been capitalized. Consequently, no Income Statement is presented related with the development of this project. As a result of the explorations performed by the Company during 2010 in the Telégrafo mining property and testing related to new processes, which correspond to expenditures prior to the feasibility stage, an Interim Loss Statement at September 30, 2010 is presented.

The Company's management estimates that commercial exploitation will begin during the last quarter 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 September 30, 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 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\$483.65 for US\$1 in 2010 (\$550.36 for US\$1 in 2009).

The effects of exchange differences are recorded in pre-operating costs.

c. Time deposits - Investments in time deposits include capital plus readjustment and interest accrued at period end.

d. Marketable securities - These include investments in fixed income mutual funds, which are valued at their respective value of the installment at each period end.

e. Inventories - Stockpile inventories are valued at the average monthly cost of production, including overheads costs. Raw materials 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. Mobile equipment depreciation is calculated based on the units of production method and property depreciation by the straight-line method according to the estimated life of the mine or the technical life of the assets, whichever is lower.

Mining properties are presented at their book value at the date of contribution.

The Company has included in the cost of fixed asset the financing interest directly attributable to the acquisition or construction of the mining project.

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. 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 (net of low grade oxide ore sales), which will be amortized based on the future extraction of proven and probable mining reserves, once the Company begins operating.

h. Exploration and project costs - The Company considers those disbursements that occur from the date of the feasibility stage onward as capitalizable expenditures. Disbursements in the previous stages are recognized as results in administrative and selling expenses.

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 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. In addition, it entered into contracts for the sale of forward currency contracts with financial institutions to cover the variations against the dollar arising from the short-term commitments in pesos. These contracts were defined as hedges of expected transactions.

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 fixed income 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 September 30, 2009.

3. TIME DEPOSITS

The detail of time deposits is as follows:

	Currency	2010 ThUS\$	2009 ThUS\$
Foreign time deposits	US\$	33,800	22,501
Local financial investments	US\$	<u>95,205</u>	<u>51,519</u>
Total		<u>129,005</u>	<u>74,020</u>

4. MARKETABLE SECURITIES

The detail of investments in mutual funds is as follows:

	Currency	2010 ThUS\$	2009 ThUS\$
Foreign mutual funds	US\$	81,748	60,650
Local mutual funds	Ch\$	<u>8,869</u>	<u>49,278</u>
Total		<u><u>90,617</u></u>	<u><u>109,928</u></u>

5. SUNDRY DEBTORS

The balance of sundry debtors is as follows:

	2010 ThUS\$	2009 ThUS\$
Advances to suppliers (i)	39,326	42,265
Advances and loans to employees	1,419	2,247
Other	<u>3,922</u>	<u>109</u>
Total	<u><u>44,667</u></u>	<u><u>44,621</u></u>

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

6. INVENTORIES

The detail of inventories is as follows:

	2010 ThUS\$	2009 ThUS\$
Stock pile mineral	17,310	
Materials	<u>6,575</u>	<u>1,210</u>
Total	<u><u>23,885</u></u>	<u><u>1,210</u></u>

7. INCOME TAX AND DEFERRED TAXES

a. Refundable taxes

The detail of refundable taxes is as follows:

	2010 ThUS\$	2009 ThUS\$
VAT credit	16,934	24,205
Recovery of First Category income tax (i)	18,035	22,809
Other credits	210	510
	<u>35,179</u>	<u>47,524</u>

(i) Corresponds to First Category income tax recovered from reinvested profits by the shareholder Los Pelambres Investment Company Limited.

b. Income tax - At September 30, 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 September 30, 2010, the Company has accumulated tax losses of ThUS\$14,595 (ThUS\$93,432, in 2009). The accumulated specific mining tax accrued losses amount to ThUS\$7,199.

c. Deferred taxes

The detail of deferred taxes is as follows:

Temporary differences	2010				2009		
	Assets		Liabilities		Assets		Liabilities
	Short term ThUS\$	Long term ThUS\$	Short term ThUS\$	Long term ThUS\$	Short term ThUS\$	Long term ThUS\$	Long term ThUS\$
Tax loss carry forward		2,919				15,000	
Fixed assets depreciation		1,208				884	
Vacation accrual	316				666		
Severance indemnity provision		352					
Mine closure provision, net		1,155				544	
Refundable taxes result	1,495						
Reserve pre-operation expenses provision		244					
Labor benefits provision		21					
Oxide sale income		8,269					
Leased assets, net				1,062			740
Pre-operational costs				19,942			42,306
Financing cost				7,057			
Exploration amortization		2,622					
Specific mining tax	640	948					
Others			1				
Total deferred taxes	<u>2,451</u>	<u>17,738</u>	<u>1</u>	<u>28,061</u>	<u>666</u>	<u>16,428</u>	<u>43,046</u>

At September 30, 2010, the net short-term deferred taxes balance of ThUS\$2,450 (ThUS\$666 at September 30, 2009) and long-term deferred taxes balance of ThUS\$10,323 (ThUS\$26,618 at September 30, 2009), are presented in current assets and long-term liabilities respectively.

The accumulated effect of deferred taxes for the period associated with pre-operational activities of ThUS\$5,282 is presented decreasing pre-operational costs. The credit to income for income taxes for the period associated with exploration activities was ThUS\$2,622.

On July 31, 2010 the Upper House of the Chilean Congress approved the Law N°20,455 for National Reconstruction. Such law establishes a transitory increase in the income tax rate for fiscal years 2011 and 2012 (at 20% and 18.5% respectively).

The effects of the aforementioned law on deferred taxes have been included in the current period.

8. FIXED ASSETS

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

	2010 ThUS\$	2009 ThUS\$
Land	<u>600</u>	<u> </u>
Mining properties	<u>253,664</u>	<u>256,952</u>
Constructions and infrastructure:		
Buildings and construction	<u>70,120</u>	<u>26,885</u>
Machinery and equipment:		
Mobile equipment	167,930	134,700
Minor machinery and equipment	<u>898</u>	<u>898</u>
Total machinery and equipment	<u>168,828</u>	<u>135,598</u>
Other fixed assets:		
Projects in progress	1,536,647	624,508
Leased assets	19,933	19,933
Mine closure cost - decommissioning	49,636	49,656
Capitalizable interest	44,486	4,555
Others	<u>519</u>	<u>519</u>
Total other fixed assets	<u>1,651,221</u>	<u>699,171</u>
Total fixed assets - gross	<u>2,144,433</u>	<u>1,118,606</u>
Accumulated depreciation and amortization:		
Accumulated depreciation	(48,779)	(23,988)
Accumulated amortization	<u>(373)</u>	<u>(178)</u>
Total accumulated depreciation and amortization	<u>(49,152)</u>	<u>(24,166)</u>
Total fixed assets - net	<u><u>2,095,281</u></u>	<u><u>1,094,440</u></u>

9. PRE-OPERATING COSTS

The detail is as follows:

	2010	2009
	ThUS\$	ThUS\$
Primary implementations and constructions	16,056	16,056
Feasibility engineering and early works	12,325	12,325
Plant project costs	22,586	19,238
Mine project costs	112,423	69,919
Company set - up costs	75,156	62,763
Capitalized income	38,071	25,298
Financing costs	5,905	560
Others	9,293	6,924
	<u>291,815</u>	<u>213,083</u>
Total pre-operational costs	<u>291,815</u>	<u>213,083</u>

10. BANK OBLIGATIONS - SENIOR DEBT

On May 15, 2009, a US\$1,050 million “project finance” loan was signed in the United States, which were 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 September 30, 2010, the entity has received totally the credit granted. The balance is as follows:

Financial institutions	Interest rate	2010		2009	
		Short term	Long term	Short term	Long term
		ThUS\$	ThUS\$	ThUS\$	ThUS\$
Japan Bank for International Cooperation - JBIC	LIBOR+1.375%	937	400,000	813	205,700
Export Development Canada - EDC	LIBOR+2.75%	795	200,000	708	103,000
KfW IPEX-Bank GmbH	LIBOR+2.75%	201	50,000	178	25,700
Calyon New York and others (Agent)	LIBOR+2.75%	1,590	400,000	1,423	206,000
Total		<u>3,523</u>	<u>1,050,000</u>	<u>3,122</u>	<u>540,400</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 September 30, 2010 the amount totals ThUS\$4,710, 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\$15,631, 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:

	US\$ million
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 September 30, 2010 and 2009, the balance is as follows:

		<u>2010</u>	<u>2009</u>
	Interest rate	Long term	Long term
		ThUS\$	ThUS\$
Antofagasta Minerals	LIBOR+3.75%	407,246	31,676
Minera El Tesoro	LIBOR+3.75%	105,415	100,934
Marubeni LP Holding B.V.	LIBOR+3.75%	<u>174,534</u>	<u>13,576</u>
Total		<u><u>687,195</u></u>	<u><u>146,186</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:

Company	Type of relationship	2010 ThUS\$	2009 ThUS\$
Minera El Tesoro	Common shareholders	<u>262</u>	<u>535</u>

b. Accounts payable - short-term:

Company	Type of relationship	2010 ThUS\$	2009 ThUS\$
Antofagasta Minerals S.A.	Parent company	12,413	559
Minera El Tesoro (Note 17)	Common shareholders	24,943	32,416
Minera Michilla S.A.	Common shareholder	202	31
Minera Los Pelambres	Common shareholder	141	3
Aguas de Antofagasta S.A.	Indirect	401	274
Train Ltda	Indirect	30	
El Tesoro SPV Bermuda Limited	Indirect	<u>156</u>	<u>156</u>
Total		<u>38,286</u>	<u>33,439</u>

c. Account payable - long-term:

Company	Type of relationship	2010 ThUS\$	2009 ThUS\$
Minera El Tesoro (Note 17)	Common shareholders	<u>17,317</u>	<u>34,346</u>

d. Transactions with related parties

The main transactions with related companies during the periods 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 company	Administrative services	14,143	3,019	11,886	2,537
		Expense reimbursement	5,204	8	5,204	8
		Subordinated debt	122,500	31,676		
		Interest	7,538			
Minera El Tesoro	Common shareholders	Sundry services	1,554	1,083	1,306	910
		Mineral sale contract	22,721	28,053	(19,094)	(23,574)
		Rental income	241		(241)	
		Subordinated loan		100,934		
		Interest	3,306			
Minera Michilla S.A.	Common shareholder	Administrative services	277	121	233	101
		Others	130		110	
		Purchase of land and equipment	1,421			
Minera Los Pelambres	Common shareholder	Expense reimbursement	196	25	165	21
Inmobiliaria Punta de Rieles Ltda.	Indirect	Loans obtained		346,158		6,573
Aguas de Antofagasta S.A.	Indirect	Purchase of raw water	3,332	2,381	2,799	2,001
El Tesoro SPV Bermuda Limited	Indirect	Expense reimbursement		156		156
Train Ltda.	Indirect	Transport services	163		136	
Ferrocarril Antofagasta a Bolivia	Common shareholder	Transport services	11		9	
Marubeni LP Holding B.V. (Ex - Esp Investment B.V.)	Shareholder	Subordinated debt		13,576		
		Interest	3,231			
Banco de Chile	Indirect	Placements	2,029,389	4,476,237	(145)	(1,457)
		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)	923	3,863	927	4,799
Promet Servicios S.A. (b)	1,442		2,002	5,859
Subtotal	2,365	3,863	2,929	10,658
Less: Unearned interest	(211)	(209)	(284)	(406)
Total	2,154	3,654	2,645	10,252

- 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:

	2010 ThUS\$	2009 ThUS\$
Short term:		
Vacation accrual	1,861	1,433
Employee benefits accrual	4,067	2,487
Severance indemnity provision	1,246	<u> </u>
Total	<u>7,174</u>	<u>3,920</u>
Withholdings	<u>1,582</u>	<u>797</u>
Long term:		
Severance indemnity provision	409	1,638
Mine closure provision	54,630	50,724
Employee benefits accrual	123	<u> </u>
Total	<u>55,162</u>	<u>52,362</u>

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 September 30, 2010, the restatement at fair value of these derivative operations implies unrealized loss of ThUS\$41,530.

- b. At September 30, 2010, there are foreign exchange future contracts in force with different local banks, to hedge exchange rate variations against the dollar for the Company's short-term obligations in Chilean pesos.

The mark to market of these contracts results implies unrealized profit of ThUS\$8,894.

16. SHAREHOLDERS' EQUITY

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

	Paid-in capital ThUS\$	Other reserves ThUS\$	Loss of the period ThUS\$	Total equity ThUS\$
Balance at January 1, 2009	718,787	(24,244)		694,543
Balance at September 30, 2009	718,787	(24,244)		694,543
Balance at January 1, 2010	718,787	(24,244)		694,543
Net loss for the period			(12,802)	(12,802)
Balance at September 30, 2010	718,787	(24,244)	(12,802)	681,741

- b. At September 30, 2010, equity ownership is as follows:

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

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 September 30, 2010, the amount payable to Minera El Tesoro for this item is ThUS\$41,994, of which ThUS\$24,677 is included in short-term accounts payable to related companies (Note 12b) and ThUS\$17,317 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 the requirements of the financing obtained by the Company.

II. Other guarantees

Guarantees given to third parties:

- The Company has issued performance bonds in favor of various public entities and others related with the operation for a total of UF69,081.90, equivalent to ThUS\$3,048, to guarantee the proper execution of works, compliance with regulatory agencies and the settlement of possible third party damages. These performance bonds mature between October 23, 2010 and September 10, 2012.
- The Company has issued a standby letter of credit in favor of Eathisa S.A., to guarantee full compliance with the obligations for product imports under purchase order No. 700P-MR-321 "Self-cleaning sea water filters" for ThUS\$538. This letter is valid up to October 30, 2010.
- The Company has granted the Chilean Treasury 21 promissory notes, for a total of 4,711,361.69 UTM (Monthly Tax Units), equivalent to ThUS\$364,849, as sufficient guarantee for VAT advances made on future exports in virtue 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 physical layout 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 assets. 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\$144,732, 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 counsel, there are no legal actions that represent a loss contingency for significant values.

IV. Encumbrances

The Company has duly registered intangibles rights (exploitation mining concessions) in its name. 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

On October 21, 2010, Law N° 20.469 was published, introducing changes to the methodology of calculating the rate for the mining income tax. The purpose of the Law is to capture the impact of higher international mineral commodities prices for the larger producers. The new rates are based not on amount of production, but on a sliding scale according to the “Mining Operational Margin”. Mining Operational Margin is defined as the ratio between Taxable Operational Mining Income and the Mining Revenue, multiplied by 100.

As already mentioned, the new rates do not apply to Minera Esperanza, since the company enjoys, until December 2025, an invariability regime granted under Decree Law Nr. 600. However, as established by Law 20.469, the company may voluntarily waive its current invariability for three years, from 2010 until 2012, becoming subject to effective tax rates between 4% and 9% during such period. From 2013 until 2025, the company would recover its original invariability regime with a fixed rate of 5%. In return for such waiver, the company would be entitled to six years of additional invariability of the new regime, with rates ranging between 5% and 14%, from 2026 until 2031. In addition, the company could also request to include under its own tax regime any “connected projects” that it may identify. The company has until January 4, 2011, to decide whether it voluntarily waives for three years its current invariability in order to qualify for the corresponding incentives contained in the law.

At the date of publication of these financial statements, Minera Esperanza has not yet made the decision to apply to the new regime.

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

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