

MINERA LOS PELAMBRES
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 LOS PELAMBRES

BALANCE SHEETS AT SEPTEMBER 30, 2010 AND 2009

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

	2010 ThUS\$	2009 ThUS\$
ASSETS		
CURRENT ASSETS:		
Cash at bank and in hand	1,859	1,532
Time deposits	60,630	149,217
Marketable securities	344,790	320,504
Trade debtors - net	384,514	260,465
Sundry debtors	7,720	3,014
Note receivable	516	453
Account receivable from relates companies	169	31
Inventories, net	83,789	61,147
Refundable taxes	19,545	16,602
Prepaid expenses	6,496	4,998
Deferred taxes		299
Other current assets	235	16
Total current assets	<u>910,263</u>	<u>818,278</u>
FIXED ASSETS:		
Land	4,969	4,969
Constructions and infrastructure	1,882,948	1,557,550
Machinery and equipment	1,295,737	839,272
Other fixed assets	218,802	739,868
Subtotal	3,402,456	3,141,659
Accumulated depreciation	<u>(830,161)</u>	<u>(683,666)</u>
Total fixed assets, net	<u>2,572,295</u>	<u>2,457,993</u>
OTHER ASSETS:		
Intangibles - net	119,578	119,586
Others	50,592	44,982
Total other assets	<u>170,170</u>	<u>164,568</u>
TOTAL ASSETS	<u><u>3,652,728</u></u>	<u><u>3,440,839</u></u>

The accompanying notes are an integral part of these financial statements

	2010	2009
	ThUS\$	ThUS\$
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Bank loans		385,220
Bank loans: short-term portion of long-ter debt	178,601	77,176
Accounts payable	99,302	94,301
Sundry creditors	3,285	1,234
Account payable to related companies	859	437
Accruals	11,733	8,599
Withholdings and others	23,514	22,826
Income tax payable	35,397	10,374
Deferred taxes	3,897	
Unearned Income		19,185
Total current liabilities	<u>356,588</u>	<u>619,352</u>
LONG-TERM LIABILITIES:		
Bank loans	546,000	38,333
Account payable to related company	149	157
Accruals	63,095	57,399
Deferred taxes	<u>306,673</u>	<u>256,209</u>
Total long-term liabilities	<u>915,917</u>	<u>352,098</u>
SHAREHOLDERS' EQUITY:		
Paid-in capital	373,820	373,820
Retained earnings:		
Retained earnings	1,708,452	1,452,298
Net income for the period	1,197,951	643,271
Interim dividends	<u>(900,000)</u>	
Total shareholders' equity, net	<u>2,380,223</u>	<u>2,469,389</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	<u><u>3,652,728</u></u>	<u><u>3,440,839</u></u>

MINERA LOS PELAMBRES

STATEMENTS OF INCOME
FOR THE NINE - MONTH PERIODS ENDED SEPTEMBER 30, 2010 AND 2009
(In thousands of United States dollars - ThUS\$)

	2010 ThUS\$	2009 ThUS\$
REVENUES	2,267,095	1,396,087
OPERATING COSTS	<u>(647,192)</u>	<u>(479,653)</u>
OPERATING MARGIN	1,619,903	916,434
ADMINISTRATIVE AND SELLING EXPENSES	<u>(107,370)</u>	<u>(84,065)</u>
OPERATING INCOME	<u>1,512,533</u>	<u>832,369</u>
OTHER INCOME (EXPENSES):		
Financial income	1,955	1,596
Other income	4,227	1,879
Financial expenses	(11,015)	(17,549)
Other expenses	(7,692)	(5,556)
Exchange differences	<u>730</u>	<u>1,662</u>
Other income - net	<u>(11,795)</u>	<u>(17,968)</u>
INCOME BEFORE INCOME TAX	1,500,738	814,401
INCOME TAX	<u>(302,787)</u>	<u>(171,130)</u>
NET INCOME FOR THE PERIOD	<u><u>1,197,951</u></u>	<u><u>643,271</u></u>

The accompanying notes are an integral part of these financial statements

MINERA LOS PELAMBRES**STATEMENTS OF CASH FLOWS
FOR THE NINE - MONTH PERIODS ENDED SEPTEMBER 30, 2010 AND 2009
(In thousands of United States dollars - ThUS\$)**

	2010	2009
	ThUS\$	ThUS\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income for the period	1,197,951	643,271
Charges (credits) to income not representing cash flows:		
Depreciation and amortization	118,824	93,847
(Gain) loss on sale of fixed assets	(89)	(2)
Exchange differences	(730)	(1,662)
(Increase) decrease in current assets:		
Trade debtors	(163,756)	(261,924)
Sundry debtors	7,127	4,884
Notes receivable	(126)	(222)
Account receivable from related companies	400	(30)
Inventories	(30,970)	(7,035)
Refundable taxes	(1,484)	84,176
Prepaid expenses	11,754	6,688
Other current assets	(2,389)	(2)
Increase (decrease) in current liabilities:		
Accounts payable	(28,817)	(46,453)
Account receivable to related companies	152	(1,324)
Accruals short-term	4,971	(4,148)
Withholdings	(2,526)	19,595
Income tax payable and deferred taxes	61,485	94,046
Unearned income	6,472	(254,983)
Net cash provided by operating activities	<u>1,178,249</u>	<u>368,722</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Additions to fixed assets - net	(150,488)	(344,999)
Sales of fixed assets	98	2
Net cash used in investing activities	<u>(150,390)</u>	<u>(344,997)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Loans obtained	245,000	569,000
Payment of dividends	(900,000)	
Loan repayment	(351,333)	(447,333)
Net cash (used in) provided by financing activities	<u>(1,006,333)</u>	<u>121,667</u>
TOTAL POSITIVE CASH FLOWS FOR THE PERIOD	21,526	145,392
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	<u>385,753</u>	<u>325,861</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u><u>407,279</u></u>	<u><u>471,253</u></u>
SUPPLEMENTAL INFORMATION:		
Decommissioning cost of fixed assets		38,649
Interest paid	6,522	15,512

The accompanying notes are an integral part of these financial statements

MINERA LOS PELAMBRES

NOTES TO THE FINANCIAL STATEMENTS

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

1. INCORPORATION OF THE COMPANY

Minera Los Pelambres is a contractual mining enterprise that started operations on June 4, 1996. The corporate purpose is exploring, developing and exploiting its mining properties, principally for the purpose of producing and selling copper concentrate, and of performing all the business activities associated with the mining industry.

According to the requirements of Law N°20,026 on the Specific Mining Tax published in the Official Gazette of June 16, 2005, and the relevant regulations issued by the Superintendence of Securities and Insurance ("SVS") through its Exempt Resolutions N°549 of September 23, 2005 and N°39 of February 3, 2006, the Company shall deliver its Quarterly and Audited Annual Financial Statements, and an Annual Report, to the SVS, in the manner and at the time stipulated in such Resolutions. Thus, as a Company receiving foreign investments earmarked for developing mining projects, it claimed the rights stipulated in new article 11 Ter of Decree-Law 600 of 1974, setting an invariable 4% rate for the aforementioned Specific Mining Tax for a period of 12 years.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Basis of presentation - The financial statements as of September 30, 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:

		2010	2009
Closing foreign currency exchange rate (Chilean peso/US dollar)	Ch\$	483.65	550.36
Unidad de fomento (inflation index - linked units of account)	Ch\$	21,339.99	20,834.45

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 minerals 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 Others 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 in its investments in Chilean pesos time deposits. These contracts were defined as investments.

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 and are presented 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 September 30, 2009.

3. TIME DEPOSITS

The detail of time deposits is as follows:

	Currency	2010 ThUS\$	2009 ThUS\$
Foreign time deposits	US\$	5,455	75,460
Local time deposits	US\$	47,004	62,023
Local time deposits	Ch\$	<u>8,171</u>	<u>11,734</u>
Total time deposits		<u><u>60,630</u></u>	<u><u>149,217</u></u>

4. MONEY MARKETS FUNDS

The detail of money markets funds is as follows:

	Currency	2010 ThUS\$	2009 ThUS\$
A.M. Deutsche Foreign Investments (*)	US\$	125,910	119,649
A.M. Blackrok Foreign Investments (*)	US\$	125,484	118,383
Foreign mutual funds	US\$	81,154	60,117
Local mutual funds	Ch\$	<u>12,242</u>	<u>22,355</u>
Total investments in money market funds		<u><u>344,790</u></u>	<u><u>320,504</u></u>

(*) The fair value of this portfolio at September 30, 2010, presented a loss on income for the period of ThUS\$46 (loss on income of ThUS\$8 in 2009).

5. TRADE DEBTORS - NET

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

	2010 ThUS\$	2009 ThUS\$
Foreign debtors		
Europe	34,794	99,100
Asia Pacific	64,345	5,286
Asia Pacific – related (*)	255,234	117,213
Latin America		344
Mark to market estimation and metal content adjustment	(4,208)	(2,099)
Final liquidations (**)	<u>30,108</u>	<u>40,621</u>
Total foreign debtors	<u>380,273</u>	<u>260,465</u>
Local debtors	<u>4,241</u>	
Total	<u><u>384,514</u></u>	<u><u>260,465</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:

	2010 ThUS\$	2009 ThUS\$
Finished products	16,679	8,496
Work in progress	13,748	16,721
Raw materials	63,779	43,373
Provision for obsolescence of materials	<u>(10,417)</u>	<u>(7,443)</u>
Total	<u><u>83,789</u></u>	<u><u>61,147</u></u>

The long-term products in process, amounted to ThUS\$28,852 at September 30, 2010 (ThUS\$31,367 in 2009) and are presented under Other in Other long term assets, as described in Note 2e.

7. FIXED ASSETS - NET

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

	2010 ThUS\$	2009 ThUS\$
Land	<u>4,969</u>	<u>4,969</u>
Constructions and infrastructure:		
Buildings and construction	654,544	690,547
Infrastructure	1,207,004	847,050
Installations	<u>21,400</u>	<u>19,953</u>
Total constructions and infrastructure	<u>1,882,948</u>	<u>1,557,550</u>
Machinery and equipment:		
Machinery and equipment	1,197,037	741,063
Furniture and fixtures	3,617	3,617
Information technology and communication equipment	20,510	20,299
Mobile equipment	74,274	73,994
Vehicles	<u>299</u>	<u>299</u>
Total machinery and equipment	<u>1,295,737</u>	<u>839,272</u>
Other fixed assets:		
Ongoing works Re-powering II	184	519,844
Projects in progress	122,338	123,738
Mining properties	12,643	12,643
Prestripping	44,824	44,824
Other fixed assets - decommissioning	38,649	38,649
Fixed assets for disposal	<u>164</u>	<u>170</u>
Total other fixed assets	<u>218,802</u>	<u>739,868</u>
Total fixed assets, gross	<u>3,402,456</u>	<u>3,141,659</u>
Accumulated depreciation of construction and infrastructure	(381,785)	(302,162)
Accumulated depreciation of machinery and equipment	(425,174)	(361,619)
Accumulated depreciation of other fixed asset - decommissioning	(2,461)	(1,055)
Amortization properties and prestripping	<u>(20,741)</u>	<u>(18,830)</u>
Total accumulated depreciation and amortization	<u>(830,161)</u>	<u>(683,666)</u>
Total fixed assets – net	<u><u>2,572,295</u></u>	<u><u>2,457,993</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:

	2010 ThUS\$	2009 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>16,027</u>	<u>10,695</u>
Total intangibles	184,087	178,755
Accumulated amortization	<u>(64,509)</u>	<u>(59,169)</u>
Total intangibles - net	<u><u>119,578</u></u>	<u><u>119,586</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 September 30, 2010 this short-term financing was totally paid with a total weighted average rate of 1.68% and an average duration of 5 months, which is detailed as follows:

Financial institutions	2009 ThUS\$
Estado	115,515
Santander	100,086
Scotiabank	75,246
BBVA	40,019
Itaú	30,271
Bice	14,047
Chile	<u>10,036</u>
Total	<u><u>385,220</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, approved and registered with the Central Bank of Chile. This loan is payable in 12 semiannual installments, with maturity on September 15 and December 15 of each year, from June 2005.

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

Between December 2009 and January 2010, the Company obtained two loans for a total of ThUS\$750,000 for its expansion project (Final Phase of PID) and refinancing short term debt and operating needs.

- The first agreement was signed in December 2, 2009 for ThUS\$505,000, in Club Deal format for a 5-year term, and its flows were received in December 2009, payable in 10 installments each semester maturing June 10, and December 10 each year from June 2010.

This refinancing meant paying an upfront commission of ThUS\$4,040 which has been deferred and is being amortized over the term of the new loan.

- The second agreement was signed in January 25, 2010 for ThUS\$245,000 with Japanese Bank for International Cooperation (JBIC) for a 7-year term. Its flows were received in March 29, 2010, payable in 14 installments each semester maturing July 10 and January 10 each year from July 2010.

This refinancing meant paying an upfront commission of ThUS\$1,103 which has been deferred and is being amortized over the term of the new loan.

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

At September 30, 2010:

	Interest rate six-month %	Short term ThUS\$	Long term ThUS\$
Citibank and others	0.9900	38,445	
Loan Club Deal	2.3536	104,328	353,500
Loan JBIC	1.6372	<u>35,828</u>	<u>192,500</u>
Total		<u><u>178,601</u></u>	<u><u>546,000</u></u>

At September 30, 2009:

	Interest rate six-month %	Short term ThUS\$	Long term ThUS\$
Citibank and others	1.4900	<u>77,176</u>	<u>38,333</u>
Total		<u><u>77,176</u></u>	<u><u>38,333</u></u>

10. ACCOUNTS PAYABLE

The detail of accounts payable is as follows:

	2010 ThUS\$	2009 ThUS\$
Invoices payable	85,256	75,635
Withholdings from contractors	11,788	16,524
Insurance policies payable	<u>2,258</u>	<u>2,142</u>
Total	<u><u>99,302</u></u>	<u><u>94,301</u></u>

11. ACCRUALS

The detail of accruals is as follows:

	2010 ThUS\$	2009 ThUS\$
Short-term:		
Personnel benefits	11,504	8,578
Sundry	<u>229</u>	<u>21</u>
Total	<u><u>11,733</u></u>	<u><u>8,599</u></u>
Long-term:		
Severance indemnity	18,101	13,975
Mine closure costs	<u>44,994</u>	<u>43,424</u>
Total	<u><u>63,095</u></u>	<u><u>57,399</u></u>

12. INCOME AND DEFERRED TAXES

a. Recoverable taxes include the following:

	2010 ThUS\$	2009 ThUS\$
Current assets:		
Specific tax on petroleum products	607	413
Value added tax	15,506	13,169
Income tax refundable (*)	3,392	2,981
Other withholding taxes recoverable	<u>40</u>	<u>39</u>
Total short-term	<u><u>19,545</u></u>	<u><u>16,602</u></u>
Other assets:		
Additional tax for advisory services	<u>6,754</u>	<u>5,689</u>
Total long-term	<u><u>6,754</u></u>	<u><u>5,689</u></u>

(*) As at September 30, 2010 and 2009, is shown the balance receivable that is still pending from the Chilean Tax Authorities (Internal Revenue Service) as the remanent of the income tax return of the year 2008, which is included in the item short terms recoverable taxes.

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

b. Income Tax

The provision for first category income tax provision at September 30, 2010 and 2009 was 17% of taxable income of ThUS\$1,205,207 and ThUS\$444,742, respectively, calculated as provided for in the Chilean Income Tax Law. The provision for the specific mining tax at September 30, 2010 and 2009 was 4% of the net operating taxable income of ThUS\$1,304,254 and ThUS\$473,089, respectively.

At September 30, 2010 and 2009 the provision for income tax and specific mining tax is presented in income tax payable in current liabilities net of monthly provisional payments, training credits and donations credits.

	2010 ThUS\$	2009 ThUS\$
Income tax provision	(204,885)	(75,606)
Specific mining tax provision	(52,170)	(18,924)
Monthly provisional payments	219,068	82,559
Technical consulting services additional tax	1,130	536
Refundable training expenses	103	80
Credits for donations	<u>1,357</u>	<u>981</u>
Income tax and specific mining payable	<u><u>(35,397)</u></u>	<u><u>(10,374)</u></u>

c. Deferred taxes

At September 30, 2010 and 2009, the detail of accumulated deferred taxes balances was as follows:

	Deferred taxes							
	2010				2009			
	Asset		Liability		Asset		Liability	
Short term	Long term	Short term	Long term	Short term	Long term	Short term	Long term	
ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	
Provision for final liquidations			3,254				2,773	
Provision for price and quantity variations	248				358			
Allowance for uncollectible accounts	134				83			
Provision for vacations	681				527			
Provision donations	555				207			
Unearned income					3,261			
Provision for obsolete supplies	1,911				1,263			
Provision mark to market investments	8							
Severance indemnity		3,063				2,343		
Provision for mine closure, net		1,606				812		
Refinancing costs			123	1,106			59	14
Indirect manufacturing expense			2,982				2,339	
Indirect manufacturing charges			322				281	
Depreciation of fixed assets				264,729			217,773	
Preoperational expenses				31,648			31,284	
Deferred mining taxes	<u>802</u>	<u>2,614</u>	<u>1,555</u>	<u>16,473</u>	<u>1,258</u>	<u>551</u>	<u>1,206</u>	<u>10,844</u>
Total deferred taxes	<u><u>4,339</u></u>	<u><u>7,283</u></u>	<u><u>8,236</u></u>	<u><u>313,956</u></u>	<u><u>6,957</u></u>	<u><u>3,706</u></u>	<u><u>6,658</u></u>	<u><u>259,915</u></u>

The net liability for short-term deferred taxes is presented in short-term liabilities for ThUS\$3,897 (short-term asset for ThUS\$299 in 2009).

The net liability for long-term deferred taxes is presented in long-term liabilities for ThUS\$306,673 (ThUS\$256,209 in 2009).

The breakdown of income tax expense is as follows:

	2010	2009
	ThUS\$	ThUS\$
Current tax expense:		
Provision for income tax of the period	(204,885)	(75,606)
Excess (Deficit) of prior year income tax provision	224	(371)
Provision for specific mining tax	(52,170)	(18,924)
Excess of prior year specific minning tax	63	219
Deferred taxes:		
Changes in deferred taxes for income tax	(42,273)	(62,794)
Changes in deferred taxes for specific mining tax	<u>(3,746)</u>	<u>(13,654)</u>
Income tax expense	<u><u>(302,787)</u></u>	<u><u>(171,130)</u></u>

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.

13. SHAREHOLDERS' EQUITY

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

Concepts	Paid-in capital ThUS\$	Retained earnings ThUS\$	Total ThUS\$
Balances at January 1, 2009	373,820	1,452,298	1,826,118
Net income for the period		643,271	643,271
		<hr/>	<hr/>
Balances at September 30, 2009	373,820	2,095,569	2,469,389
		<hr/>	<hr/>
Balances at January 1, 2010	373,820	1,708,452	2,082,272
Net income for the period		1,197,951	1,197,951
Interim dividends		(900,000)	(900,000)
		<hr/>	<hr/>
Balances at September 30, 2010	373,820	2,006,403	2,380,223
		<hr/>	<hr/>

- b. Shareholdings of the subscribed and paid-in capital are as follows at September 30, 2010:

Shareholders	Number of shares	Subscribed and paid-in capital	
		ThUS\$	%
LP Investment Co. Ltd.	191,379,489	191,380	51.20
Nippon LP Resources BV	93,454,920	93,455	25.00
MM LP Holding BV	56,072,952	56,073	15.00
Antofagasta Minerals S.A.	32,912,319	32,912	8.80
	<hr/>	<hr/>	<hr/>
Total	373,819,680	373,820	100.00
	<hr/>	<hr/>	<hr/>

- c. The Board of Directors approved the payment of dividends in the Ordinary Meeting N°137 held on May 17, 2010 in Tokyo, for ThUS\$500,000 to the Company's shareholders. At June 24, 2010, this amount was paid to the respective shareholders.
- d. The Board of Directors approved the payment of dividends in the Ordinary Meeting N°138 held on August 26, 2010, for ThUS\$400,000 to the Company's shareholders. At September 22, 2010, this amount was paid to the respective shareholders.

14. 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 others companies are related to the Company through common ownership.

At September 30, 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	1,927	1,620		859
	Technical support received	1,201	1,009		
	Rental of offices in Apoquindo	704	388		
	Expense collection	144	(121)	2	
Minera Los Pelambres Foundation	Donation and others	2,815	2,801	14	
Minera El Tesoro	Expense collection	131	(111)	12	
Minera Esperanza	Expense collection	196	(53)	141	
LP Investment Co. Ltd.	20% withholding on disallowed exp.	968	968		
Nippon LP Resources BV	20% withholding on disallowed exp.	473	473		
MM LP Holding BV	20% withholding on disallowed exp.	283	283		
Total short-term				<u>169</u>	<u>859</u>
Antofagasta Minerals S.A.	Water rights				<u>149</u>
Total long-term					<u>149</u>

At September 30, 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	1,220	1,025		305
	Technical support received	1,069	899		124
	Recovery of expenses	287	241		
	Rental of offices in Apoquindo	773	426		
	Water rights				8
	Expense collection	30	(25)	6	
Minera Los Pelambres Foundation	Donation and others	3,054	3,047	7	
Minera El Tesoro	Expense collection	124	(104)	15	
Minera Esperanza	Expense collection	25	(21)	3	
LP Investment Co. Ltd.	20% withholding on disallowed exp.	809	809		
Nippon LP Resources BV	20% withholding on disallowed exp.	395	395		
MM LP Holding BV	20% withholding on disallowed exp.	237	237		
Total short-term				<u>31</u>	<u>437</u>
Antofagasta Minerals S.A.	Water rights				<u>157</u>
Total long-term					<u>157</u>

15. OTHER INCOME AND EXPENSES

The detail of other income and expenses is as follows:

	2010 ThUS\$	2009 ThUS\$
Non-operating income:		
Purchase orders not invoiced	2,125	
Donations credits	1,009	
Indemnities received	449	1,502
Gain on sale of fixed assets	89	2
Other income	555	375
	<u>4,227</u>	<u>1,879</u>
Total	<u><u>4,227</u></u>	<u><u>1,879</u></u>
Non-operating expenses:		
Contribution to Minera Los Pelambres Foundation	2,801	3,047
Earthquake donations	2,640	
Write-off of withholdings	1,724	1,441
Write-off of project	309	112
Write-off of credit of donations		529
Other expenses	218	427
	<u>7,692</u>	<u>5,556</u>
Total	<u><u>7,692</u></u>	<u><u>5,556</u></u>

16. CONTINGENCIES, GUARANTEES AND ENCUMBRANCES

I. Lawsuits:

The Company's Management is aware of legal disputes in which Minera Los Pelambres is either the main or subsidiary defendant, or the plaintiff, which to the best of its knowledge do not significantly affect these financial statements. The detail of the most significant lawsuits is as follows:

Matter	: New Works Lawsuit at Tranque El Mauro.
Parties	: Flores Tapia, Cristián Andrés and others versus Minera Los Pelambres.
Case records	: N° 7.957-2008, Los Vilos First Instance and Guarantee Court.
Quantum	: Quantum has not been determined. Therefore, it is impossible to indicate a potential loss amount.
Status	: On December 4, 2008, the court ruled a temporary works suspension at Tranque El Mauro. This has not had a major effect, as on the said date works were already completed.

In this trial the following procedures have already taken place: the hearing where the defendant must answer the lawsuit and both defendant and plaintiff are to submit their evidence; the parties have answered each other's questions before the judge; the court has performed a personal inspection; and a hydraulic report has been issued by an expert. Currently the court is yet to decide on a petition for an additional expert report that would supplement the one already issued; and also pending is an expert report that will determine whether the work was or not completed as of the date when the allegations were made.

In any case, given the fact that the work has been completed, the operation of the dam should not be affected either by the allegations filed against it or by the interim suspension ordered by the court.

Matter	: Denouncement and petition for injunction against new work and dangerous structure Tranque El Mauro.
Parties	: Defensa de Comunidad Pueblo de Caimanes (Caimanes Community Defense) versus Minera Los Pelambres.
Case records	: N° 7.981-2008, Los Vilos First Instance and Guarantee Court.
Quantum	: No quantum has been determined. Therefore, it is impossible to indicate a potential loss amount.
Status	: The court accepted an incidental plea for invalidation and dismissed the new works lawsuit as it should not be processed together with a ruin and new works lawsuit. Ruin works lawsuit is still being processed, and the court inspection indicated by law has already taken place. Currently an expert report ordered by the court is yet to be issued. In this regard, on November 17, 2009, the court accepted an allegation filed by Minera Los

Pelambres against an expert appointed by the court, a resolution which is final and 16 which prevented this person from preparing the report in question. Subsequently, the court appointed a second expert, but this expert failed to meet the statutory requirements and the appointment was voided. After that, the court appointed a third expert, who does not meet the statutory requirements either, and for this reason Minera Los Pelambres has filed an objection to this appointment, on which the court is yet to issue a resolution.

- 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 regard to losses, defendants are jointly and severally sued (118 in total) for the amount of Ch\$332,285,000 corresponding to each one of the three.
Status : On December 4, 2008, the court ordered that the lawsuit filed in an ordinary trial by the same parties that had requested the pre-trial measures be served to the defendants. The lawsuit in question was filed against Víctor Ugarte Elgueta, Agrícola, Ganadera y Forestal Tipay and a group of other 118 individuals and against Minera Los Pelambres. The plaintiffs asked the court to nullify the settlement reached before the Santiago Court of Appeals in case No. 12.004-2005 and to order the defendants to pay, on a joint and several basis, moral damages of at least Ch\$332,285,000 to each plaintiff, plus direct damages to be determined at the stage of execution of the final ruling..

To date the lawsuit has not yet been served to all the defendants. Nevertheless, Minera Los Pelambres has already filed dilatory pleas and the court has yet to decide on them. In addition, Agrícola, Ganadera y Forestal Tipay, Mr. Víctor Ugarte, Mrs. Stella Bañados and the individuals represented by Mr. Fernando Dougnac have all filed dilatory pleas as well.

II. ENCUMBRANCES:

The Company's assets are not subject 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, 2011.
- 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 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\$3,134. Such bonds are in force until March 31, 2011.

Guarantees Received:

- To date, performance bonds and letters of credits, issued by foreign or local banks in favor of the Company, have been provided by contractors and suppliers for an approximate amount of ThUS\$70,229 to guarantee compliance with contracts and as in the case of equipment its quality and performance.

IV. RESTRICTIONS ON OPERATIONS OR LIMITS

As a result of obligations undertaken with financial institutions indicated in Note 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.

The Company has complied and is complying with all conditions and restrictions imposed by obligations with the financial institutions aforementioned.

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	856,000
2011	2,580,000

17. 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 Los Pelambres, since the company enjoys, until December 2017, 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 2017, the company would recover its original invariability regime with a fixed rate of 4%. 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 2018 until 2023. 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 Los Pelambres 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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