

**MINERA LOS PELAMBRES**  
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 LOS PELAMBRES

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

	2010 ThUS\$	2009 ThUS\$
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash at bank and in hand	1,233	2,596
Time deposits	289,405	54,330
Marketable securities	350,037	145,162
Trade debtors - net	313,927	139,168
Sundry debtors	7,340	5,386
Note receivable	431	299
Account receivable from related companies	29	23
Inventories, net	53,197	68,235
Refundable taxes	14,912	101,484
Prepaid expenses	13,733	8,058
Deferred taxes		37,479
Other current assets	216	15
Total current assets	<u>1,044,460</u>	<u>562,235</u>
<b>FIXED ASSETS:</b>		
Land	4,969	4,969
Constructions and infrastructure	1,909,953	1,557,199
Machinery and equipment	1,195,233	838,187
Other fixed assets	203,358	439,849
Subtotal	3,313,513	2,840,204
Accumulated depreciation	<u>(752,252)</u>	<u>(622,908)</u>
Total fixed assets, net	<u>2,561,261</u>	<u>2,217,296</u>
<b>OTHER ASSETS:</b>		
Intangibles - net	122,209	121,757
Others	54,709	45,050
Total other assets	<u>176,918</u>	<u>166,807</u>
<b>TOTAL ASSETS</b>	<u><u>3,782,639</u></u>	<u><u>2,946,338</u></u>

The accompanying notes are an integral part of these financial statements

	<b>2010</b>	<b>2009</b>
	ThUS\$	ThUS\$
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>CURRENT LIABILITIES:</b>		
Bank loans		501,821
Bank loans: short-term portion of long-term debt	216,096	77,780
Accounts payable	102,760	81,824
Notes payable	2,086	708
Sundry creditors	4,391	1,133
Accounts payable to related companies	216	750
Accruals	6,995	4,513
Withholdings and others	32,621	11,832
Income tax payable	12,085	
Deferred taxes	884	
Other	399	
	<u>378,533</u>	<u>680,361</u>
<b>LONG-TERM LIABILITIES:</b>		
Bank loans	614,000	76,667
Account payable to related company	149	157
Accruals	59,535	17,455
Deferred taxes	275,683	244,811
	<u>949,367</u>	<u>339,090</u>
<b>SHAREHOLDERS' EQUITY:</b>		
Paid-in capital	373,820	373,820
Retained earnings:		
Retained earnings	1,708,452	1,452,298
Net income for the period	372,467	100,769
	<u>2,454,739</u>	<u>1,926,887</u>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<u><u>3,782,639</u></u>	<u><u>2,946,338</u></u>

## MINERA LOS PELAMBRES

### STATEMENTS OF INCOME FOR THE THREE MONTH PERIODS ENDED MARCH 31, 2010 AND 2009 (In thousands of United States dollars - ThUS\$)

	<b>2010</b> ThUS\$	<b>2009</b> ThUS\$
REVENUES	707,087	311,937
OPERATING COSTS	<u>(198,128)</u>	<u>(151,885)</u>
OPERATING MARGIN	508,959	160,052
ADMINISTRATIVE AND SELLING EXPENSES	<u>(33,676)</u>	<u>(26,219)</u>
OPERATING INCOME	<u>475,283</u>	<u>133,833</u>
OTHER INCOME (EXPENSES):		
Financial income	352	536
Other income	1,247	1,174
Financial expenses	(4,790)	(6,634)
Other expenses	(1,902)	(1,816)
Exchange differences	<u>(2,889)</u>	<u>1,656</u>
Other expenses - net	<u>(7,982)</u>	<u>(5,084)</u>
INCOME BEFORE INCOME TAX	467,301	128,749
INCOME TAX	<u>(94,834)</u>	<u>(27,980)</u>
NET INCOME FOR THE PERIOD	<u><u>372,467</u></u>	<u><u>100,769</u></u>

The accompanying notes are an integral part of these financial statements

**MINERA LOS PELAMBRES**STATEMENTS OF CASH FLOWS  
FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2010 AND 2009  
(In thousands of United States dollars - ThUS\$)

	<b>2010</b>	<b>2009</b>
	ThUS\$	ThUS\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income for the period	372,467	100,769
Charges (credits) to income not representing cash flows:		
Depreciation and amortization	38,456	30,238
Mark to Market	(1,949)	(268,954)
Provision for finalization (Final liquidations)	(2,999)	(19,298)
Accruals and others	939	451
Accrued interest	2,791	4,934
Exchange differences	2,889	(1,656)
Others	(88)	
(Increase) decrease in current assets:		
Trade debtors	(88,249)	149,084
Sundry debtors	7,181	2,512
Notes receivable	(41)	(68)
Accounts receivable from related companies	540	(22)
Inventories	876	(14,566)
Refundable taxes	1,040	(5,729)
Prepaid expenses	4,517	3,628
Other current assets	(6,776)	(1,270)
Increase (decrease) in current liabilities:		
Accounts payable	(29,102)	(46,220)
Notes payable	2,086	708
Accounts payable to related companies	(472)	(572)
Accruals short-term	(6,591)	(9,126)
Withholdings	3,859	8,601
Income tax payable and deferred taxes	14,228	27,870
Unearned income		(274,168)
Net cash provided by (used in) operating activities	<u>315,602</u>	<u>(312,854)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Additions to fixed assets - net	<u>(60,680)</u>	<u>(84,919)</u>
Net cash used in investing activities	<u>(60,680)</u>	<u>(84,919)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Loans obtained	710,000	274,000
Loan repayment	<u>(710,000)</u>	
Net cash provided by financing activities		<u>274,000</u>
<b>TOTAL POSITIVE (NEGATIVE) CASH FLOWS FOR THE PERIOD</b>	254,922	(123,773)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>	<u>385,753</u>	<u>325,861</u>
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<u><u>640,675</u></u>	<u><u>202,088</u></u>
<b>SUPPLEMENTAL INFORMATION:</b>		
Interest paid	<u>568</u>	<u>2,570</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\$)

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### 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 March 31, 2010 and 2009 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 period-end:

		<b>2010</b>	<b>2009</b>
Closing foreign currency exchange rate (Chilean peso/US dollar)	Ch\$	524.46	583.26
Unidad de fomento (inflation index - linked units of account)	Ch\$	20,998.52	20,959.77

Exchange differences are recognized in results for the period.

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

**d. Money market funds** - Money market funds are investments in mutual funds presented at their market value and cash surpluses managed by Asset Managers, who manage a portfolio of instruments with a strategy to achieving a return on such surpluses. The investments in Asset Managers are stated at their redemption value and are adjusted to their fair value at period-end, according to Technical Bulletin N°76 of the Chilean Institute of Accountants.

**e. Inventories** - In-process and processed mineral inventories are stated at weighted average cost in conformity with the method of full absorption, that is, including indirect manufacturing overhead and depreciation of fixed assets related to Company production units. 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 period-end, this item is presented net of obsolescence provision.

The cost of inventories does not exceed their net realizable value.

**f. Prepaid expenses** - Prepaid expenses mainly include the prepaid portion of insurance policies contracted to cover operating, transportation, civil liability, air and port handling risks, with premiums including brokerage commissions 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. Derivative contracts** - The Company entered into forward exchange contracts with financial institutions in order to cover variations of the US Dollar of its investments in Chilean pesos time deposits. These contracts were defined as investment.

**m. 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.

**n. 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.

**o. 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.

**p. 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.

**q. 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\$	26,457	38,328
Local time deposits	US\$	187,504	16,002
Local time deposits	Ch\$	<u>75,444</u>	<u>          </u>
Total time deposits		<u><u>289,405</u></u>	<u><u>54,330</u></u>

### 4. MONEY MARKETS FUNDS

The detail of money markets funds is as follows:

	<b>Currency</b>	<b>2010</b> ThUS\$	<b>2009</b> ThUS\$
A.M. Deutsche Foreign Investments (*)	US\$	135,739	37,582
A.M. Blackrock Foreign Investments (*)	US\$	135,404	37,346
Foreign mutual funds	US\$	68,635	54,100
Local mutual funds	Ch\$	<u>10,259</u>	<u>16,134</u>
Total investments in money market funds		<u><u>350,037</u></u>	<u><u>145,162</u></u>

(\*) The fair value of this portfolio at March 31, 2010, represented a net effect of a loss in income of ThUS\$78 (not in effect in 2009).

5. TRADE DEBTORS - NET

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

	<b>2010</b>	<b>2009</b>
	ThUS\$	ThUS\$
<b>Foreign debtors</b>		
Europe	69,333	43,442
Asia Pacific	56,591	27,241
Asia Pacific – related (*)	162,975	84,859
North America		2,049
Mark to market estimation and metal content adjustment	(870)	(2,227)
Final liquidations (**)	<u>25,634</u>	<u>(16,697)</u>
Total foreign debtors	<u>313,663</u>	<u>138,667</u>
<b>Local debtors</b>	<u>264</u>	<u>501</u>
Total	<u><u>313,927</u></u>	<u><u>139,168</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 period end, not yet collected or paid.

6. INVENTORIES - NET

The detail of inventories is as follows:

	<b>2010</b>	<b>2009</b>
	ThUS\$	ThUS\$
Finished products	2,381	15,607
Work in progress	12,710	15,263
Raw materials	47,269	44,808
Provision for obsolescence of materials	<u>(9,163)</u>	<u>(7,443)</u>
Total	<u><u>53,197</u></u>	<u><u>68,235</u></u>

The long-term products in process, amounted to ThUS\$32,772 at March 31, 2010 (ThUS\$32,319 in 2009) and are presented under Others in Other long term assets, as described in Note 2e.

## 7. FIXED ASSETS - NET

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

	<b>2010</b> ThUS\$	<b>2009</b> ThUS\$
<b>Land</b>	<u>4,969</u>	<u>4,969</u>
<b>Constructions and infrastructure:</b>		
Buildings and construction	647,784	690,210
Infrastructure	1,241,157	847,050
Installations	<u>21,012</u>	<u>19,939</u>
Total constructions and infrastructure	<u>1,909,953</u>	<u>1,557,199</u>
<b>Machinery and equipment:</b>		
Machinery and equipment	1,097,024	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>1,195,233</u>	<u>838,187</u>
<b>Other fixed assets:</b>		
Ongoing works Re-powering II	584	290,230
Projects in progress	106,485	91,992
Mining properties	12,643	12,643
Prestripping	44,824	44,824
Other fixed assets - decommissioning (Note 11)	38,649	
Fixed assets for disposal	<u>173</u>	<u>160</u>
Total other fixed assets	<u>203,358</u>	<u>439,849</u>
Total fixed assets, gross	<u>3,313,513</u>	<u>2,840,204</u>
Accumulated depreciation of construction and infrastructure	(341,644)	(268,799)
Accumulated depreciation of machinery and equipment	(389,141)	(336,058)
Accumulated depreciation of other fixed asset - decommissioning	(1,758)	
Amortization properties and prestripping	<u>(19,709)</u>	<u>(18,051)</u>
Total accumulated depreciation and amortization	<u>(752,252)</u>	<u>(622,908)</u>
Total fixed assets – net	<u><u>2,561,261</u></u>	<u><u>2,217,296</u></u>

## 8. 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:

	<b>2010</b>	<b>2009</b>
	ThUS\$	ThUS\$
Cost of initial studies transferred from Minera El Chacay	8,487	8,487
Costs of support management prior to construction stage	8,204	8,204
Preoperating costs of construction stage	137,912	137,912
Costs of start-up, balance of construction	4,957	4,957
Preoperating gains and losses	8,500	8,500
Easements, water rights, software, trade marks, patents and other rights	<u>15,894</u>	<u>10,695</u>
 Total intangibles	 183,954	 178,755
 Accumulated amortization	 <u>(61,745)</u>	 <u>(56,998)</u>
 Total intangibles - net	 <u><u>122,209</u></u>	 <u><u>121,757</u></u>

## 9. 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 March 31, 2010, this short-term financing was repaid in full (ThUS\$501,821, in 2009, with a total weighted average interest rate of 4.88% and an average duration of 5months), which is detailed as follows:

<b>Financial institutions</b>	<b>2009</b>
	ThUS\$
Estado	130,795
Santander	129,554
Scotiabank	75,292
BBVA	55,226
Itaú	40,472
Bice	39,835
Chile	<u>30,647</u>
 Total	 <u><u>501,821</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 June 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.

Between December 2009 and January 2010, the Company entered into new negotiations on corporate loans for ThUS\$750,000 to finance the execution of the final phase of the comprehensive development project, which also allowed refinancing existing short-term loans. This is a 5-year commercial negotiation for ThUS \$ 505,000 in the form of a Club Deal, received in December 2009, payable in 10 six-month installments due on June 10 and December 10 of each year, beginning on June 2010.

The other loan is a ThUS\$245,000 seven year loan from the Japan Bank for International Cooperation (JBIC), obtained in January 2010, and the funds were received on March 29, 2010, payable in 14 semiannual installments, maturing on July 10 and January 10 of each year, beginning in July 2010.

Obtaining these involved the payment of Upfront commissions for ThUS\$4,040 for the first loan and ThUS\$1,103 for the second, which have been deferred to be amortized during the terms of the loans.

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

### **At March 31, 2010:**

	<b>Interest rate six-month %</b>	<b>Short term ThUS\$</b>	<b>Long term ThUS\$</b>
Citibank and others	0.7400	76,832	
Club Deal loan	2.0844	104,246	404,000
JBIC loan	1.3369	<u>35,018</u>	<u>210,000</u>
Total		<u>216,096</u>	<u>614,000</u>

**At March 31, 2009:**

	<b>Interest rate six-month %</b>	<b>Short term ThUS\$</b>	<b>Long term ThUS\$</b>
Citibank and others	2.4900	<u>77,780</u>	<u>76,667</u>
Total		<u><u>77,780</u></u>	<u><u>76,667</u></u>

## 10. ACCOUNTS PAYABLE

The detail of accounts payable is as follows:

	<b>2010 ThUS\$</b>	<b>2009 ThUS\$</b>
Invoices payable	83,519	71,450
Withholdings from contractors	15,206	10,374
Insurance policies payable	<u>4,035</u>	
Total	<u><u>102,760</u></u>	<u><u>81,824</u></u>

## 11. ACCRUALS

The detail of accruals is as follows:

	<b>2010 ThUS\$</b>	<b>2009 ThUS\$</b>
<b>Short-term:</b>		
Personnel benefits	6,810	4,403
Sundry	<u>185</u>	<u>110</u>
Total	<u><u>6,995</u></u>	<u><u>4,513</u></u>
<b>Long-term:</b>		
Severance indemnity	15,438	13,610
Mine closure costs (*)	<u>44,097</u>	<u>3,845</u>
Total	<u><u>59,535</u></u>	<u><u>17,455</u></u>

(\*) During 2009, the Company on the basis of a new study of closing costs, updated the provision made for this purpose. This change has meant an increase in the provision, which is divided into two items, Decommissioning of fixed assets that generated the recognition of assets for ThUS\$38,649, an amount that is shown under Other Fixed Assets (note 7) and that will be depreciated by the straight line method over a 28-year lifespan, and Cost of

environmental restoration or remediation, that are considered an administrative expense in the period it is incurred or accrued and that at March 31, 2010 represents ThUS\$369.

At March 31, 2009, the study of closing costs current at that date does not include the environmental restoration provision, but only the fixed asset decommissioning provision.

Moreover, this new mine closure study included a change in the discount rate used for valuating the provision, which decreased from 6,5% to 2,74% (average TIPS rate of the last 12.5 years), which at March 31, 2010 represented a ThUS\$308 effect on financial costs (ThUS\$172 in 2009).

## 12. INCOME AND DEFERRED TAXES

### a. Recoverable taxes include the following:

	<b>2010</b>	<b>2009</b>
	ThUS\$	ThUS\$
<b>Current assets:</b>		
Specific tax on petroleum products	545	564
Value added tax	11,220	19,318
Estimated montly tax payments and income tax refundable, net		81,602
Other withholding taxes recoverable	<u>3,147</u>	<u>          </u>
Total short-term	<u>14,912</u>	<u>101,484</u>
<b>Other assets:</b>		
Additional tax for advisory services	<u>6,253</u>	<u>5,368</u>
Total long-term	<u>6,253</u>	<u>5,368</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 March 31, 2010 amounted to 17% of taxable income of ThUS\$387,869, calculated as provided for in the Chilean Income Tax Law. At March 31, 2009 no provision was recorded because the Company presented tax losses for ThUS\$179,063. The provision for the specific mining tax, in force since 2006, at March 31, 2010 was 4% of the net operating taxable income of ThUS\$422,037. No provision was recorded at March, 31 2009 because there no net operating taxable income.

At March 31, 2010 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 March 31, 2009, monthly provisional payments were higher than the income tax calculated for the period and therefore the surplus of ThUS\$81,602 has been reclassified to refundable taxes, as indicated in Note 12a.

	<b>2010</b> ThUS\$	<b>2009</b> ThUS\$
Income tax provision	(198,882)	(457,657)
Specific mining tax provision	(50,393)	(66,647)
Monthly provisional payments	232,892	521,866
Technical consulting services additional tax	762	581
Refundable training expenses	200	188
Credits for donations	3,290	1,630
Credits for purchases of fixed assets	46	39
	<u>(12,085)</u>	<u></u>
Income tax and specific mining payable	<u>(12,085)</u>	<u></u>

### c. Deferred taxes

At March 31, 2010 and 2009, the detail of accumulated deferred taxes balances was as follows:

	Deferred taxes							
	2010				2009			
	Asset		Liability		Asset		Liability	
	Short term ThUS\$	Long term ThUS\$	Short term ThUS\$	Long term ThUS\$	Short term ThUS\$	Long term ThUS\$	Short term ThUS\$	Long term ThUS\$
Provision for final liquidations			1,418				630	
Provision for price and quantity variations	148				378			
Allowance for uncollectible accounts	100				69			
Provision for vacations	506				449			
Provision donations	743				238			
Provision for obsolete supplies	1,596				1,240			
Mark to market investments provision	81							
Tax loss					30,441			
Severance indemnity		2,593				2,284		
Provision for mine closure		1,225				654		
Refinancing costs			195	1,110			58	44
Indirect manufacturing expense			2,017				3,106	
Indirect manufacturing charges			281				252	
Depreciation of fixed assets				234,551				207,268
Preoperational expenses				32,001				32,010
Deferred mining taxes	728	2,444	875	14,283	9,506	968	796	9,395
Total deferred taxes	<u>3,902</u>	<u>6,262</u>	<u>4,786</u>	<u>281,945</u>	<u>42,321</u>	<u>3,906</u>	<u>4,842</u>	<u>248,717</u>

The net liability for short-term deferred taxes is presented in short-term liabilities, for ThUS\$884 (ThUS\$37,479 in 2009).

The net liability for long-term deferred taxes is presented in long-term liabilities for ThUS\$275,683 (ThUS\$244,811 in 2009).

The breakdown of the income tax expense is as follows:

	<b>2010</b> ThUS\$	<b>2009</b> ThUS\$
<b>Current tax expense:</b>		
Provision for income tax of the period	(65,938)	
Deficit of prior year income tax provision		(98)
Provision for specific mining tax	(16,881)	
Surplus of prior year specific minning tax		(12)
<b>Deferred taxes:</b>		
Changes in deferred taxes during the period	(10,899)	(24,740)
Deferred taxes for specific mining tax	<u>(1,116)</u>	<u>(3,130)</u>
Income tax expense	<u><u>(94,834)</u></u>	<u><u>(27,980)</u></u>

### 13. DERIVATIVE CONTRACTS

At March 31, 2010, the Company has sales contracts for foreign exchange futures with various local financial institutions made to protect themselves from exchange rate variations of investment in pesos. In relation to derivative contracts at that date, the Company has operations in pesos equivalent to U.S. dollars, as follows:

<b>Financial institutions</b>	<b>2010</b> ThUS\$
Chile	15,036
Santander	<u>15,030</u>
Total	<u><u>30,066</u></u>

The mark to market of these contracts involved a ThUS\$399 loss, recorded in financial expenses for the period.

#### 14. SHAREHOLDERS' EQUITY

- a. The following are the equity movements during the period 2010 and 2009:

<b>Concepts</b>	<b>Paid-in capital ThUS\$</b>	<b>Retained earnings ThUS\$</b>	<b>Total ThUS\$</b>
Balances at January 1, 2009	373,820	1,452,298	1,826,118
Net income for the period		100,769	100,769
	<hr/>		
Balances at March 31, 2009	373,820	1,553,067	1,926,887
	<hr/>		
Balances at January 1, 2010	373,820	1,708,452	2,082,272
Net income for the period		372,467	372,467
	<hr/>		
Balances at March 31, 2010	373,820	2,080,919	2,454,739
	<hr/>		

- b. Shareholdings of the subscribed and paid-in capital are as follows at March 31, 2010:

<b>Shareholders</b>	<b>Number of shares</b>	<b>Subscribed and paid-in capital</b>	
		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
	<hr/>		
Total	373,819,680	373,820	100.00
	<hr/>		

## 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 March 31, 2010:

Related party	Transaction description	Transaction amount	Effect on results charge (credit)	Assets	Liabilities
		ThUS\$	ThUS\$	ThUS\$	ThUS\$
Antofagasta Minerals S.A.	Administrative services received	233	196		131
	Technical support received	393	331		
	Rental of offices in Apoquindo	235	129		77
	Water rights				8
	Expense collection	9	(8)		
Minera El Tesoro	Expense collection	47	(40)	15	
Minera Esperanza	Expense collection	14	(12)	8	
Other related	Services and others	1,020	1,020	6	
Total short-term				<u>29</u>	<u>216</u>
Antofagasta Minerals S.A.	Water rights				149
Total long-term				<u></u>	<u>149</u>

### At March 31, 2009:

Related party	Transaction description	Transaction amount	Effect on results charge (credit)	Assets	Liabilities
		ThUS\$	ThUS\$	ThUS\$	ThUS\$
Antofagasta Minerals S.A.	Administrative services received	238	200		531
	Technical support received	340	285		
	Recovery of expenses	211	177		211
	Rental of offices in Apoquindo	199	168		
	Water rights				8
	Expense collection	7	(6)	5	
Minera El Tesoro	Expense collection	39	(32)	13	
Minera Esperanza	Expense collection	8	(6)	3	
Other related	Services and others	1,236	1,236	2	
Total short-term				<u>23</u>	<u>750</u>
Antofagasta Minerals S.A.	Water rights				157
Total long-term				<u></u>	<u>157</u>

## 16. OTHER INCOME AND EXPENSES

The detail of other income and expenses is as follows:

	<b>2010</b>	<b>2009</b>
	ThUS\$	ThUS\$
<b>Non-operating income:</b>		
Credit for provisioned donations	1,009	
Indemnities received		1,001
Other income	<u>238</u>	<u>173</u>
Total	<u><u>1,247</u></u>	<u><u>1,174</u></u>
<b>Non-operating expenses:</b>		
Contribution to Minera Los Pelambres Foundation	1,020	1,235
Earthquake related donations to the community	829	
Provision for write-off of housing loans	44	39
Education related donations		364
Other expenses	<u>9</u>	<u>178</u>
Total	<u><u>1,902</u></u>	<u><u>1,816</u></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:

<b>Matter</b>	: New Works Lawsuit at Tranque El Mauro.
<b>Parties</b>	: Flores Tapia, Cristián Andrés and others versus Minera Los Pelambres.
<b>Case records</b>	: N° 7.957-2008, Los Vilos District Court.
<b>Quantum</b>	: Quantum has not been determined. Therefore, it is impossible to indicate a potential loss amount.
<b>Status</b>	: 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. In this lawsuit, the plea and evidence has been performed, interrogatories were answered and the inspection by the court has taken place. Currently, only an expert's report is pending. The court decision rejecting the request of the plaintiffs that constraints be applied to Minera Los Pelambres for alleged breach of the order to suspend work became final.

- Matter** : Petition for injunction to demolish and prevent construction 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 District 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 injunction to prevent construction 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, appeal that was rejected; therefore the originally appointed expert has been definitely removed from office.
- 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\$2,844 Such bonds are in force until March 31, 2011.

#### Guarantees Received:

- To date, performance bonds and letters of credit, issued by foreign or local banks in favor of the Company, have been provided by contractors and suppliers for an approximate amount for ThUS\$65,707 to guarantee compliance with contracts, and, in the case of equipment, its quality and performance.

### IV. RESTRICTIONS ON OPERATIONS OR LIMITS

On the basis of obligations undertaken with financial institutions indicated in Note 9b, 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	2,300,000
2011	2,200,000

## 18. SUBSEQUENT EVENTS

Between April 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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